

19/08/15

By email: alex.le@treasury.gov.au

Alex Le,
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Mr Le,

Re: AUSTRALIANSUPER SUBMISSION – TAILORED MYSUPER

AustralianSuper welcomes the opportunity to respond to the questionnaire concerning tailored MySuper.

About AustralianSuper

AustralianSuper is Australia's largest single superannuation fund and is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. We have over 2.1 million members and manage over \$92 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for members.

Question 1: In your view, is the above an accurate description of the policy considerations that inform the design of the tailored MySuper provisions? If not, why not? Are there any other policy considerations that need to be taken into account in the design of the MySuper provisions?

AustralianSuper agrees with the description provided of the policy considerations that inform the design of the tailored MySuper provisions.

Question 2: What are the reasons why tailored MySuper products are being offered? (e.g. need for employer group specific investment strategy, member services, fee structure etc.)

The ability to have a different insurer, badging of material to members so that it looks as if the fund is offered by the employer, and employer and member servicing are all reasons why employers would like to have a tailored MySuper product offering.

Question 3: Are you aware of any employer group sponsors that have set up a stand-alone separate superannuation fund (or refrained from joining a multi-employer fund) solely or predominantly for the purpose of offering a bespoke MySuper product to their employees?

We are not aware of employer group sponsors that have done this. There are single employer sponsors who have continued to operate their fund without it seeking MySuper authorization, and these are bespoke products. They do so on the basis that their employees have to choose the fund as a condition of employment.

Question 4: What are the notable barriers to setting up tailored MySuper products? What are the costs of setting up and operating a tailored MySuper product? How does this compare with the costs of setting up and operating a stand-alone corporate fund?

We are not in a position to comment on the cost of setting up and operating a stand-alone corporate fund in a post-Stronger Super regulatory environment, although this is likely to be more costly than setting up a tailored MySuper option within an existing APRA regulated superannuation fund.

We do not think that this is the only valid comparison to make when assessing the policy considerations around tailored MySuper options. Employer groups also need to consider whether it is the best interests of their employees, for the employer to sponsor a tailored MySuper option, or to transfer employees into a larger MySuper option that is not tailored to a particular employer group.

Question 5: Is the 500 employee threshold too low, too high, or is set at the appropriate level? Why do you think this is the case (especially in terms of governance benefits, implementation and operating costs of spinning off into a stand-alone corporate fund, and any other matters identified in Question 1)?

AustralianSuper contends that this limit should be reset at 1000 employees. The increasing cost of operating a MySuper option as a single APRA regulated superannuation fund, or as an investment option within a superannuation fund means that 500 employees are less likely to get the benefits of scale needed to operate in a highly regulated environment. Employers should be considering whether their employees will pay less fees in a larger MySuper investment option.

Question 6: Are there any other comments that you would like to make concerning the operation of tailored MySuper (things that could be improved or things that work well)?

AustralianSuper is concerned that all tailored MySuper products should have full fee and cost disclosure and be subject to all the transparency measures that other MySuper products are subject to. Members of tailored MySuper products have the same Choice options available to them as other MySuper members. Accordingly, they should be provided with all relevant comparative data between their own fund and other MySuper and Choice options that they might consider in superannuation.

If you have any questions please do not hesitate to contact me on 03 8648 3847 in the first instance.

Yours sincerely



Louise du Pre-Alba
Head of Policy