

The Chairman
Productivity Commission
Superannuation Review – Alternative Default Models
(Phase 2 Issues Paper)
Locked Bag 2, Collins St East
MELBOURNE VICTORIA 8003

28 October 2016

Dear Chairman,

Thank you for the opportunity to provide a submission to the Productivity Commission's review into models for allocating default superannuation fund members. We welcome this review as an opportunity to examine how the current default superannuation policy settings can be enhanced in our members' best interests.

Whilst we have contributed to the FSC and ASFA submissions, we take this opportunity to emphasise our preferred default model and demonstrate the strengths of our competitive retail fund offering.

Preferred default model – open and competitive MySuper marketplace

We have been a firm advocate for greater competition in the default sector, including submissions to the Financial System Inquiry in 2014 and the Super System Review in 2009. In particular we believe employers should be permitted to select any MySuper product as the default superannuation fund for their award employees.

Superannuation funds are now required to have an APRA-authorised MySuper product in order to receive compulsory employer contributions. Given the rigorous and costly process of designing MySuper products and then achieving APRA authorisation, we believe this is the simplest and most effective framework for default arrangements in the future. This model is expected to result in incremental industry consolidation, further increasing opportunities to achieve greater economies of scale in the industry.

APRA's MySuper authorisation process also means that the Fair Work Commission's current approach to selecting default superannuation funds within employment awards is unnecessary. We have previously raised concerns during the Financial System Inquiry that the process of applying to another body for the right to compete to provide default fund services is duplicative and inefficient, whilst also imposing unnecessary cost on funds¹. We note the FSC's submission on the Commission's issues paper examines these concerns in further detail.

We submit that all employers and employees should have an equal opportunity to access our high-quality and appropriately governed superannuation products and services. This should occur on a level-playing field and in an open and competitive marketplace. In order to efficiently achieve this under the current settings, we recommend that the law is amended to allow an employer to select any MySuper product as the default superannuation fund for their award employees. This model also fulfils the five criteria proposed by the Commission.

Below we have outlined the credentials of Colonial First State and the strengths of our superannuation offering. Until an open and competitive default model is achieved, many employees and employers will continue to be denied the opportunity to access these features.

¹ Commonwealth Bank of Australia, Financial System Inquiry – initial submission, March 2014.



About Colonial First State – our history and customer-centric strengths

Established in 1988, Colonial First State specifically provides investment, superannuation and retirement products to individuals and companies. Colonial First State is the largest account based pension provider in Australia, making more pension payments than any non-government entity. We are also the third largest administrator of retail funds with \$107.1 billion (FUA)².

At Colonial First State, we are committed to bringing world-class investment strategies to assist our customers' manage and build their wealth. In order to achieve this we continue to develop a range of market-leading product features and member experience enhancements, including:

- A strong commitment to innovation;
- Investment in digital technology and member engagement;
- Access to quality advice;
- A broad product suite and strong performance; and
- Heightened governance standards.

Colonial First State is also a consistently awarded superannuation and investment product provider.³

Despite our great service and market-leading efficiencies, the current award process has inhibited our ability to compete for members in the default superannuation market. This is not in members' best interests. The simplest and most efficient policy response is to establish a level playing field for superannuation funds by allowing employers to select any MySuper product as the default superannuation fund for their employees.

We welcome the opportunity to discuss these issues in more detail with the Commission.

Yours sincerely

Peter Chun
Executive General Manager (Acting)
Colonial First State

² Plan for Life March 2016.

³ <http://www3.colonialfirststate.com.au/about-us/corporate-profile/awards.html>