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Default super funds must continue to serve workers interests, not commercial profits: unions

A Productivity Commission draft report has reinforced that the primary criteria for default superannuation funds in modern awards should be how they serve workers, not commercial interests, say unions.

The draft report from the inquiry released today confirms that the investment returns of not-for-profit default industry funds have exceeded those of retail funds.

ACTU Assistant Secretary Tim Lyons said unions welcome the retention of superannuation in the industrial relations system, and the adoption of the ACTU's proposal to establish a specialist panel in Fair Work Australia to assess the listing of default funds in awards.

But this must not be allowed to become a platform for commercial interests, and not-for-profit default funds must remain the mainstay of the award system, Mr Lyons said.

"This inquiry has helped to shed light onto the relative performance of industry and retail funds, and as expected, the Productivity Commission has delivered a mostly positive report card on not-for-profit default industry funds," Mr Lyons said. "The Productivity Commission has found that default funds provide stability and their investment returns exceed those of non-default funds.

"Many workers do not actively choose a super fund, so it is crucial that the default in their award is a fund that is geared towards high returns for members, not super profits for bankers and investment managers.

"We are concerned that some of the recommendations in the draft report have a greater focus on the commercial interests of retail funds, and not the interests of fund members, and would mean less money in workers' retirement accounts.

"Unions regard this report as an endorsement of the role of default funds in awards, and will oppose any proposal that would allow for opting out of this or any other award provision.

"All superannuation fund members will be best served by better transparency, and unions agree it is appropriate for Fair Work Australia to have an ongoing role in assessing and selecting which funds are the default in awards. This role should be within Fair Work Australia, because ultimately, superannuation is an industrial and workplace issue."

Mr Lyons said the criteria suggested by the Productivity Commission for selecting which funds to include in awards are broadly similar to those recommended by unions, although unions believe there needs to be greater weight given to the net returns for fund members.

"In the FWA process, only the legitimate interests of employers and employees should be considered," he said. "Needless to say, we will reject any proposals to open the process beyond the representatives of employers and employees, and to allow those representing commercial interests to have input."

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