



AUSTRALIAN INSTITUTE of
SUPERANNUATION TRUSTEES

16 October 2017

Mr Mark Fitt
Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: economics.sen@aph.gov.au

Dear Mr Fitt,

Response to questions on notice: Inquiry into the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2017* and the *Superannuation Laws Amendment (Strengthening Trustee Arrangements) Bill 2017* and; the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 2) Bill 2017*

The Australian Institute of Superannuation Trustees (AIST) thanks the Committee once again for the invitation to attend the hearing in Sydney on Tuesday 10 October. This letter contains our responses to questions taken on notice during that appearance. Our responses are below.

1. Director training

CHAIR: *Can you tell me how much revenue comes from director training?*

Ms Scheerlinck: *I would have to take that on notice.*

AIST's flagship education offering is the Trustee Director Course, which recognises the unique role that superannuation trustees have in providing a better retirement outcome for working Australians. The total revenue for AIST's last financial year for enrolments in this course was \$358,826.

In addition to the Trustee Director Course, AIST offers a variety of training courses and events designed specifically to meet the needs of trustee directors working in profit-to-member superannuation funds. These courses are tailored to the learning outcomes that best meet trustee needs and enrolments in all AIST events and courses are available to members and non-members. Enrolments in our programme from trustee directors for the last financial year totalled \$768,768.

2. Fund performance

CHAIR: *Of the AIST funds, can you tell the committee the range of the 10-year performance figures for your members—what the worst performance would be and what the best performance would be?*

Ms Scheerlinck: *I'd have to take that on notice.*

CHAIR: *Okay. Can you take on notice as well please to assess those high-performance and low-performance marks against the industry super fund average that we hear about—the highly publicised industry super fund average—and also the retail fund performance average. That would be terrific. I think that is slightly more expansive than the data that has been provided by ISA here.*

APRA calculates fund level performance data on an annual basis. Performance data for the end of the 2015-16 financial year is the most recent data available. APRA also uses weighted averages (based upon funds under management) to reflect performance across the industry.

On a weighted average basis, the most recent 1, 5 and 10 year fund level performance figures are shown below:

Sector	Average (weighted)		
	1-year	5-year	10-year
Retail ex-ERFs (Eligible Rollover Funds)	1.56%	6.13%	3.08%
Retail including ERFs	1.57%	6.11%	3.08%
Industry (all)	4.12%	8.26%	5.44%
Industry (AIST only)	4.11%	8.28%	5.44%
Corporate (all)	2.53%	7.52%	5.21%
Corporate (AIST only)	2.32%	7.53%	5.05%
Public Sector (all)*	3.64%	7.85%	3.46%
Public sector (AIST only)*	3.94%	7.50%	2.62%
All AIST funds	4.02%	8.14%	4.75%

* Public sector fund data does not include a number of constitutionally exempt funds which do not report via APRA.

(Source: APRA (2017) *Annual Fund Level Statistics*, June 2016 (Issued 1 February 2017))

With regards to the range of 10 year performance figures, including maximum and minimum figures, we have provided the following information:

Sector	Average (weighted)	Minimum	First quartile (weighted)	Median (weighted)	Third quartile (weighted)	Maximum
Retail ex-ERFs	3.08%	-1.15%	3.10%	3.40%	3.80%	5.78%
Retail including ERFs	3.08%	-5.46%	3.30%	3.50%	4.20%	5.78%
Industry (all)	5.44%	2.70%	5.20%	5.50%	5.90%	6.52%
Industry (AIST only)	5.44%	2.70%	5.20%	5.50%	5.90%	6.52%
Corporate (all)	5.21%	4.16%	5.00%	5.10%	5.50%	7.98%
Corporate (AIST only)	5.05%	4.16%	4.90%	5.10%	5.10%	5.26%
Public Sector (all)*	3.46%	3.43%	4.80%	5.10%	6.50%	6.45%
Public sector (AIST only)*	2.62%	3.43%	4.80%	4.90%	4.90%	4.92%
All AIST funds	4.75%	2.70%	4.90%	5.50%	5.90%	6.52%

* Public sector fund data does not include a number of constitutionally exempt funds which do not report via APRA.

(Source: APRA (2017) *Annual Fund Level Statistics*, June 2016 (Issued 1 February 2017))

As can be seen, the range of performance from AIST member funds compares most favourably against the rest of the industry.

3. Cash account spreads

Senator KETTER: *In relation to outcomes for members in the for-profit sector as opposed to the not-for-profit sector, have you looked at, say, benchmarking cash investment options to see whether there is a different outcome? Is there a basis point spread between those sectors in terms of the cash investment option?*

Ms Volpato: *We have, but I'd have to take that question on notice in order to provide you with accurate figures.*

I should make a general comment that AIST has questioned various consulting firms et cetera about whether we can benchmark fees, costs and returns. Consistently, as I said before, the answer is no. But I'm certainly happy to take that question on notice, to provide the committee with the data that we do have.

Fee analysis research was obtained for AIST from SuperRatings in 2017, with the release of the *Australian Institute of Superannuation Trustees Fee and Performance Analysis* report in March 2017. Notably, there were considerable differences between sectors, with the differences more pronounced in relation to Choice products.

The following table illustrates the difference in median fees between cash accounts in profit-to-member funds compared to retail funds:

Sector	Member Administration Fee	Asset-based Administration Fee	Investment Management Fee	Total Fee
Profit-to-member funds	\$78.00	0.15%	0.07%	\$78 + 0.22%
Retail funds	\$75.00	0.54%	0.30%	\$75 + 0.84%
All funds	\$78.00	0.23%	0.23%	\$78 + 0.40%

(Source: SuperRatings (2017a), period ending December 2017)

The information above can also be quantified for typical members with account balances of \$5,000, \$50,000 or \$250,000:

Sector	\$5,000	\$50,000	\$250,000
Profit-to-member funds	\$89	\$207	\$719
Retail funds	\$137	\$582	\$2,562
All funds	\$101	\$307	\$1,162

(Source: SuperRatings (2017a), period ending December 2017)

Research undertaken in 2017 by SuperRatings for Industry Super Australia shows weighted average performance differentials for cash options of up to 150 basis points between industry fund cash options and retail fund cash options:

Sector	Accumulation phase average returns (%)					Pension phase average returns (%)				
	1 yr	3 yr	5yr	7yr	10Yr	1 yr	3 yr	5yr	7yr	10Yr
Industry funds	1.84	2.09	2.41	2.97	3.47	2.22	2.50	2.85	3.52	4.06
Profit-to-member funds	1.79	2.04	2.35	2.90	3.41	2.01	2.30	2.62	3.26	3.91
Retail funds	1.03	1.30	1.46	1.99	2.60	0.80	1.15	1.39	2.02	2.72
Industry – Retail	0.8	0.8	1.0	1.0	0.9	1.4	1.4	1.5	1.5	1.3
Profit-to-member - Retail	0.8	0.7	0.9	0.9	0.8	1.2	1.2	1.2	1.2	1.2

(Source: SuperRatings (2017b), period ending June 2017, returns are net of percentage based fees, but not dollar based fees)

Lastly, we note that in relation to costs, SuperRatings indicate that the implementation of *Regulatory Guide 97 Fee and Cost Disclosure* (RG 97) is unlikely to resolve all differences regarding fee and cost disclosure, and that legislative prescription may be required to resolve comparability. SuperRatings note especially that profit-to-member funds are likely to be adversely impacted due to their investment in a broader range of asset classes than for-profit funds.

We note also, that inconsistencies in treatment of interposed vehicles will necessarily create opacity in relation to related party payments. This must be resolved in order to correctly state costs associated with members' investments.

Yours sincerely,

Eva Scheerlinck
Chief Executive Officer