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## Government reforms must recognise that net returns drive optimal retirement outcomes: AIST

- **Outcomes test must put net returns first**
- **Outcomes test and enhanced APRA powers should be extended to Choice sector**

The Government's proposed 'outcomes' test risks diluting the vital role of net investment returns in delivering optimal retirement outcomes for superannuation consumers, the **Australian Institute of Superannuation Trustees (AIST)** warned today.

The warning is contained in AIST's [response](#) to the Government's *Treasury Legislation Amendment (Improving Accountability and Member Outcomes in Superannuation) Bill 2017*, released last month by the Minister for Financial Services, Kelly O'Dwyer.

The proposed package of reforms will modify the MySuper 'scale' test with a new outcomes test and also significantly boost APRA's regulatory powers.

**AIST CEO Eva Scheerlinck** said while AIST was generally supportive of an outcomes assessment it was concerning that the proposed framework for the assessment did not give sufficient weight to net returns.

The outcomes test will require trustees of regulated superannuation funds to consider the appropriateness and quality of their MySuper product offering on an annual basis. Trustees will be required to assess whether the outcomes being delivered by their MySuper products are promoting the financial interests of their MySuper members.

"What really matters to members is the amount of super they receive when they retire," Ms Scheerlinck said. "Net returns must be the number one consideration for any outcomes assessment."

Rather than the Government's proposed outcomes test which gives equal weighting to a range of criteria, AIST has recommended a two-tiered process that gives net returns precedence over other criteria, such as services provided and facilities offered. AIST has also called for the assessment – that is currently limited to MySuper options – to apply across all sectors of the industry.

"Choice investment options have more money invested in them than MySuper, yet on average they underperform and cost more," Ms Scheerlinck said. "In a compulsory super system, best practice and standards should be delivered for all super consumers."

Similarly, AIST argues that proposed enhancements to APRA's direction powers and its penalty regime should apply to the Choice sector as well.

Commenting on the Government's proposal to introduce a requirement for funds to hold an annual member meeting (AMMs), Ms Scheerlinck said AIST recognised the value of direct member contact with super fund boards and senior management.

"Providing a means for members to engage with the people managing their super is a good way to identify those issues which are of most interest to members," Ms Scheerlinck said. "However the requirements for AMMs must be flexible so meetings can be appropriately structured for different membership needs and with minimal cost burden."

**Enquiries: AIST senior media manager Janet de Silva: 0448 000 499**

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