

1. What is the average cost of administrative fees for super fund members every year?<sup>1</sup>

The median disclosed administration fee for a MySuper product member with a representative balance of \$50,000 in December 2020 is 0.325%. The median investment fee was found to be 0.725%.<sup>2</sup>

2. Are you able to quantify that?<sup>3</sup>

On a representative account balance of \$50,000, this represents \$162.50 in administration fees. An individual who earns the median employee income throughout a 37 year working life, earns the member weighted median MySuper product net rate of return (6.6%) and pays the median administration fee of 0.325% will incur approximately \$25,000 (in today's dollars) in fees in total.

For the financial year ending June 2020, approximately \$3.6 billion in administration fees were paid to large APRA regulated funds. By comparison \$2.9 billion was paid in investment fees and total fees paid equalled \$8.5 billion.<sup>4</sup> The remaining fees paid consisted of insurance fees, advice fees and activity fees. However, we note that this APRA data significantly under reports investment fees as highlighted by the Productivity Commission.<sup>5</sup>

3. ASFA said that they wanted to have a different test. I think their view was that it would result in 15 funds falling foul of the test. What do you think about that?<sup>6</sup>

ASFA CEO, Dr Fahy, was asked how many funds would fail ASFAs proposed alternative test. He stated "we wouldn't have had detail at fund level, but, from published information, I suspect somewhere in the region of 10 to 15 funds would fail."<sup>7</sup>

There appears to be no basis for this claim. Based on our analysis of the APRA heatmap data only 5 products would fail this proposed alternative test compared to a potential 20 products under the proposed Government test.<sup>8</sup>

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<sup>1</sup> Senate Economics Legislation Committee, Treasury Laws Amendment (Your Future, Your Super) Bill 2021, 7 April, Hansard p19, Question from Senator Sheldon

<sup>2</sup> Super Consumers analysis of APRA Quarterly MySuper Statistics Sept 2018 - Dec 2020

<sup>3</sup> Senate Economics Legislation Committee, Treasury Laws Amendment (Your Future, Your Super) Bill 2021, 7 April, Hansard p19, Question from Senator Sheldon

<sup>4</sup> APRA fund level statistics June 2020

<sup>5</sup> Productivity Commission Inquiry Report: Superannuation: Assessing efficiency and competitiveness, p155

<sup>6</sup> Senate Economics Legislation Committee, Treasury Laws Amendment (Your Future, Your Super) Bill 2021, 7 April, Hansard p22, Question from Acting Chair

<sup>7</sup> Senate Economics Legislation Committee, Treasury Laws Amendment (Your Future, Your Super) Bill 2021, 7 April, Hansard p18.

<sup>8</sup> Analysis of the December 2020 APRA MySuper Heatmap finds five funds where the total fees and costs disclosed on a 50k balance are in excess of 130 basis points. For lifecycle products this is the asset weighted average fee. One additional fund has some stages which exceed the threshold but the asset weighted average is below it.

This industry proposed alternative test leaves most underperforming funds to pass without any scrutiny. Underperforming MySuper products can reduce a typical member's balance by \$502,000 by the time they retire.<sup>9</sup>

It is important the current proposed performance test methodology is not fundamentally altered and be applied to all accumulation products and decumulation products by 1 July 2022.

4. In terms of this insurance issue, are you aware that AIA, one of the big-group insurers, have said they've got no exclusions?<sup>10</sup>

Members of Aon Master Trust (now smartMonday Prime) are not eligible for automatic insurance cover if they work in what the insurance guide describes as "hazardous/uninsurable" occupations.<sup>11</sup> Their insurer is AIA Australia.

In addition, an eligibility criterion which significantly impacts the value of the policy: a TPD policyholder in Aon Master Trust is only eligible to claim under a restrictive definition of TPD (ADW) if they work in certain occupations listed in the insurance guide.

We have been calling on super funds to remove these types of restrictive terms. We do not see them as aligned with existing obligations on trustees to design appropriate insurance for their members, stapling or otherwise. For the sake of clarity, parliament could consider explicitly banning these types of exclusions.

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<sup>9</sup> Productivity Commission Inquiry Report: Superannuation: Assessing efficiency and competitiveness, p44

<sup>10</sup> Senate Economics Legislation Committee, Treasury Laws Amendment (Your Future, Your Super) Bill 2021, 7 April, Hansard p23, Question from Acting Chair

<sup>11</sup><https://smartmonday.com.au/smartmonday/media/smartmonday/docs/PDS-PRIME-Insurance.pdf?ext=.pdf>, page 2