

Industry Super Network welcomes MySuper safeguards

Industry Super Network (ISN) has welcomed the introduction of the MySuper Core Provisions Bill which sets out the basic architecture for default superannuation funds from July 2013.

ISN Chief Executive, David Whiteley, said the introduction of the first tranche of MySuper legislation was an important milestone in protecting the super savings of millions of Australian workers who are losing savings as a result of excessive fees and poor net returns.

“MySuper is designed to deliver a better deal to millions of Australian workers who don’t engage with their super. It is therefore vital that workplace default funds represent value for money and deliver strong net returns to members,” he said.

Central to the success of MySuper will be safeguards to protect members’ current and future financial interests.

According to the Cooper Review, eight in ten Australians do not choose their own fund, relying on the workplace default fund. Central to the policy intent of MySuper is recognition of consumer behavioural traits such as disengagement and inertia.

“The Cooper Review expressly recommended prohibiting the retail practice of ‘flipping’ where an employee may have their super transferred without their consent to a materially more expensive product when changing jobs. ISN welcomes the Government’s commitment to ensure MySuper safeguards are sufficiently robust to protect workers’ super savings from such practices in the future,” Mr Whiteley commented.

Mr Whiteley said that the default treatment of a member’s interest in a fund, when changing jobs, must not permit unforeseen and unjustified fee increases.

“The structuring of superficially cheap default products, which have a hidden ‘sting in the tail’, are not consistent with the policy intent of MySuper. Workplace default funds are designed to protect the interests of disengaged members, many of whom will never read product disclosure statements.

“It is therefore necessary to ensure that when an employee has changed jobs, their accumulated super savings are not transferred to a materially more expensive product without their explicit written consent,” he said.

ISN looks forward to working with the Government on the detail of future tranches of MySuper legislation to ensure members’ interests are placed first.

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