

Superannuation
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Vic 8003

28 October 2016

To:
Superannuation
Productivity Commission

Since 1978, LUCRF Super has existed solely to help maximise its members' retirement savings. Members are employed in a range of industries including warehousing, pharmaceutical, food processing and labour hire.

LUCRF Super was established to provide a fair and relevant retirement fund for its members – predominantly working class, blue collar workers. This was at a time when working people generally had no other alternative than a company-sponsored fund.

Some of the values that drove the fund's establishment in the face of significant resistance by established interests were those of serving members, standing up for one another and fairness. The core value of LUCRF Super is that of service to members. It is a profit-for-members fund – established for the members' benefit.

LUCRF Super differs because it continues to honour its trade union heritage and its original purpose which, put simply, was to provide a superannuation arrangement that meets the practical needs of employees and acts in their best interests.

How LUCRF Super provides value to its members

LUCRF Super has a history of strong, long-term returns and low fees.

In addition, LUCRF Super has a proven ability to provide a comprehensive service to its members (including default members) and contributing employers. Some of the key services include the following:

- Ability to provide general and personal advice directly to members with delivery available in person, at the workplace, in the member's home or on the telephone. LUCRF Super also conducts educational seminars which are available to families and friends of members
- An in-house contact centre and administration

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- Business development managers visit work sites to ensure members have access to information and services
- Access to competitively priced insurance in respect of Death and Total and Permanent Disablement (TPD), Death Only and Income Protection insurance
- Members and employers are informed by newsletters, annual reports, member handbooks, new member induction kits, kits for prospective employers, financial services guides and campaign documentation
- Secure mobile app and online access so members can access their account balance, personal details, investment options and insurance
- Employers have access to a SuperStream compliant Clearing House and Gateway Service.

The importance of defaults

Default superannuation settings are important for members and for employers. Default settings help to ensure that the savings of members who are not inclined to choose their own fund, or are not well-placed to choose, are directed to a high quality provider.

Default settings also help guide or provide a point of reference for those members who are inclined to choose.

Default settings based along industry lines help ensure that products and services are appropriate for workers in that industry, and the level of contributions, services of the fund or funds, and other factors can reflect developments in the sector, and react to industrial and company level collective bargaining.

Default settings help employers who often are not well positioned to choose from a large number of options.

Default settings, particularly a selection process such as the Fair Work Commission's, also helps to monitor for agency risks and ensure that providers meet a high standard.

LUCRF supports the existing Fair Work Commission process. There is no good reason to develop an alternative.

The Fair Work Act was recently amended to enhance the process and the factors the Fair Work Commission should apply when selecting default funds. The matters included are all reasonable and have emerged from Australia's decades of experience with superannuation: (i) the appropriateness of the long term investment return target and risk profile, (ii) the expected ability to deliver on the long term investment return target, (iii) the appropriateness of the fees and costs, (iv) net returns, (v) whether the superannuation fund's governance practices are consistent with meeting the best interests of members of the fund, including whether there are mechanisms in place to deal with conflict of

interest, (vi) the appropriateness of insurance, (vii) the quality of advice, (viii) the administrative efficiency of the fund, and any other matters the Fair Work Commission considers relevant.

The funds that have historically been selected under the old Fair Work Commission process outperformed the system average, and provided services that reflected their industries.

The recent amendments build on this history of success.

It does not make sense to disrupt the best part of Australia's superannuation system. Millions of members rely on the existing default system, including over 165,000 members of LUCRF. Billions of dollars of workers' savings are managed pursuant to this system. LUCRF manages over \$5 billion on behalf of its members through award-winning products, as well as providing appropriate insurance, financial advice, and other services.

Consistent with the Murray Inquiry recommendation, the Fair Work Commission process, as amended, should proceed.

It is acknowledged that the Productivity Commission has received terms of reference that require it to develop alternatives. However the Commission does not need to do so recklessly. The Commission would be justified in making clear to policy makers that:

- Radical change to a system that actually works well involves significant risk.
- Radical change would involve significant costs.
- The Commission has previously recommended changes to the Fair Work Commission process, and continue to believe these would be improvements and worth bringing into effect.
- The Commission agrees with the Murray Inquiry's qualification that a review of the superannuation system by 2020 might find introduction of a new process is unnecessary.

Thank you for the opportunity to comment on the Issues Paper.

Please do not hesitate to contact Chief Executive Officer Charlie Donnelly
additional assistance.

if we can be of any

Yours sincerely

Tim Kennedy
Chairman