

28 October 2016

Superannuation Productivity Commission
Locked Bag 2
Collins St East Melbourne VIC 8003

Submitted Online: <http://www.pc.gov.au/inquiries/current/superannuation/make-submission#lodge>

Club Plus Superannuation Pty Ltd (Trustee) of Club Plus Superannuation Scheme (Fund) submission in response to the Productivity Commission Issues Paper *Superannuation: Alternative Default Models*.

To whom it may concern,

Club Plus Super has provided default superannuation tailored to the club industry since 1987. The Fund is listed within the Registered and Licensed Clubs Award and the Hospitality Industry (General) Award. While the Trustee acknowledges the need to continue to enhance the Australian superannuation system, the Trustee believes any development to the process for allocating default members must be done in the members' best interest.

The Trustee notes that there is already strong competition within the Registered and Licensed Clubs and Hospitality modern awards. Large funds such as AustralianSuper and Hostplus are available through the Registered and Licensed Clubs Award, yet the vast majority of club employers in NSW and the ACT use Club Plus Super as their default as Club Plus Super's member and employer services are highly regarded by these stakeholders (refer Figure 1 within the Appendix).

The Trustee is of the view that there is a high degree of trust in funds with a long track record within their industry. Smaller to medium sized employers often lack the resources or expertise to undertake a detailed analysis of alternative superannuation providers. The key metric for them is whether the nominated superannuation fund of their employees delivers optimally upon the individuals' superannuation requirements. The current default arrangements do not preclude this. For members that want to make a choice, recent technology improvements have made finding and consolidating super and maintaining one fund across jobs much simpler.

The current system for allocating default fund members has more than 25 years of 'track-record' and the Trustee believe that any baseline for determining what is most appropriate should continue to be built on the existing Fair Work Commission process. When assessing the efficiency and competitiveness of the superannuation system as a whole, it is worthwhile acknowledging that Australia's superannuation system ranks as one of the best in the world¹.

¹ Melbourne Mercer Global Pension Index (2016), Overall Index Results

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Club Plus Superannuation Pty Limited

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AFSL No. 245362 RSE Licence No. L0000529 as trustee of
Club Plus Superannuation Scheme ABN 95 275 115 088,
RSE Registration No. R1000757.

As cited in the Productivity Commission Issues Paper (page 5), 'The concept of defaults has been integral to the development of Australia's superannuation system.

Regarding considerations of members' best interests, integrity and stability, the Trustee believes a fund such as Club Plus Super which has three decades of experience within a particular industry, has forged strong relationships with Human Resources (HR) teams of the clubs that the Fund serves and as a result better understands a typical member's needs and requirements.

The Trustee believes that an understanding of members' needs makes the Fund better suited to deliver appropriate programs such as insurance. For example, Club Plus Super offers automatic income protection that pays 90% of a person's income plus the superannuation guarantee after a waiting period of just 21 days. This structure is somewhat unique to the Superannuation Industry and exists as an explicit response to the needs of club employees. It was in close consultation over a number of years that this program has been developed with industry employers to best meet the needs of their staff.

Club Plus Super recognises the argument for greater competition. The Trustee maintains, however, that competition requires consumers to have full knowledge of their options and believes removing default arrangements will not necessarily result in the level of information needed for consumers to make fully informed decisions.

The Trustee is of the view that the removal of default arrangements may instead lead to a significant portion of new employees making decisions based, consciously or unconsciously, on the promotional profile of funds. The change may well result in advantaging the funds with the largest advertising budgets and heaviest sales activity. It is quite likely that this will shift the market away from funds like Club Plus Super which have chosen not to spend large portions of their member's funds on promotion and commercial sponsorship and rather focus on delivering bespoke, low cost member service.

A focus on providing personal service and ongoing support has helped Club Plus Super build up a level of trust with industry employers. This track record of delivering valuable and appropriate levels of education to the employer in order to support their staff has generated goodwill which is likely to be difficult to embed following a tender process. Importantly the long-term nature of the relationship with the employer's HR department enables Club Plus Super to have the ability to support HR teams in order for them to best educate their staff.

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In conclusion, the Trustee acknowledges the Productivity Commission's role *to help governments make better policies, in the long term interest of the Australian community* and understand the objective of ensuring the highest level of efficiency and competitiveness of the superannuation system. The Trustee is not, however, of the view that an overhaul of the process for allocating default fund members to products will benefit the Australian community nor strengthen the superannuation system.

The Trustee believes strong competition is already present within the default structure of the club industry and believes that due attention needs to be accorded to the decades of goodwill and strong educational support delivered through trusted, long-term relationships built on providing a fit for purpose product and ongoing service.

Yours sincerely,

Janet Torney
Chairman
Club Plus Super

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