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

CHECK AGAINST DELIVERY

AustralianSuper welcomes the opportunity to address the Economics Legislation Committee and expand on the issues raised in our submission on the Treasury Laws Amendments (*Your Future Your Super*) Bill 2021.

AustralianSuper is Australia's largest superannuation fund and is run only to benefit members. Over 2.3 million Australians are members of AustralianSuper with over $200bn in member assets under management. We are the custodians of the retirement savings of more than 10% of Australia's workforce; our members come from all over Australia and from multiple industries.

Our sole focus is to use our size and scale to provide the best possible retirement outcomes for members and in doing so, always act in members' best financial interests. AustralianSuper is the number one performing superannuation fund in Australia over the last 5, 10 and 15 years,[1] and over the last 10 years has significantly reduced investment costs.

AustralianSuper invests in the order of $90 billion in the Australian economy, including significant investments in regional Australia. This is an important point to make in the context of our ability to make appropriate investment decisions on behalf of AustralianSuper members.

Almost all of our investments made on behalf of our members are available to see on AustralianSuper's website through our Portfolio Holdings Disclosure. We disclose these on a voluntary basis, so that our members can see how and where we invest their money.

Your Future Your Super Package

I now turn to the *Your Future Your Super* Bill.

AustralianSuper approached our submission on the basis that:

- We largely support the stated policy intent
- We identified where we consider the provisions in the Bill do not align with that intent, or where we consider there would be unintended consequences
- We propose principles to improve the Bill to achieve the desired policy outcomes.

At its core, our submission is based on our belief that a world-leading superannuation system must be robust, focused on retirement income, deliver good benefits, be sustainable and characterised by a high level of integrity. Importantly in a compulsory system, we believe that all funds should perform, as a minimum, at a reasonable level with strong investment performance being the norm.

I'll make some brief remarks on each of the elements of the Bill and direct the Committee to the details set out in our submission.

Single Default Account ('Stapling')

Our key submission in relation to stapling is that AustralianSuper believes that new entrants to the superannuation system must be protected against being defaulted into an underperforming fund for the duration of their working lives. Importantly, by 'underperforming' we mean 'net benefit' to members.

We are not confident that the Bill, as proposed, provides sufficient protection to ensure this does not occur.

- Therefore we propose in our submission that funds or products that are not subject to performance benchmarking or available through the proposed comparison tool set out in the Bill should not be available for stapling.

[1] Based on the AustralianSuper Balanced investment option compared to the SuperRatings Fund Crediting Rate.

There has been some media in recent days that implies AustralianSuper's submission is that the Bill should include a 'best in show' or 'top 10 funds' list. This is not the case. Our submission is simply that any system changes should protect Australians from being stapled to underperforming funds.

Superannuation Fund Performance

Second, we note that the Bill subjects MySuper and Trustee Directed Products to annual performance tests to prevent underperforming products over two years from receiving new members.

In relation to these measures, we recommend that:

- Fund performance should be assessed against a 'net benefit' measure (including administration fees) rather than 'net investment' return. Members are entitled to strong investment performance, but at the end of the day it is the net returns to Members – that is, what they receive in their accounts after investment performance, fees and charges are all applied - that is most important to them.

- We also recommend in our submission that all APRA regulated superannuation products should be subject to performance benchmarking and annual performance assessment, not just MySuper and Trustee Directed Products. It is unclear to us the policy merits in excluding any products if the policy objective is transparency about comparative fund performance.

Best Financial Interests Duty

In relation to the provisions going to best financial interests, AustralianSuper does not see a difference between the concept of acting in members' best interests and acting in members' best financial interests. We already act in this way and we will continue to do so.

Our submission sets out in detail our fundamental concerns with these provisions and our recommendations for amendments. In particular:

- The strategic management of superannuation funds and their investment strategies are matters for Trustees (in accordance with their regulatory obligations). It should not be within the remit of Parliament to dictate (or change) where superannuation funds may or may not invest.
- The fact this is in a Regulation making power adds further uncertainty given there is no specificity about what the Government may intend here, or indeed where the Parliament may legislate. There are also no transitional provisions which would govern how Funds might dispose of assets to comply with the rules (which may in turn see members lose where this is contrary to a Fund's long term investment strategy).
- Similarly, the nature of funds' expenditure will be determined by their overarching strategy. The test applied to whether Funds are acting in members best financial interests should therefore be consideration of the outcomes or 'net performance' that is delivered to members. Funds should be held accountable for their expenditure on this basis and should be prepared to evidence the rationale for their expenditure accordingly.
- To this end, the 'best financial interests' test must apply to all APRA regulated superannuation funds and include dividend payments, as well as all fees. Limiting the scope of these provisions and excluding dividend payments does not reflect the stated policy intent and is not in members' best financial interests.

I am happy to expand on these points further, and I welcome questions from the Committee.