

AIST

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Australian Government
The Treasury

Email: superannuation@treasury.gov.au

Superannuation performance test treatment of faith-based products

Brief

AIST understands the intention of the Government to allow the Australian Prudential Regulation Authority (APRA) to consider the religious affiliation of a super fund when applying the annual performance test in accordance with its election promise.

While AIST accepts that this is a pre-election commitment, we submit that there are more practical ways to progress this:

- Consideration of faith-based product performance testing should be incorporated into the Government's review of Your Future Your Super (YFYS) performance benchmarks that will be conducted following the current round of MySuper product performance assessment.
- There should be a single-stage performance test based on assessment of the underlying assets against objective benchmarks for the assessment of *all* superannuation products (as the performance test is expanded beyond MySuper products), as a two-stage process risks damaging the integrity, objectivity, comparability, and comprehensibility of the performance assessment framework.

About AIST

Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public sector superannuation funds. As the principal advocate and peak representative body for the \$1.7 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research. AIST advocates for financial wellbeing in retirement for all Australians regardless of gender, culture, education, or socio-economic background. Through leadership and excellence, AIST supports profit-to-member funds to achieve member-first outcomes and fairness across the retirement system.

Submission

AIST would like to thank the Government for the opportunity to provide a submission on the Superannuation Performance Test Treatment of faith-based Products.

One performance test to be assessed as a part of the wider YFYS review

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AIST looks forward to consulting with the Government and Treasury on its wider YFYS law review later this year. As a part of this review, Treasury will assess the performance benchmarks to ensure effective fund management and transparency in product performance.

AIST proposes that the performance treatment of faith-based products be considered as a part of the larger YFYS review. This will ensure that Treasury can fully assess the best consumer outcomes against the entire YFYS framework rather than focusing on one component.

One robust performance test applied to all products equally, including faith-based products, will ensure an even playing field that encourages consumer confidence and reduces complexity. Incorporating a review of faith-based product performance testing into the larger YFYS review will ensure that the considerations of the one performance test will be superior and all-encompassing.


The current framework of superannuation performance testing is being expanded to include products that are not MySuper products. While this requires consideration of appropriate benchmarks, AIST strongly submits that exemptions to performance testing run the risk of being perceived as weakening performance testing overall and perhaps be open to gaming.

AIST has at least one AIST member fund that has a faith-based investment strategy. We appreciate some consumers may seek an option to invest their superannuation in ventures that reflect their personal beliefs (that is, in a Choice rather than a MySuper product).

While this is understandable, there should not be an exemption from performance testing in relation to any product where the product-holder bears the investment risk. The performance of any faith-based product should be assessed against a performance test that uses objectively based performance benchmarks.

For further information regarding our submission, please contact Sonia Hunyadi, Government Relations and Policy Advisor on shunyadi@aist.asn.au.

Yours sincerely,



Eva Scheerlinck

Chief Executive Officer