

21/11/2019

OPENING STATEMENT TO THE SENATE STANDING COMMITTEE ON ECONOMICS  
FROM AUSTRALIANSUPER CHIEF EXECUTIVE, MR IAN SILK

I am pleased to address to the Standing Committee on Economics and thank you for this opportunity.

AustralianSuper is the nation's largest superannuation fund with 2.1 million members and manages more than \$180bn of members' assets. The Fund's job is to act with members to help them achieve their best possible retirement outcome. We work with skill, diligence and care on behalf of all beneficiaries of the Fund.

Members of the fund come from all parts of Australia and every walk of life. In all our meetings surveys and contacts with members, they consistently tell us they want:

1. Strong long-term performance
2. Low costs
3. Good products & services
4. Trustworthy governance and a reputable brand

Our model is to deploy the size and scale of the Fund, along with the skills of our people to meet each of these objectives, in the most cost-effective way to build member balances so they can spend their savings in retirement.

Super is about both saving and spending.

1. The Performance/Growth Benefit to Members

The Fund's performance has historically been and continues to be, strong. We have achieved top decile performance across all horizons, ranking 4th (over one year), 1st (three years), 1st (five years) and 1st (seven years), 2nd (ten years), 1st (fifteen years) and 3rd (twenty years). What this means is that a member who had \$100,000 invested with the Fund in 1999 would be worth \$454,000 today.

To support performance, we actively pursue member growth. Scale creates value for members in two ways. It allows us to pursue absolute and relative investment performance and to reduce costs per member.

## 2. The Low Cost/Members' First Benefit to Members

AustralianSuper charges an administration fee of \$2.25 per week per member.

Meanwhile, the Fund's investment fees have declined materially over time. A key driver of the cost reduction in recent years has been the insourcing of part of the investment function, which would not have been possible without scale.

Last year, member assets rose by 19% while investment costs grew by only 2%.

For most of the Fund's 'Pre-Mixed' options, investment costs have dropped by more than 20% over the last 10 years to FY2017. Investment costs for the Fund's default 'Balanced' option have fallen by 21% over the decade.

Most of this decline is due to the 29% reduction in total base fees paid to external investment managers across the whole Fund.

## 3. The Products & Services/Benefit to Members

The quality of the Fund's products and services is evidenced through consistent industry recognition. The Fund's superannuation and pension products were rated 5 Stars for 'Outstanding Value' by Canstar earlier this year.

Since 2007, we have held 55 AGM like face to face member briefings in each capital city with over 20,000 members attending in person and 13 webcasts seen by an additional 5,000 members. AustralianSuper's app have been downloaded by more than 550,000 members. In 2018, we introduced a dedicated Aboriginal and Torres Strait Islander telephone inquiry line, through which we have helped more than 50,000 Indigenous members. Further, we have made efforts to reach members in the most remote parts of the country via a 'Super Made Easy' radio program which was produced Pitjantjantara and Aranda. The radio program was syndicated across the country and is estimated to have reached 300,000 Aboriginal and Torres Strait Islander members.

## 4. Trustworthy Governance and a reputable Brand

The Hayne Royal Commission unearthed examples of some players in the financial services sector engaging in either illegal conduct, or conduct falling below community standards. It noted three safeguards in place for protecting Australia's superannuation assets: consumer oversight, regulators, and the compliance of registrable superannuation entities (RSEs) with the law. In examining AustralianSuper's policies, behaviours, governance, decisions, performance and most importantly - member outcomes - over the last decade, the Royal Commission found no incidents of misconduct and no incidents of behaviours falling below community standards.

The report made a series of 76 recommendations and provided a series of important insights and guiding norms of behaviour for the industry.

AustralianSuper has reflected deeply on each and has taken a number of steps to improve our practice, despite no adverse findings being made against the Fund.

Pleasingly, AustralianSuper has been named Australia's most trusted super brand for the 7th year running (2013 – 2019) according to the Reader's Digest Most Trusted Brand Survey.

## A History of Bipartisan Improvements

During the year, the Productivity Commission's (PC) report in to the efficiency and competitiveness of Australia's superannuation system found that whilst most members are well served by the system, several structural problems in the system nonetheless exist and need to be addressed - including multiple accounts, excessive insurance and underperforming funds

We commend the Federal Government's enactment of a series of legislative responses that will help address a number of those concerns. The 'Protecting Your Super' reforms that took effect from 1 July 2019 will protect super balances from being eroded by unnecessary fees and costs and the 'Member Outcomes Package' introduced in September 2019 will strengthen the prudential framework to deliver a more transparent and accountable retirement savings system. We have moved quickly to give effect to both packages of legislation.

## Members want more policy stability from government

The Committee should be cognizant that changes have been made to superannuation in almost every Federal budget since the system was first introduced and there have been 26 reviews in ten years - not counting the federal Treasurer's retirement income review announced this year. Constant tinkering has meant that members perceive the system as very complicated and is a source of concern.

Members want to be free to enjoy their retirements. They want us, as superannuation funds, to make them as much money as possible risk adjusted after all costs and taxes.

What they want from government is to stop tinkering so they can plan their retirements with confidence.

Recent research from CoreData reveals that than one-in-four Australians over 50 see 'government legislative change changing the goal posts' as the number 1 risk to their financial security in retirement. Two thirds of Australians over 50 years ranked it within the top 3 risks to their financial security.

Members want the rules governing superannuation to be stable so that they can plan with certainty for their retirement. Indeed, AustralianSuper looks forward to working with the government to improve member outcomes and stabilize the system for the benefit of all Australians.

I welcome questions from the Committee.

Regards

Ian Silk  
Chief Executive