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Carve-out threat to super plans

EXCLUSIVE

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Plans to carve out nearly three-quarters of retail superannuation funds from a government-mandated tool that allows investors to compare returns and fees look set to torpedo any chance of consensus on the Coalition's super reforms.

Industry SuperFunds, which represents not-for-profit funds, has declared the carve-out a "threshold issue" which will pre-

vent it supporting reforms that will overturn rules limiting fund choices in enterprise bargaining agreements, making a political deadlock on the issue more likely.

Part of the reforms proposed by the government include a product "dashboard" to enable consumers to compare products including fees, costs and net returns using standardised information.

But draft legislation proposes extensive carve-outs for investment options offered through integrated platforms used by financial institutions such as banks.

A confidential briefing to Treasury by ISF umbrella group

Industry Super Australia cites independent research suggesting 72 per cent of retail funds are held via platforms and could be exempt from the requirement to publish a comparison on the dashboard.

ISA argues that retail super funds have about 30 per cent of funds under management and 45 per cent of all superannuation members but account for 52 per cent of all fees paid to super funds.

"The majority of these fees release to choice products invested via platforms," it says. "The government's proposal to exempt platforms from the requirement to produce a product dashboard

allows this sector to continue to avoid clear, consistent and comparable disclosure of these fees and costs to consumers."

ISA argues that about \$3 billion in commissions would not have to be disclosed to consumers because of the carve-out. "I can't see how parliament can pass a law that denies people an informed choice," ISA chief executive David Whiteley said.

"All consumers have the right to be able to easily compare their super funds with alternatives. A better-informed marketplace will improve competition.

"It is a compromise which

represents a free kick for the banks."

Banks have opposed being required to submit information to the dashboard, arguing that their products covered a wide range of investment styles and options and therefore it would be difficult to provide meaningful disclosures.

Earlier this month, Assistant Treasurer Kelly O'Dwyer said the government would push ahead with changes to superannuation that would overturn rules that can ban workers from choosing their own retirement fund as part of moves to increase choice.

Under the current regime,

unions and employers can limit fund choice by nominating a fund as part of EBA negotiations.

Ms O'Dwyer said at the time that 26 per cent of EBAs gave workers no choice of super fund and another 5 per cent allowed only limited choice.

She told *The Australian* yesterday: "The government is considering the submissions raised in the consultation period to ensure that the legislation strikes the right balance between enhancing transparency and comparability of information for members, and minimising the compliance burden on superannuation funds."