

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Question: SBT 211

Topic: Estimated benefit of My Super policy

Senator Bushby asked:

Senator BUSHBY—The government has produced a \$40,000 savings figure for the benefit of its My Super superannuation policy announced during the election. Has the likely increased usage of passive management been taken into account in the Treasury estimate?

Senator Sherry—That is the Markets Group again. I will have to take that on notice.

Answer: No

Deloitte estimated that a \$20 billion superannuation fund could offer a MySuper product with an 'active balanced (with alternatives)' investment strategy with annual fees of 66 basis points. The 'active balanced (with alternatives)' investment strategy was chosen for the Treasury estimate as it is the most representative of existing default options and most likely to represent the investment strategy chosen for MySuper products. Deloitte's report can be found at Appendix D of the Super System Review final report.

The cameo covered by the \$40,000 payout increase is a 30 year old now earning average full-time wages who attains a 38 basis point reduction in fees from the MySuper and SuperStream reforms. The \$40,000 is the difference in the CPI deflated value of the payouts at the age pension age of 67.