

**Thursday 25, 2013**

### **AIST urges APRA to raise the bar for MySuper product dashboard**

**The Australian Institute of Superannuation Trustees (AIST)** is urging APRA to ensure super fund's investment return targets are meaningful and accurate for consumers.

In its submission on APRA's draft reporting standards for the MySuper online product dashboard, AIST raises concerns about proposed return target requirements, arguing they could be easily manipulated without strict probability parameters.

**AIST's executive manager of policy, David Haynes**, said AIST strongly supported super funds having to disclose their return targets as part of the product dashboard but the Institute was concerned that these targets should be credible.

"If MySuper products dashboards are going to be truly comparable, then the investment return targets disclosed on Product Dashboards must be made by super fund trustees with a high degree of probability that they will actually be achieved," Mr Haynes said.

AIST is proposing that APRA's return target requirements should be made by trustees with a high probability of around 75 per cent.

"Consumers would reasonably expect that the trustee of the super funds they were comparing had a high probability of the target being achieved year to year, and not just a 50% probability," Mr Haynes said. "This is critical in creating truly comparable return targets."

AIST notes that AIST member and industry super fund, Cbus, has estimated that the difference between a 50 per cent probability target and a 75 per cent probability target is 2 per cent per annum.

"This is huge difference in terms of both short and long-term super fund performance and highlights how having a low probability factor in relation to return targets could easily be manipulated by under-performing funds," Mr Haynes said.

#### **Other recommendations in the AIST submission include:**

- There should be comparability between the performance, fees and risk of all superannuation products and not just between MySuper products and these MySuper forms should anticipate this requirement for comparability in the forthcoming reporting standards for Choice products.
- AIST strongly supports the disclosure of returns net of tax, and investment and administration costs, and supports the use of a 'representative member' to assist comparability. However, we submit that an account balance of \$50,000 throughout the reporting period and a contribution of \$5,000 during the period should be assumed.
- AIST restates its concerns with the proposed measure for level of investment risk, and continues to call for the Product Dashboard and associated reporting to be renamed as a measure of volatility, and to require consumer disclosure of a measure of long-term investment risk. AIST calls on APRA to announce a timetable and process to address these issues.

- In an environment where many fund mergers have occurred and more are likely, there should be greater guidance given for calculating merged fund part performance.

Click here to read AIST's submission

[http://www.aist.asn.au/policy-research/submissions/2013-collection/07\\_july/apra-submission-on-draft-reporting-standards-srs-7000,-srs-7020,-srs-7030.aspx](http://www.aist.asn.au/policy-research/submissions/2013-collection/07_july/apra-submission-on-draft-reporting-standards-srs-7000,-srs-7020,-srs-7030.aspx)

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*AIST is the peak industry body for the \$500 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.*