HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (FIFTH REPORT)

Westpac Banking Corporation

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Mr JOSH WILSON: Could you take it on notice to come back to this committee with more information about those BT funds in particular. The evidence I'm giving to you is easily available in the public domain. I don't think it's in dispute. I'd be really interested in the bank saying whether it thinks allowing employers, through employer linked funds, to be defaulted into what are proven long-term poor performers is something that the bank should be doing in good conscience.

Mr Hartzer: I'm happy to take that on notice.

Answer: Westpac strongly agrees that the performance of MySuper products is paramount for default customers. This view underpins Westpac's support for the Productivity Commission's 'best in show' concept, which we believe will drive performance and competition across the industry.

We do not offer employers inducements, such as discounts on loans, to incentivise a business customer to select BT as the default fund for its employees. Inducements are prohibited under section 68A of the *Superannuation Industry (Supervision) Act 1993* (Cth).

BT Financial Group's MySuper product is a strongly performing fund and has delivered top quartile returns for the 71% of our default members who are invested in the 1970's, 80's and 90's life stage cohorts. Over ten years these life stage cohorts have returned 8.75%, 8.85% and 8.91% per annum respectively.[1]

The investment returns of these life stage cohorts are stronger than the MySuper products offered by a range of prominent funds over the same ten-year period, including:

- Hostplus - 8.69%,
- Cbus - 8.60%
- HESTA - 8.44%

[1] SuperRatings data as at January 2019.

- TWU Super - 8.16%
- Media Super - 7.88%
- LUCRF - 7.58%
- MTAA - 5.34%

The data reported in The Australian in articles on 19 and 21 January 2019, which were referenced in the Committee’s questioning, appears to have inaccurately compared the performance of BT’s conservatively invested 1960’s life stage cohort (designed for people now aged in their 50s) against ‘balanced’ MySuper products offered by our competitors that have a significantly higher allocation to growth assets.

Westpac notes that Super Ratings raised concerns with The Australian at the time of publication that the use of Super Ratings’ data was “misleading and/or inaccurate”. Super Ratings was concerned the data was being used as commentary on both the Productivity Commission and Royal Commission outcomes.

Life stage funds are designed to assist members by taking more equity risk when they can tolerate volatility, earlier in their working life, and reducing that equity risk as they approach retirement, with the specific intent of preserving capital. Balanced funds do not adjust for the age of a member, leaving those approaching retirement with the same level of risk as the young but without the time required to recover should equity markets fall.

Westpac agrees with the Productivity Commission's assessment of life stage funds. The Productivity Commission's report of 21 December 2018 recognised in finding 4.3, that: "Well-designed life-cycle products can produce benefits greater than or equivalent to single-strategy balanced products, while better addressing sequencing risk for members."