

# Senate Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

### Treasury Portfolio

### Additional Estimates

23 – 24 February 2011

Question: AET 77

Topic: MySuper

Senator Bushby asked:

1. Question on Notice SBT 211 suggests the \$40,000 MySuper savings estimate is a straight out comparison of existing actively managed options (which have costs) against passive options?
  - a) Does Treasury agree MySuper is likely to result in increased levels of passive management by Trustees?
  - b) Is this likely to deliver better returns than actively managed funds?
  - c) Should this be taken into account when looking at comparisons I.e., a more accurate practice could be available and more valuable?

Answer:

The answer to Question on Notice SBT211 does not state that the \$40,000 MySuper savings estimate is a comparison of existing actively managed options against passive options. Rather, the \$40,000 savings estimate is derived from comparing MySuper, represented by the 'active balanced (with alternatives)' investment strategy modelled by Deloitte, with Treasury's estimate (based on independent industry data) of the average fee for the default investment option of existing default funds. The 'active balanced (with alternatives)' investment strategy was chosen for the Treasury estimate as it is the most representative of existing actively managed default options and most likely to represent the investment strategy chosen for MySuper products.

The Deloitte analysis conducted for the Cooper Review clearly illustrated that scale efficiencies can be achieved through MySuper using active investment management, including active management in alternative asset classes such as infrastructure.

Moreover, trustees of MySuper products will be required to formulate strategies aimed at maximising long-term net investment returns. It is expected that trustees will consider costs and expected returns in determining the mix of active and passive investment management that would result in the greatest value for money for members.