

Thursday 25<sup>th</sup> May

## Choice members of 'for-profit' funds remain in the dark about poor performance

Millions of Australians are being kept in the dark about the poor performance of their retail super funds, **the Australian Institute of Superannuation Trustees (AIST)** said today.

AIST – which commissioned independent research agency, SuperRatings, to examine performance and fees across both the MySuper and Choice environment - is concerned poor disclosure and data across the Choice sector means members are unable to compare their fund's performance.

**The SuperRatings report Fee and Performance Analysis 2017** examined more than 600 MySuper and Choice investment options on a like-for-like basis.

Looking at the Choice sector, the report found that the vast majority of retail master trusts underperform profit-to-member funds with similar asset allocations.

According to the report, the median profit-to-member fund in the Choice Sector outperformed the median Retail Master Trust in one, three, five, seven and ten years to 31 December, 2016 across nine out of eleven different investment classes. This included balanced options, high growth, diversified fixed interest and property options. In the case of the property options, the median ten year net return for "profit-to-member" funds was 5.39% compared to just 1.17%.

But perhaps the most blatant examples of Choice failing members is where the fees charged by the average Choice retail fund for their balanced investment option is substantially higher than in the MySuper arena, especially on higher account balances, despite the fact the two funds have asset allocations within the same range.

**AIST senior policy advisor, Karen Volpato**, said the poor track record of for-profit funds in the Choice sector pointed to the need for improved data as well as consumer protection.

"In a compulsory super system where consumers are free to make a choice, there is an onus on regulators to ensure that investment options can be easily compared," Ms Volpato said. "We need to collect better data and we need to ensure disclosure requirements are meaningful, honest and fair. As it stands now, choice is delivering sub-optimal outcomes for those who end up in for-profit retail funds."

Ms Volpato said current moves to improve disclosure did not go far enough, given that the Choice sector had been granted many exemptions over a number of years from having to either disclose or provide reports to the regulators.

"The lack of comparable data – including arising from ASIC's new RG97 disclosure requirements – means that consumers cannot be sure what they are getting into," Ms Volpato said.

AIST has long advocated that net performance – what the member receives in their superannuation account – is critical. However AIST also recognises that how fees and costs are calculated and how they are disclosed is important since this impacts on net returns.

“What matters most in terms of retirement outcomes are net returns but we also need to be able to properly compare fees and costs of all super funds, not just MySuper,” she said

Mr Volpato said AIST supported the publication by the regulator of a league table of long term performance across both MySuper and all Choice funds.

**Further enquiries:**

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***AIST is the peak industry body for the \$700 billion profit-to-member super sector which includes industry, corporate and public sector funds.***