Association of Independent Retirees (A.I.R.) Limited
Working for Australians in Retirement

Productivity Commission Review
Into the Efficiency and Competitiveness of the Superannuation System

April 2016

The Association of Independent Retirees (A.I.R.) Ltd welcomes the opportunity to provide input to the Productivity Commission Review into the efficiency and competitiveness of the superannuation system in Australia.

A.I.R. is the federal peak body representing the broad community of 1.6 million Australian retirees who self-fund their retirement income. This group includes those who are fully and partially self-funding their retirement from their superannuation assets.

A.I.R has branches across Australia and we work to advance and protect the interests and independent lifestyle of this group of Australian retirees as well as those who are approaching retirement and are looking to set in place their future retirement plans.

The critical issue for A.I.R. members, both in and approaching retirement, is that their retirement plans are based on past or current policy positions governing the superannuation system. Ongoing Government changes to superannuation impact particularly on self-funded retirees and the ability of their superannuation assets to provide a sustainable and a secure income stream over a period of possibly 30 or more years in retirement.

Thus it is imperative that in framing any recommendations for change, the Productivity Commission carefully considers the position and impact on those who now or in the near future will self-funded their retirement.

A.I.R. considers the issues listed in the Terms of Reference under “Scope of Study: Development of criteria to assess efficiency of super system” to be satisfactory in principle, however consideration should take into account the broader holistic impacts on those who are retired and self-funding their retirement from their superannuation funds, or are in the process of planning their move into retirement

An example of how good intentions can fail to live up to expectations is the Government’s APRA SuperStream Levy included in the package of reforms intended to make the superannuation system easier to use for members, employers and funds. At its inception, the statement was made that these reforms would ultimately provide significantly reduced costs across the industry benefiting funds, members and employers.

It was also stated that cost of implementing the SuperStream reforms over seven years would be paid for by a temporary SuperStream levy on APRA-regulated funds based on the number of existing superannuation accounts at the time. It was estimated the levy would be in the order of $4 per account and it was implied that this cost would be absorbed by the funds. In addition, it was estimated that SuperStream reforms would provide estimated savings for the superannuation industry of $1 billion due to increased efficiencies.

However, after three years the reality for fund members and especially self-funded retirees is nothing like that as presented at the time of implementation. We are yet to hear of an existing fund provider advising members of increased efficiencies and providing a corresponding reduction in fees.

We accept that there has been an improvement in information provided to members and in regard to portability, but we strongly suggest that there has been no reduction in fees to date. In fact fees have increased and for many there is now an APRA compliance fee of $600/annum/account charged by the funds.

As a result, a couple with three superannuation accounts is now charged an additional fee of $1,800/annum by the fund as recovery of an “*APRA Compliance Levy Charge*”.

Whilst improved competitiveness between superannuation funds is one of the issues to be reviewed by the Productivity Commission, the question to be considered is the impact this will have on those self-funded retirees with account based superannuation income pensions who are locked into a fund provider as a result of Grandfathered provisions.

We suggest that the Government needs to strongly manage on behalf of consumers the activities, risk and fees charged by industry and retail superannuation funds, and challenge the perception that the business plans of these funds are not necessarily about improving existing member benefits or reducing fund members' fees.

With income stream pension products, fund members may have the support of a financial advisor but self-manage the market, longevity, inflation and interest rate risks as well as the uncertainty and risk arising from ongoing Government changes. Funds' management fees and charges are not related to outcomes which is a further area of concern.

A.I.R. would be pleased to participate in any roundtable or interview with the Productivity Commission on issues affecting self-funded retirees in the superannuation income stream pension phase, in the assessment and competitiveness of the superannuation system.

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April 2016