

25 May 2021

Director
Retirement Income Policy Division
Treasury
Langton Cres
Parkes ACT 2600

By email: superannuation@treasury.gov.au

Dear Sir/Madam,

Your Future, Your Super Regulations and associated measures

The Property Council welcomes the opportunity to provide comments to Treasury in relation to the Exposure Draft Regulations (the draft regulations) and Explanatory Statement of the measures related to the Government's *Your Future, Your Super* reform package.

We acknowledge and support the amendments that have been made to the methodology used for the annual performance test in the draft regulations. In particular, the Property Council welcomes the inclusion of separate asset classes ('covered asset classes' in the draft regulations) for Australian unlisted property and international unlisted property. We also welcome changes that set a different performance benchmark for these unlisted asset classes compared to listed assets, which have their own appropriate listed benchmark.

Without these changes, the annual performance benchmarking test would have created significant unintended consequences for superfunds and the sectors that they invest in, including shifts in asset allocation away from actively managed, unlisted property investment strategies to a passive investment strategy. This would have created a less than optimal outcome for Australia's pool of retirement savings. By discouraging superfund capital away from unlisted property, it could also have had an adverse impact on jobs, construction activity and the future supply of offices, industrial parks and other real estate assets.

However, we believe that an unintentional error has been made in how the unlisted property benchmark has been described. Our understanding is that the benchmark referred to in the draft regulations – the *MSCI/IPD Mercer IPD Australian Monthly*

Wholesale Property Fund Index – has had a name change and is now known as the *MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index*.

To avoid any confusion, the reference in the regulations should be updated to the following to ensure the annual performance test measures of the regulations operate as intended:

***MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index – NAV
Weighted Post-fee Total Return (All Funds)***

If you have any questions or would like to discuss any aspect of this submission, please contact Kosta Sinelnikov on 0422 168 720 and ksinelnikov@propertycouncil.com.au, or myself on 0400 356 140 and bngo@propertycouncil.com.au.

Yours sincerely



Belinda Ngo
Executive Director, Capital Markets