

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Division/Agency: Productivity Commission

Question No: 376

Topic: Financial System Inquiry and the superannuation system

Reference: Written

Senator: Ketter, Chris

Question:

1. Noting the FSI finding that product fees have not reduced as the scale of the super system has increased, which sectors are charging the highest fees?
 - a. Retail or non-profit industry funds?
 - b. Default or choice?
2. How do conflicts-of-interest (to shareholders vs members) contribute to inefficiency in the super system?
3. Are all segments of the superannuation industry equally responsible for the view the FSI has presented that the super system is not as efficient as it could be?
4. Why is consumer competition weak across the super sector?
5. How have consumers performed when they choose their super products (instead of accessing a default product)?
6. How have consumers who are choosing their super products performed: above or below the system-wide average?
7. How have Self-Managed Super Funds, which presumably have the most engaged members, performed: above or below the system average?
8. Is there evidence to support the assertion that banks are cross-selling employers poorer performing (or higher fee) products?
9. Is there evidence to support the assertion that banks cross-selling employers poorer performing (or higher fee) products is a significant problem?
10. Is there evidence to support the assertion that there are industrial award default products that are performing poorly (or higher fee)?
11. Is there evidence to support the assertion that there is a significant problem of industrial award default products that are performing poorly (or higher fee)?
12. What impact will the transition of accrued default amounts (ADAs) to MySuper products have on competition and efficiency in the super sector?

Answer:

The Terms of Reference for the two current investigations of the Commission regarding superannuation do not encompass the majority of the issues raised in the questions above and as such the Commission has not formed a view on them. Some will be relevant to a later stage of the superannuation review, which will take place after 1 July 2017, but currently that is not an active process.

Questions 11 and 12 refer to default superannuation arrangements but the Terms of Reference for that active investigations are quite specific, as has been common practice in this area, and are directed towards having the Commission develop alternative competitive models for allocating default superannuation. As such, and with the default work at a preliminary stage, even questions 11 and 12 are not currently matters on which we have formed a view.