ALLEN PARTNERS

Level 16, 333 George Street
Sydney NSW 2000, AUSTRALIA

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Superannuation Efficiency and Performance Unit
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600
YFYS@treasury.gov.au

Submission to Annual Superannuation Performance Test – Design Options Consultation Process

1. **Executive Summary: Re-align the superannuation fund industry based on net returns, not costs**

As we set out initially in our submission to the Retirement Phase of Superannuation Consultation Process dated 28 January 2024 (attached as an Appendix to this submission), the utilisation of superannuation for investment to increase the available retirement savings for fund members is being **undermined by a focus on 'total costs' rather than net returns**. Australian superannuation funds have underperformed against other global investors including many of the world's most successful pension funds and sovereign wealth funds, which are not constrained by regulation and industry behaviour so heavily focused on fees. Internationally, countries are beginning to recognise that a focus on 'costs' over performance undermines the risk appetite for investment and has downstream consequences and are therefore reforming relevant regulation to encourage capital toward performance.

Regulation of the superannuation industry (RG97, the APRA Heatmap, the ATO YourSuper Comparison Tool) and policy (Your Future, Your Super – YFYS) is overly and inappropriately focused on achieving the lowest possible total costs (i.e. including investment costs), and hence there is an imperative for Government to **re-align the industry to focus on net returns to lead to better outcomes**, rather than simply allowing superannuation to compete on the basis of lowest 'total costs' per se. We believe that this could practically be achieved by mandating superannuation funds to focus on optimising net risk-adjusted returns as their primary performance metric with a secondary focus on value for money, alignment and efficiency of investment costs and administrative/operational costs, not just minimising total costs per se. We believe that this change would result in an environment in which superannuation funds would be unconstrained to focus on optimising risk-adjusted returns.

Much of the focus on fees is a legacy from how funds have competed in the marketplace. Low fees alone don't deliver a material benefit to superannuation fund members as it refocuses comparability away from performance and returns, and inhibits the provision of services to members.

The current Your Future, Your Super performance test has flaws and there is a concern that it does not drive optimal performance, is focused too much on implementation of potentially sub-optimal SAAs, and is too constrained by historical SAA decisions. While the current performance test focuses more on measuring administration costs rather than investment fees, the reality is that most of the superannuation funds bundle investment and administration/operational fees (i.e. total costs) when marketing to members as 'low cost' and this is impacting their interactions with the asset management industry (e.g. an aversion to higher quality or more well-resourced managers or strategies, avoidance or structuring around sensible performance fees, irrational fee budget constraints, etc.).

We believe that this behaviour needs to be discouraged by a new performance test and that focuses on maximising net risk-adjusted returns, not just slightly beating ('hugging') passive benchmarks, **and which is unconstrained (or not penalised) by the impact of higher investment fees correlated with higher performance.**

Allen Partners' submission is consistent with the Australian Investment Council's submission to the same review: that "Australia's superannuation performance testing and transparency framework would be significantly improved by focusing directly on the overarching drive of member outcomes: **risk-adjusted net returns.**"

2. Introduction and Context

Thank you for the opportunity to provide the following submission for the Treasury's consideration for the Annual Superannuation Performance Test consultation.

Allen Partners is a Sydney-based capital advisory firm, which advises global and Australian asset managers seeking to establish and grow investment relationships with Australian superannuation funds, sovereign wealth funds and other institutional and wholesale investors (asset owners). As such, we have decades of practical insight and experience into the interaction between asset managers and asset owners in the process of assessing investment opportunities and investing capital, including whether investment fee structures incentivise the allocation of capital toward growing the Australian economy.

It is from this perspective that we have sought to highlight the opportunity for regulatory change in relation to fees and costs, which we believe currently acts as a significant barrier and impediment to achieving optimal outcomes for superannuation fund members, impedes the flow of capital into important areas of the Australian economy, results in lower taxation revenue for Government and increases the burden on Government to fund the aged pension.

We note the Government's proposed objective of superannuation is "to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way."[1] Critical to achieving this objective is ensuring that capital is allocated aligned to different risk profiles to **maximise risk-adjusted returns** and ensure superannuation is maximising its contribution to Australians, the taxpayer and the Australian economy. To that end, we believe the foundation of this proposed objective should be the **primary obligation** of superannuation funds to focus on maximising risk-adjusted returns to achieve the best possible long-term financial outcomes for members.

Under current law and regulations, the objective of maximising risk-adjusted returns is being undermined by superannuation funds' preference for advertising themselves to members as 'lowest cost'. This is in contrast to the sole purpose test which states that superannuation funds must ensure the "sole purpose of providing retirement benefits to members" [2]. In practice that should enable different models of investment and a range of adequately-resourced member services but with the **overriding objective of maximising net returns**, rather than the current simplistic 'headline' focus on minimising all fees (including investment fees).

[1] https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd2324a/24bd35#:~:text=The%20purpose%20of%20the%20Superannuation,an%20equitable%20and%20sustainable%20way'

[2] Federal Register of Legislation - Superannuation Industry (Supervision) Act 1993

Instead, the current practice is for superannuation funds to compare themselves based on their fee structures and whether they are 'low cost', and incorrectly associating (and aggressively promoting) this with better performance. Superannuation funds regularly compete on being low cost rather than solely prioritising **maximising net returns**, which at the end of the day (i.e. in retirement) should broadly be all that matters. There are multiple legacy drivers for this culture and practice.

Government regulation via ASIC's Regulatory Guide (RG) 97 ("Disclosing fees and costs in PDSs and periodic statements"[3]) requires superannuation funds to also disclose all fees and costs, however in practice this has resulted in the bundling of investment costs (management fees and performance fees) with other administrative or operational costs (such as fund administration, custody, transaction costs, accounting, tax reporting, insurance, directors' fees, etc.). However, unlike these other true 'costs', appropriately aligned yet sometimes higher investment costs can (and generally do) lead to better net returns. For example, performance fees for successful investments necessarily and mathematically put upwards pressure on total costs yet these fees are normally a reflection of substantial outperformance over a benchmark (otherwise known as alpha) and therefore higher returns. A timely and high profile example of the unintended consequence of total fees and costs reporting has been the negative reaction in the press and amongst some sectors of the superannuation industry to the highly successful Canva investment due to the large accrued performance fees payable to the venture capital asset managers and the requirement for superannuation fund investors to report these fees as part of their overall Management Expense Ratios (MERs) – i.e. investment costs **bundled with** administrative/operational costs.

The ATO YourSuper comparison website places too greater focus on total costs and allows superannuation fund members to rank funds on the basis of total costs defined as the "Annual Fee" – "… the total of all investment, administration and advice fees the fund charges your account"[4], i.e. also bundling investment fees with administration/operational costs and clearly suggesting that higher total costs are 'bad', with no delineation between higher investment costs which often are associated with higher long-term net performance. Less financially literate members will be confused by this or at worst may decide to switch to another fund based on its lowest cost with no regard to the association between investments fees and returns.

The APRA Heatmap similarly puts too much emphasis on total costs including investment fees. The Heatmap should focus only on administration/operational costs (i.e. super fund efficiency measures) as opposed to investment fees, which should be netted against gross performance to calculate net performance – which should be the primary focus of members.

Also, policy statements from the previous Government linking low costs with better outcomes are not helpful. For example, in the Your Future, Your Super policy statement (Treasury, October 2020[5]), the document made the following statements:

- "Australians are paying $30 billion per year in superannuation fees. This is more than the $27 billion Australian households pay on their energy bills or the $12 billion they spend on water bills. By 2034, it is estimated that Australians could be paying $45 billion in superannuation fees."
- "Every dollar that an Australian pays in higher fees is a dollar that they will not benefit from in their retirement."
- "Greater member engagement is critical to the success of the superannuation system. It drives greater competition which delivers **lower fees and better returns** for members."

The clear inference from these statements in that lower costs create better performance/outcomes, which is simply incorrect, as it ignores the potentially (and generally) higher risk-adjusted **net** returns from investment strategies that have higher investment costs (management fees and/or

[3] RG 97 Disclosing fees and costs in PDSs and periodic statements | ASIC
[4] YourSuper-Comparison-Tool | Australian Taxation Office (ato.gov.au)
[5] https://treasury.gov.au/sites/default/files/2020-10/p2020-super_0.pdf

performance fees) than lower cost strategies. While having the lowest possible administrative and operational costs will necessarily improve outcomes (assuming a minimum level of service provider integrity/quality), it does not follow that lower investment costs results in better performance and returns. Many higher investment fee strategies result in higher net returns for members on a risk-adjusted basis (i.e. equivalent or often lower risk to lower cost strategies) – private equity and venture capital funds are a good example, especially for younger members of superannuation funds who can greatly benefit from the compounding effect of these higher returns over 20-40 years. Investment opportunities should be considered and compared on a **net risk-adjusted returns basis without the negative association of assessing higher investment costs in isolation** – i.e. gross returns less fees.

Recommendation: Re-align the industry to prioritise net returns over low costs

As stated on page 28 of the Consultation Paper, "Normally a measure of costs to members would focus on the level of administration fees, as investment fees would typically be included in the investment measures." This is **NOT** the case amongst the superannuation industry today, which regularly competes on total costs and 'low fees' per se. **We recommend an alignment between Government Policy (YFYS), ASIC, APRA and the ATO to change this approach and require superannuation funds to prioritise the maximisation of risk-adjusted returns (consistent with risk appetite) and optimal efficiency (low administrative costs) in preference to (and/or to discourage) the pursuit of low total costs per se.**

We believe that adjusting the current performance test and other policies to focus superannuation funds on **better net performance and operational efficiency** measures would result in an unconstrained focus on optimising performance and ensuring better member outcomes. In addition, we believe that Government policy initiatives and communication is required to realign the superannuation industry to prioritise net returns and encourage a standardised approach to fee reporting and advertising. This includes the need to de-emphasise policy rhetoric aiming at simplistically (and incorrectly) linking lower fees with better returns – e.g. "Every dollar that an Australian pays in **higher fees is a dollar that they will not benefit from in their retirement**" and "Greater member engagement is critical to the success of the superannuation system. It drives greater competition which delivers **lower fees and better returns** for members"[6].

3. Answers to Specific Consultation Paper Questions

Options for Reform

1. Do you agree with these principles? Are there any other principles that should be considered?
   In general, member outcomes are compromised by the obsession with fees, which has the unintended consequence of limiting the investment universe and lowering net returns. This is particularly detrimental for younger members who are denied the optimal impact of compounding over their investment horizon. While administrative and operational costs (e.g. custody, brokerage/FX, etc.) should be minimised while also being mindful of maintaining institutional grade quality, the industry's obsession with lowering all costs per se (including investment fees) is leading to sub-optimal return outcomes. An overriding principle of maximising risk-adjusted net returns should be paramount to the superannuation industry's objectives, and secondly also achieving maximum efficiency through low administrative and operational costs. However, it is important to bear in mind that such administrative costs are typically around 10 basis points p.a. which are very low compared with long-term net return targets of 800-1,000 basis points p.a. (and much higher for certain asset classes like private equity and venture capital), so it is important to keep net returns in perspective as the overwhelming priority.

[6] Your Future, Your Super Policy Statement (October 2020)

Design Options

Status quo – SAA Benchmark Portfolio

2. Is assessing the implementation of a strategy, as opposed to assessing the choice of strategy itself, a strength or weakness of the current framework?
Clearly a weakness as it does not have the right focus on maximising risk-adjusted returns and assumes that the selected SAA is optimal.

3. Can the existing methodology be materially improved, such as by further calibrating benchmarks, to largely address unintended consequences? How could these improvements overcome the incentive to benchmark hug, and remove barriers to invest in emerging asset classes?
Focus more on absolute return or peer relative performance tests, which encourage better performance and move away from the concept of allowing super funds to compete on being the lowest cost.

Alternative single-metric test – risk adjusted returns

2b) Peer comparison of risk-adjusted returns

12. Are either of these approaches better than the existing test methodology (Option 1) or a simple Sharpe ratio (Option 2a)? Are there any other considerations that make this a better or worse option?
This option would allow for **performance to be the main focus, and thereby discourage a low fee approach** which generally leads to sub-optimal performance. The key message here is to focus on net performance after investment fees, rather than allowing a focus on total fees alone. Better performing net return funds should stand-out consistently over time and not be penalised by higher fees in the short term (or long-term). Canva is a good example – while its very strong performance has generated higher performance-related investment fees, clearly this has been a huge win for super fund members when focusing on net returns over the investment horizon. An unintended consequence of the 'obsession' with low fees can lead in some cases to super funds wanting to sell out of successful investments early to avoid reporting higher fees, and thus also missing out on the higher returns (as we highlighted alongst other sub-optimal behaviour examples in our Retirement Phase of Superannuation submission – see Appendix).

The performance test needs to truly focus on net performance, not cost per se. The overriding objective should be to maximise net returns – i.e. sensibly minimising fees (by taking advantage of scale or appropriate performance-related alignment mechanisms), but **not** at the expense of negatively impacting gross returns. Superannuation funds should be encouraged to consider all investment opportunities and not have the universe constrained by a focus on achieving low reported fees for marketing purposes.

However, we do support the idea of superannuation funds being as efficient as possible by minimising administration and operational costs to a point, i.e. while of course maintaining institutional quality and standards. Government needs to clearly distinguish between administration/operational costs and investment fees in this regard. The Your Super ATO website ranking tool and the APRA Heatmap should both me amended to favour comparison of the overwhelmingly more important net return performance rather than a ranking by total (bundled) costs. Superannuation fund efficiency (administration/operational costs) should be a secondary objective after maximising net risk-adjusted returns, and the industry should be discouraged (or even prohibited) from competing, advertising or promoting funds on the basis of low **total** costs, devoid of any disclosure on the impact of such on performance.

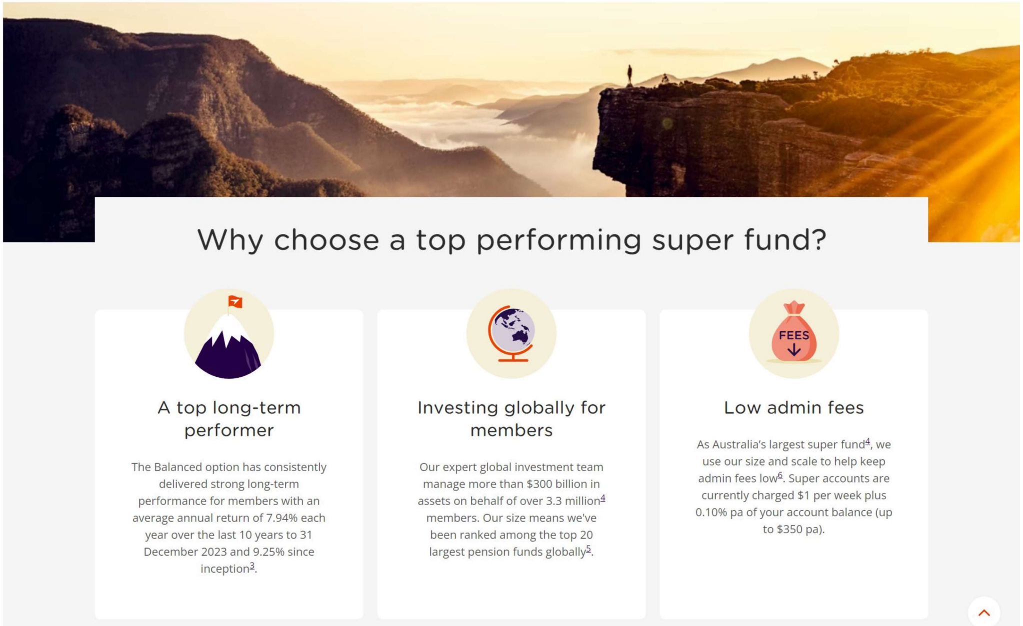
Multi-metric test

3a) Alignment with the APRA heatmap

15. Would greater alignment to the APRA heatmaps improve the sophistication of the test?
The Heatmap needs to be amended to remove the focus on total fees ("Total Fees Disclosed") and focus only on allowing ranking/comparison based on administration/operational costs (i.e. super fund efficiency measures). Investment fees should be netted against gross performance to calculate net performance, which should be the primary focus of any relative assessment or comparison. As stated on page 28 of the Consultation Paper, "Normally a measure of costs to members would focus on the level of administration fees, as investment fees would typically be included in the investment measures." This is **NOT** the case amongst the superannuation industry today, which regularly competes on total costs and 'low fees' per se – we recommend an alignment between Government Policy (YFYS), ASIC, APRA and the ATO to change this approach and require superannuation funds to prioritise the maximisation of risk-adjusted returns (consistent with risk appetite) and optimal efficiency (low administrative costs) in preference to (and/or to discourage) the pursuit of low **total costs** per se.

The following extract is from AustralianSuper's website, which is encouraging and shows a more balanced approach to advertising long-term net return performance and low costs appropriately focused **only** on administration fees.[7]

Image 1 | AustralianSuper's 'Make the most of your super' page

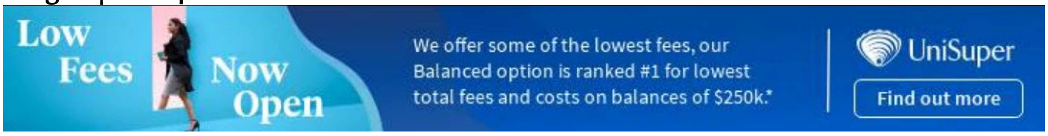


Source: AustralianSuper website, accessed on 16 April 2024

However, this is in contrast to many other superannuation funds (e.g. Unisuper) which compete on the basis of low cost per se, which is often correlated with lower net performance. Many funds have entrenched low fees ideologies which have permeated into their cultures and group think.

[7] https://www.australiansuper.com/control?gclid=Cj0KCQjw2uiwBhCXARIsACMvIU2SBnEIZA1P05GuY36Tbi0XSvdDtYBb7RWelssO8J0Bfr5A2qh092AaAmjWEALw_wcB&gclsrc=aw.ds#disclaimer

Image 2 | UniSuper banner advertisement



Source: Advertising banner, accessed on 16 April 2024

We believe that Government policy initiatives and communication is required to **realign the superannuation industry to prioritise net returns and encourage a standardised approach to fee reporting and advertising.** This includes the need to de-emphasise policy rhetoric aiming at simplistically (and incorrectly) linking lower fees with better returns – e.g. "Every dollar that an Australian pays in **higher fees is a dollar that they will not benefit from in their retirement**" and "Greater member engagement is critical to the success of the superannuation system. It drives greater competition which delivers **lower fees and better returns** for members"[8].

16. Would it reduce incentives to benchmark hug and improve member outcomes?
    Better member outcomes should be the goal which necessarily implies better net performance. The APRA Heatmap places too much emphasis on Total Fees Disclosed, which as set out in the table on page 26 of the Consultation Paper shows that this measure only accounts for 1% of MySuper product failures, which are of course more a function of poor investment performance (probably related to trying also to achieve an irrational 'low cost' objective). Superannuation funds should be required to prioritise maximising risk-adjusted returns, which will force them to move away from benchmark hugging and other sub-optimal member outcomes associated with a 'low cost' dogma.

17. Is correlation between metrics an issue? If so, how should this be addressed?
    N/A

18. Should the test capture all the metrics in the heatmap? If not, what metrics?
    No, total cost, "total fees" or TER is an inappropriate metric. Focus should only be on administration/operational costs as well as net performance (far more importantly). The industry should be discouraged or prohibited from competing based on low cost per se, which is misleading and confusing for most members who are not as financially literate and do not understand the potential implication of low investment cost strategies leading to lower net returns in the interests of super funds reporting 'low total fees in efforts to attract and retain members.

    The extract from the APRA heatmap below illustrates how funds can be ranked on the basis of "Total Fees Disclosed" rather than on just "Administration Fees Disclosed" or more appropriately on "Net Investment Return (NIR"). Clearly an implication that high total fees is bad given the dark red colouring.[9]

8 Your Future, Your Super Policy Statement (October 2020)
9 https://www.apra.gov.au/mysuper-product-heatmap-0

Image 3 | APRA Heatmap

Administration fees disclosed ($10,000 account balance)	Administration fees disclosed ($25,000 account balance)	Administr... fees disclosed ($50,000 account balance)	Administration fees disclosed ($100,000 account balance)	Administration fees disclosed ($250,000 account balance)	Total fees disclosed ($10,000 account balance)	Total fees disclosed ($25,000 account balance)	Total fees disclosed ($50,000 account balance)	Total fees disclosed ($100,000 account balance)	Total fees disclosed ($250,000 account balance)
0.95%	0.53%	0.39%	0.32%	0.28%	2.08% to 2.13%	1.66% to 1.71%	1.52% to 1.57%	1.45% to 1.50%	1.41% to 1.46%
1.38%	0.91%	0.75%	0.67%	0.27%	2.02%	1.55%	1.39%	1.31%	0.91%
0.48%	0.32%	0.27%	0.24%	0.23%	1.57%	1.41%	1.36%	1.33%	1.32%
1.10%	0.63%	0.48%	0.40%	0.35%	1.92% to 1.95%	1.45% to 1.48%	1.30% to 1.33%	1.22% to 1.25%	1.17% to 1.20%
0.79%	0.43%	0.31%	0.25%	0.21%	1.80%	1.44%	1.32%	1.26%	1.22%
1.11%	0.46%	0.24%	0.13%	0.06%	2.17%	1.52%	1.30%	1.19%	1.12%
0.83%	0.36%	0.21%	0.13%	0.08%	1.91%	1.44%	1.29%	1.21%	1.16%
0.62%	0.52%	0.48%	0.46%	0.45%	1.27% to 1.42%	1.17% to 1.32%	1.13% to 1.28%	1.11% to 1.26%	1.10% to 1.25%
0.88%	0.49%	0.36%	0.30%	0.26%	1.74%	1.35%	1.22%	1.16%	1.12%
0.25%	0.25%	0.25%	0.25%	0.24%	1.20%	1.20%	1.20%	1.20%	1.19%
1.03%	0.59%	0.44%	0.36%	0.32%	1.77%	1.33%	1.18%	1.10%	1.06%
1.53%	0.83%	0.59%	0.48%	0.41%	2.11%	1.41%	1.17%	1.06%	0.99%

Source: APRA website

Fees

36. How should fees be measured under each design option?
    The focus for disclosure of net returns fees should clearly distinguish between investment fees (the cost of accessing gross investment returns and therefore netted to calculate net returns) and administrative costs (the costs of running a superannuation fund and a measure of efficiency). **Investment fees should not be bundled with administration costs to create measures of total fees (TER/MER) which are confusing to members** and encourage or allow for competition between superannuation funds on the basis of 'low total cost', which is often correlated with lower net performance.

    Investment fees should be netted against gross returns to calculate net returns. A measure of total costs makes no sense without also comparing net returns – e.g. performance fees can materially increase total costs, yet these would clearly be linked to outperformance vs a hurdle and therefore accretive to total fund return (Canva is a good example of this).

37. Should fees be measured at the current option level, or should they be measured on a different level? How would this be achieved?
    Administration costs should be measured for each option to show the efficiency of superannuation funds and their various investment options. Similarly, investment costs should be netted against gross returns to calculate the net performance of each option to allow members to assess the investment performance of each (which far outweighs the impact of administration costs on member outcomes!). Investment costs can be shown separately alongside gross returns to show the net return calculation, but not bundled with administration costs to create a measure of total costs such as TER/MER, as this clearly encourages superannuation funds to then compete on the basis of low costs which as outlined above often leads to sub-optimal outcomes for members.

38. Are the current assumptions made in comparing fees acceptable? For example, should the $50,000 representative member balance be adjusted based on the median member balance for a product cohort?

To the extent this needs to be shown, it should only focus on administration costs and it would make more sense to use a median balance as it will highlight the economies of scale and the relatively low dollar amount relative to an average account size. But showing administration costs would be more useful by referring to the basis point cost, as a member can see that their fund had a net return of say 9.0% which included an admin/operational fee of only 0.10% (i.e. very low relatively). Investment costs could also be disclosed in terms of basis points, but the objective should be to focus on net returns after these costs and help to educate members that higher investment costs are not necessarily bad and in fact more often linked to better net performance over the long term.

For example, the below table[10] sets out how the Future Fund reports both "Direct Costs" (management costs and transaction and operational costs, which reflect all directly incurred costs associated with the management of the Future Fund – akin to Administrative Costs) and "Look-Through Costs" (investment management and performance fee costs – akin to Investment Fees). While the Direct Costs are generally consistent as a percentage of overall assets and reflect operational efficiency, the Look-Through Costs are highly variable and reflect the timing of performance fees or other front-ended investment-related costs, which are more appropriately considered relative to long-term net return performance, which is the objective of the Future Fund. The Future Fund is a professional custodian of the Commonwealth of Australia's resources and seeks to appropriately structure investment fees arrangements with third party asset managers, however does not per se seek to minimise such costs at the expense of asset or manager quality or potential risk-adjusted net performance.

Image 4 | Future Fund's summary of direct costs and direct cost ratio

	2020–21	2021–22	2022–23
Direct costs	$462.3 million	$447.99 million	$545.04 million
Direct cost ratio	0.268%	0.224%	0.273%

Summary of look-through costs

	2020–21	2021–22	2022–23
Look-through costs	2.22%	1.01%	0.74%

Source: Future Fund 2022-2023 Annual Report

The Future Fund notes that "Our use of external investment managers, together with our commitment to a broadly diversified portfolio, focus on adding value through skill, and breadth of investment classes, means that **over time our costs will generally be higher than those investors with less complex portfolios**. The commitment to genuine diversification is an important facet of our investment strategy, and has been beneficial to the Fund's overall performance, delivering strong returns net of costs while reducing volatility. **We are therefore more willing to pay higher fees where significant value is added over broad market exposure (such as private equity), or for exposures that are truly diversifying (such as hedge funds).**"[11]

39. Is a peer comparison of fees the best way to measure fees? Is there a better approach to benchmarking fees? If so, how should this work?
Fees should be separated into efficiency measures (administration/operational) and disclosed separately from investment costs, which are very different and relate to the necessary costs of accessing gross returns, hence are netted out to show net return (note – there is no such thing as a gross return so therefore the costs of achieving net returns (i.e. investment fees) should not be deemed to be a negative per se as these are the necessary costs of generating net risk-adjusted returns). Administration/operational costs should be compared between funds using a

[10] Future Fund 2022-2023 Annual Report, page 58 – F392074E5C624A19A0ACA3809B6AE366.ashx (futurefund.gov.au)
[11] Future Fund 2022-2023 Annual Report, page 57 – F392074E5C624A19A0ACA3809B6AE366.ashx (futurefund.gov.au)

basis point calculation (e.g. 9.5bps vs 10.0bps p.a.), which will help members assess the operational efficiency of different superannuation funds, but to put this into perspective, most funds have a 10-year return of around 8,000 to 9,000 basis points p.a., so administration/operational costs are not particularly meaningful. It is far more important to measure and compare performance by assessing net returns (i.e. after investment fees), which is the main driver of long-term compounded wealth.

40. What product cohorts should be considered? How should different cohorts be defined where products could meet multiple cohort definitions, such as single-sector retirement products?
The net returns of all products should be disclosed to allow members to compare the net investment performance of various products. Administration/operational costs should more appropriately be compared at the whole of fund level to show the operational efficiency of the fund as a whole, noting again that this is a relatively small component in the long-term return equation.

41. How many years of fees data is appropriate to test? Should a greater weighting be given to certain years?
The focus should be on administration/operational fees when comparing 'costs' of super funds. On this basis, a 1, 2 and 3 year average makes sense and will help show efficiency trends. Investment costs should not be compared between funds but rather netted against gross returns to compare net returns over 1, 3, 5 and 10 year periods, with a 10 year measure most preferable given the long term nature of superannuation and the importance of focusing on compound returns.

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Allen Partners contact:

Please feel free to contact us to discuss any aspect of this paper in more detail.

Craig Gribble, Managing Partner
craig.gribble@allenpartners.com.au
0404 069 073

ALLEN PARTNERS

Appendix:
Allen Partners' Submission to Retirement Phase of Superannuation Consultation Process (28 January 2024)

ALLEN PARTNERS

Level 16, 333 George Street
Sydney NSW 2000, AUSTRALIA

29 January 2024

Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600
Retirement@treasury.gov.au

Submission to Retirement Phase of Superannuation Consultation Process

1. Executive Summary: Re-align the superannuation fund industry based on net returns, not costs

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Regulation of the superannuation industry (RG97) and policy (Your Future, Your Super) is overly and in our opinion inappropriately focused on achieving the lowest possible total costs (i.e. including investment costs), and hence there is an imperative for Government to **re-align the industry to focus on net returns to lead to better outcomes**, rather than simply focusing on lowering total 'costs'.

This could practically be achieved by separating out the disclosure of investment costs from administrative/operational costs under the RG97 fees and costs disclosure regulations, and also mandating superannuation funds to focus on optimising net returns as their primary performance metric (consistent with outperforming the Your Future, Your Super benchmarks), with the secondary focus on value for money, alignment and efficiency of investment costs and administrative/operational costs, not just minimising total costs. We believe that this change would result in an environment in which superannuation funds would be unconstrained to focus on optimising risk-adjusted returns, which would maximise total retirement savings as the best possible platform for superannuation funds to create innovative solutions to members' retirement needs.

Maximising retirement savings would also minimise the reliance on the Government age pension and increase tax proceeds.

2. Introduction and Context

Thank you for the opportunity to provide the following submission for the Treasury's consideration for the Retirement Phase of Superannuation consultation.

ALLEN PARTNERS

Allen Partners is a Sydney-based capital advisory firm, which advises global and Australian asset managers seeking to establish and grow investment relationships with Australian superannuation funds, sovereign wealth funds and other institutional and wholesale investors (asset owners). As such, we have decades of practical insight and experience into the interaction between asset managers and asset owners in the process of assessing investment opportunities and investing capital, including whether investment fee structures incentivise the allocation of capital toward growing the Australian economy.

It is from this perspective that we have sought to highlight the opportunity for regulatory change in relation to fees and costs, which we believe currently acts as a significant barrier and impediment to achieving optimal retirement outcomes for superannuation fund members, impedes the flow of capital into important areas of the Australian economy, results in lower taxation revenue for Government and increases the burden on Government to fund the aged pension.

To highlight the level of underperformance caused by the aversion to fees, the following table compares the long-term (10 year) performance of the largest superannuation funds (by number of members) with a selection of global peers, which are unconstrained by RG97 and adopt a net return approach. We have used the superannuation funds' MySuper products, which are regulated and designed to be "simple, **cost-effective**, balanced products for default options" [1]. The data shows that the selected global peers have outperformed the average of the 6 largest superannuation funds by 1.1% p.a. over 10 years. To put this in perspective, with total APRA-regulated superannuation assets (i.e. excluding self-managed super funds) currently around $2.663 trillion[2], a 1.1% per annum improvement in net return over 10 years (compounded annually) would represent an incremental increase in assets of around $618 billion.

Investor	10 Year Net Return[3]
Australian Regulated Superannuation Funds (MySuper Product):	
AustralianSuper (3.2m members)	8.6%
Australian Retirement Trust (2.3m members)	8.4%
Rest (2.1m members)	7.0%
Hostplus (1.7m members)	8.8%
Aware (1.1m members)	7.8%
HESTA (1.0m members)	7.8%
Average (total of 11.4m members)	**8.1%**
Global Peers:	
Future Fund (Australia)	8.8%
New Zealand Super Fund (NZ)	9.4%
CPP Investments (Canada)	9.6%
PSP (Canada)	9.2%
CalSTRS (US)	8.7%
Washington State Investment Board (US)	9.7%
Average	**9.2%**

We note the Government's proposed objective of superannuation is "to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable

1 https://treasury.gov.au/programs-and-initiatives-superannuation/mysuper
2 SuperStats_September23.pdf (superannuation.asn.au) as at September 30 2023
3 Future Fund, superannuation funds and global investor websites (most recent 10-year period, for Australian funds to 30 June 2023)

way."[4] Critical to achieving this objective is ensuring that capital is allocated aligned to different risk profiles to maximise returns and ensure superannuation is maximising its contribution to Australians, the taxpayer and the Australian economy. To that end, we believe the foundation of this proposed objective should be the primary obligation of superannuation funds to enable maximising risk-adjusted returns to improve performance.

Under current law and regulations, the objective of maximising risk-adjusted returns is undermined in preference for minimising 'fees' (or considering fees in isolation of returns) as an alternative and often equal-weighted benchmark. Yet disincentivising risk-adjusted returns undermines the returns to superannuants and funds to invest in the growth of the Australian economy.

Furthermore, the sole purpose test (set out in the Superannuation Industry (Supervision) Act 1993) states that superannuation funds must ensure the "sole purpose of providing retirement benefits to members" [5]. In practice that should enable different models of investment but with the **overriding objective of maximising net returns**, rather than the current focus on minimising fees.

Instead, the current practice is to benchmark superannuation funds based on their fee structures and whether they are 'low cost', and incorrectly associating (and aggressively promoting) this with better performance. Superannuation funds regularly compete on being low cost rather than solely prioritising **maximising net returns**, which at the end of the day (i.e. in retirement) should broadly be all that matters. Maximising net performance (or returns) after fees and therefore maximising superannuation balances including at retirement is also consistent with APRA's retirement income covenant objectives (particularly the first of these): "**maximise retirement income**, manage risks to the sustainability and stability of that income, and maintain flexible access to capital."[6]

Government regulation via ASIC's Regulatory Guide (RG) 97 ("Disclosing fees and costs in PDSs and periodic statements"[7]) requires superannuation funds to also disclose all fees and costs, however in practice this has resulted in the bundling of investment costs (management fees and performance fees) with other administrative or operational costs (such as fund administration, custody, transaction costs, accounting, tax reporting, insurance, directors' fees, etc.). However, unlike these other true 'costs', appropriately aligned yet sometimes higher investment costs can (and generally do) lead to better net returns. For example, performance fees for successful investments necessarily and mathematically put upwards pressure on total costs yet these fees are normally a reflection of substantial outperformance over a benchmark (otherwise known as alpha) and therefore higher returns. A timely and high profile example of the unintended consequence of total fees and costs reporting has been the negative reaction in the press and amongst some sectors of the superannuation industry to the highly successful Canva investment due to the large accrued performance fees payable to the venture capital asset managers and the requirement for superannuation fund investors to report these fees as part of their overall Management Expense Ratios (MERs) – i.e. investment costs **bundled with** administrative/operational costs.

Also, policy statements from the previous Government linking low costs with better outcomes are not helpful. For example, in the Your Future, Your Super policy statement (Treasury, October 2020[8]), the document made the following statements:

- "Australians are paying $30 billion per year in superannuation fees. This is more than the $27 billion Australian households pay on their energy bills or the $12 billion they spend on water bills. By 2034, it is estimated that Australians could be paying $45 billion in superannuation fees."

[4] https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd2324a/24bd35#:~:text=The%20purpose%20of%20the%20Superannuation,an%20equitable%20and%20sustainable%20way'
[5] Federal Register of Legislation - Superannuation Industry (Supervision) Act 1993
[6] Implementation of the retirement income covenant | APRA
[7] RG 97 Disclosing fees and costs in PDSs and periodic statements | ASIC
[8] https://treasury.gov.au/sites/default/files/2020-10/p2020-super_0.pdf

- "Every dollar that an Australian pays in higher fees is a dollar that they will not benefit from in their retirement."
- "Greater member engagement is critical to the success of the superannuation system. It drives greater competition which delivers lower fees and better returns for members."

The clear inference from these statements in that lower costs create better performance/outcomes, which is simply incorrect, as it ignores the potentially (and generally) higher risk-adjusted **net** returns from investment strategies that have higher investment costs (management fees and/or performance fees) than lower cost strategies. While having the lowest possible administrative and operational costs will necessarily improve outcomes (assuming a minimum level of service provider integrity/quality), it does not follow that lower investment costs results in better performance and returns. Many higher investment cost strategies result in higher net returns for members on a risk-adjusted basis (i.e. equivalent or often lower risk to lower cost strategies) – private equity and venture capital funds are a good example, especially for younger members of superannuation funds who can greatly benefit from the compounding effect of these higher returns over 20-40 years. Investment opportunities should be considered and compared on a **net risk-adjusted returns basis** without the negative association of assessing higher investment costs in isolation – i.e. gross returns less fees. There is no such thing as a 'gross' return, as any return achieved will be 'net' of associated investment fees and costs, therefore the focus should be on maximising net returns rather than minimising investment costs.

Recommendation: Re-align the industry based on net returns, not costs

Regulation of the superannuation industry (RG97) and policy (Your Future, Your Super) is overly and inappropriately focused on achieving the lowest possible total costs (i.e. including investment costs), and hence there is an opportunity for Government to re-align the industry to focus on **net returns**, rather than simply focusing on lowering all 'costs'. This could practically be achieved by separating out the disclosure of investment costs from administrative/operational costs under the RG97 fees and costs disclosure regulations, and also mandating superannuation funds to focus on **maximising net returns as their primary performance metric** (consistent with outperforming the Your Future, Your Super benchmarks), with the secondary focus on value for money, alignment and efficiency of investment costs and administrative/operational costs, not just minimising total costs.

We believe that this change would result in an unconstrained focus on optimising risk-adjusted returns, which would maximise total retirement savings as the best possible platform for superannuation funds to create innovative solutions to members' retirement needs. Maximising retirement savings would also minimise the reliance on the Government age pension and optimise tax proceeds.

3. Existing legislative and regulatory framework regarding fees

The superannuation industry is overly and inappropriately focused on lowest possible total costs (including investment costs), which is resulting in sub-optimal outcomes for members (i.e. lower return and lower account balances).

Listed below are several behaviours, statements and dogmas from Government, regulators and superannuation funds driven by the focus on low costs/fees and listed alongside our opinion on why these are leading to sub-optimal outcomes.

Government/Regulator Statements and Policies	Practical Impact Leading to Sub-Optimal Outcomes
Your Future, Your Super Policy Statement (October 2020) “Australians are paying $30 billion per year in superannuation fees. This is more than the $27 billion Australian households pay on their energy bills or the $12 billion they spend on water bills. By 2034, it is estimated that Australians could be paying $45 billion in superannuation fees.” “Every dollar that an Australian pays in higher fees is a dollar that they will not benefit from in their retirement.” “Greater member engagement is critical to the success of the superannuation system. It drives greater competition which delivers lower fees and better returns for members” (Josh Frydenberg).	The clear inference of these statements in that lower costs create better performance/outcomes, which is simply incorrect, as it ignores the potentially (and generally) higher risk-adjusted net returns from investment strategies that have higher investment costs (management fees and/or performance fees) than lower cost strategies. While having the lowest possible administrative and operational costs will improve outcomes (assuming a minimum level of service provider integrity/quality), it does not follow that lower investment costs per se result in better performance and returns. Many higher investment cost strategies result in higher net returns for members on a risk-adjusted basis (i.e. equivalent or often lower risk to lower cost strategies). Investment opportunities should be considered and compared on a net risk-adjusted returns basis without the negative association of assessing investment costs in isolation.
The November 2023 Objective of Super Bill includes the proposed purpose “to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way”.	The objective is (or should be) essentially to maximise performance and member outcomes in retirement (i.e. higher net balances after fees). There is no mention of an objective to have the lowest possible costs per se (in isolation).
The Sole Purpose Test (Superannuation Industry (Supervision) Act 1993) and the ATO state the “sole purpose of providing retirement benefits to members”.	This implies that the purpose is (or should be) to maximise risk-adjusted **net** returns in retirement and hence members’ superannuation fund balances by investing in the best possible risk-adjusted **net** return strategies (i.e. no requirement to be low cost per se).
The APRA superannuation performance tests states that “The annual test is designed to improve member outcomes by assessing the long-term performance of superannuation products against tailored benchmarks, with consequences for those that fail.” (APRA, Aug 2023). APRA refers to ‘cost’ as “the median **administration** fees and costs” – not investment costs (suggesting an intended focus on net performance).	Overwhelmingly, the focus from APRA is on **net performance not cost**, yet the superannuation industry continues to compete based on cost (which includes investment costs) rather than solely on net returns. The APRA benchmark tests measure performance, yet super funds compete on ‘lowest costs’, which because ‘costs’ also include investment costs, is at odds with maximising net performance. APRA determines a notional/passive cost for each asset class in the setting of the respective benchmark, yet this is arbitrary and again drives behaviour to seek the lowest possible cost (as long as the benchmark is achieved), which is very different from a behaviour of maximising absolute returns.

	In the December 2023 Investor Roundtable with the Treasurer, HESTA CEO (Debbie Blakey) warned the test also risked "driving unintended consequences in investment decisions, **reducing net returns** and stifling investment innovation to meet emerging capital needs and opportunities", and failed to identify persistent underperformance[9].
The ATO Your Super Comparison Tool compares funds based on both Annual Fees and Net Return – "The annual fee is the total of **all** investment, administration and advice fees the fund charges your account."[10] "The YourSuper comparison tool — this tool displays simple information about MySuper products from a single source and has the functionality to rank products by fees or net returns. It provides members with a trusted source of digestible information to assist them in choosing who manages their retirement savings."	There is a clear inference from the ATO in their superannuation fund ranking that lower fees are better than higher fees, yet better performance will naturally increase investment fees and therefore Annual Fees, likely confusing the user trying to assess the best performing funds – i.e. is it the highest net return OR lowest annual fees? A large super fund CIO recently commented on this issue at an industry event – "… the correct measure is the return achieved **after** the fee is paid" (i.e. net return) "…the ATO publishes a ranking on net returns but has an unhelpful ranking on fees paid. You have a situation, where superfunds can be the best returning fund but have the worst ranking for fees paid and this is counterproductive, as all members and the market sees is an expensive fund. In simple terms, humans understand cost not value."
"Unresponsive, slow and not member-focused": Minister for Financial Services Stephen Jones slams super funds (Oct 2023)	The most "member-focused" course of action would be to focus on maximising net risk-adjusted returns, not lowering costs per se.

Superannuation Fund Behaviours and Statements	Practical Impact Leading to Sub-Optimal Outcomes
"On the whole, industry super funds are set up to have low fees and usually have lower fees than retail funds" (Industry Super).	Irrational competition and overly focused on low cost per se, rather that net returns. However, in a confusing and contradictory way, even the Industry Fund 'Compare the Pair' advertising campaign acknowledges the need to focus on net return rather than cost: "Some retail or bank owned super funds are promoting "low fee" or "no fee" super products these days. **While it is important to avoid paying unnecessarily high fees on your super, it is even more important to look at net benefit. Net benefit is a fancy term for investment performance minus fees and taxes, so better net benefit means you will have more money in your super account. <u>And that's what's really important</u>.**"[11]
A large superannuation fund recently sought to sell a very large successful private equity investment in the	Members would have been denied the opportunity to achieve exceptional net returns due to the fund's

[9] https://www.afr.com/politics/federal/big-super-puts-energy-transition-before-member-returns-20231205-p5ep4b
[10] YourSuper comparison tool | Australian Taxation Office (ato.gov.au)
[11] Compare the Pair » Industry Super

secondary market due solely to the concern of having to pay a large, **embedded** performance fee, with full knowledge that the performance of the fund was still improving. The private equity fund went on to become one of the best performing vintages in history.	irrational focus on minimising costs (driven by RG97 disclosure regulation and the fund's overriding objective of marketing itself as a low-cost fund). Akin to not wanting to sell your house at a higher price to avoid paying the real estate agent's fee.
A superannuation fund sold their entire venture portfolio in the secondary market because the fees being paid were "too high" and "they couldn't stomach it".	The venture capital portfolio was performing **so** well that the embedded performance fee was **too** high and was negatively impacting (the reporting of) total costs/fees, as opposed to focusing solely on the obviously very attractive net return for members. Members again missed out on higher performance (and incremental real dollars in their funds for retirement) at the expense of the superannuation fund wanting to report lower costs/fees. This behaviour significantly and disproportionately harms younger Australians who have many years of compounding ahead for their superannuation fund balances. Superannuation funds' so called 'high-growth' fund investment options are unnecessarily and irrationally constrained to lower fee/returning strategies due to the RG97-driven focus on low costs rather than maximising net returns. This is misleading and unfair to members who rely on superannuation fund trustees to act in their best interests, which is clearly not the case and suboptimal.
Future Fund CEO (David Neal) in 2015 commenting on their higher returning active approach and willingness to incur higher costs relative to superannuation funds. **"A core property can be bought and 40 bps paid to manage the asset – the traditional approach of super funds. In the current climate the management cost is competitive, but the price paid for the asset is likely to be high, resulting in reduced returns. In contrast, an off-core asset can be bought and 100 bps paid to manage it, which might include repositioning and re-leasing. If the property is bought at a material discount to intrinsic value, when the "remediation" work is complete, the asset can be sold into the market at the higher price. "This additional 60 bps fee can turn a very healthy profit indeed," Neal said.** **He added: "MER budgets constrain the investment universe, and as such are categorically bad for members."**[12]	Clearly demonstrating an unconstrained approach to maximising net return and assessing strategies on return potential rather than overly focusing cost at the expense of missing out on potential returns.
Canva's ~300x performance for early investors (including some superannuation funds) will create upwards pressure on total costs, driven by a very	High performance and therefore high investment costs are therefore irrationally seen as a bad outcome for superannuation funds, yet such an exceptional **windfall net gain** is unquestionably in

[12] https://www.investmentmagazine.com.au/2015/03/future-fund-puts-high-fees-to-work/

large performance fee, but this is often negatively perceived by superannuation funds.	the best interests of members relative to not having any exposure to Canva due to an aversion to paying (and reporting) higher investment costs.
Super fund quote – "It's a battle between the CEO (focused on marketing lower costs to existing and new members) and the CIO (focused on maximising net returns) ... and the CEO is winning".	Lower investment costs often result in lower investment outcomes (and balances at retirement) for members relative to higher investment cost strategies.
Private credit asset managers often structure large upfront origination fees (up to 4% which are not required to be disclosed under RG97), in exchange for lower fund management fees (disclosed under RG97) in an effort to achieve lower costs.	While the net cost to asset owners may end up being equivalent, this practice of achieving lower disclosable costs materially impacts alignment and risk sharing between asset manager and asset owners relative to the traditional/global approach of all such fees being paid into the fund for the benefit of fund investors, however with 'normal' (higher) management/performance fees. Asset consultants do not like these structures and make note of such in their reports to asset owner clients (suggesting these structures are driven by superannuation funds seeking to artificially lower costs).
Asset owners and asset consultants often express a preference for credit asset managers to have large teams of originators and work out/asset management resources to provide access to better assets and greater downside risk management in the event of problems, yet also push for lower fees which tends to result in preferring asset managers with less resources (smaller) or lower quality (cheaper) teams.	The cost of these resources would be reflected in investment costs which is inconsistent with superannuation funds seeking 'low cost' managers. Results in lower risk-adjusted returns (i.e. greater risk in not having access to the best deals or an optimal risk management framework).
Many superannuation funds will often simply say that they are unable to pay performance fees or higher management fees.	Results in self-selecting out higher performing asset managers at the expense of better returns for members. High quality asset managers operate in a global market for talent and will just raise capital for their strategies in other markets with Australian superannuation fund members missing out. We are aware of many very high-quality asset managers who no longer target Australia as a source of client capital.
A superannuation fund selected a lower return (low cost) strategy which had an equivalent risk to a higher returning but higher fee strategy principally to achieve a lower management fee which still could beat the APRA benchmark.	Members will miss out on higher risk-adjusted returns due to the sole focus on minimising disclosed costs/fees.
"Superannuation fees in Australia have reached a historic low, with the total expense ratio averaging 0.93% per annum, as per research from Rainmaker Information" (Nov 2023).	Yet the total expense ratio includes investment fees so achieving better net performance and incurring higher investment fees would be a 'bad' outcome if only total expense ratios were considered in isolation (as is the case in many industry research articles and media (i.e. no mention of net returns).
"Low fees, better value – we have some of the lowest fees in the market. Our Balanced option is ranked in the top three for lowest total fees and	Overly focused on low costs and linking low costs with better performance, which is not rationale or accurate.

costs across several balances. Our expert in-house investment team and no-commissions policy mean better value for members." (Unisuper)	
Super fund trustee – "investment fees are the cost of achieving net returns (there is no such thing as gross returns) and should be separated from other fund costs".	A common view amongst private sector trustees who are often surprised by the focus on costs in isolation of returns.

4. International precedent for reform

There is precedent in other markets to reform regulation to assess performance based on risk-adjusted returns over 'costs'. In late January 2023 the UK Government confirmed that performance fees will be exempt[13] from the scope of the 'charge cap'. This policy change has been under consideration for over a year and the confirmation was broadly expected. The UK Government had for several years been looking at ways to help defined contribution (DC) schemes develop more diverse portfolios and build internal capacity to manage the scale they will soon achieve (whether through consolidation or the structural shift in the UK market towards DC over defined benefit (DB) schemes – similarities to the growth and scale in Australia.

In Jan 2023, the UK removed performance-based fees from the 'charge cap' calculations for defined contribution (DC) schemes, which was intended to "remove barriers and help stimulate investment in illiquid assets... and to **achieve better outcomes for DC savers**". Pension schemes and fund managers are required to work together commercially to agree the design of any performance fee structures to achieve an appropriate alignment of interests, and all such performance fee arrangements still need to be disclosed.

The exemption itself applies to 'specified performance fees' and is accompanied by statutory guidance[14] setting out what DC schemes should consider when determining whether a performance fee can be excluded under the exemption. The statutory guidance is principles based rather than prescriptive. Government is seeking to provide a steer to DC schemes about things they should consider before entering into performance fee arrangements to help ensure any fee arrangements promote a good alignment of interest between the investor and the asset manager.

As well as the guidance, the Bank of England, HMT, FCA and industry backed Productive Finance Working Group has also prepared a guide to support DC scheme thinking about investing in illiquid assets[15]. This includes a section on assessing performance fees which serves a companion piece to the statutory guidance and reinforces many of the same messages. While much commentary around the exemption relates to making it easier for DC schemes to invest in start-ups, VC, sustainable infrastructure etc. the exemption applies to any assets or investment strategy (e.g. hedge funds, private equity, etc.). DC schemes will also have an accompanying requirement to disclose more information about their portfolio composition, but this is not expected to create significant operational burdens for either DC schemes or asset managers as it's largely possible within the scope of existing reporting expectations.

While this change has removed the charge cap as a structural hurdle there is still some scepticism in the DC community about the costs involved in alternative assets. Some of this relates to the UK political context – with the reforms seen as a means for the Government to encourage UK pension funds to invest in politically desirable investment – but also a more longstanding position that asset

13 https://www.gov.uk/government/consultations/broadening-the-investment-opportunities-of-defined-contribution-pension-schemes/outcome/government-response-broadening-the-investment-opportunities-of-defined-contribution-pension-schemes
14 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1131782/Statutory-guidance-final.pdf
15 https://acc.aima.org/regulation/productive-finance-working-group-pfwg/investing-in-illiquid-assets-key-considerations.html

management fees are still higher than they might be. There is work underway to help **shift the debate from away from this narrow focus on 'cost'** to give more weight to factors such as value for money[16], portfolio diversification/resilience and the opportunities afforded by the long-term investment horizons of DC beneficiaries.

6. Benefits of change to the Australian regulations around fees and costs

The objective of the proposed reform is to further improve alignment between the objectives of superannuation and the best interests of fund members and the growth of the Australian economy.

There are several key benefits as set out below.

Benefits to superannuation fund members:
- Higher net returns
- Higher account balances due to the powerful investment principle of long-term compounding, maximising balances at retirement which will form the best possible platform from which to assess retirement income products

Benefits to the broader domestic economy:
- Increased risk appetite of fund managers seeking the highest returns
- Increased innovation
- Increased investment in areas critical to the Australian economy which may currently be inhibited due to an aversion to asset manager fees – such as renewable energy, venture capital and private equity, housing, national security/defence, agriculture and social impact investing

Benefits to Government:
- Aligning the primary objective of superannuation funds with the proposed purpose of super – i.e. maximise retirement income, manage risks to the sustainability and stability of that income, and maintain flexible access to capital
- Increased tax revenue from stronger superannuation fund performance
- Facilitating the development of innovative new companies such as Canva which benefited from early-stage venture capital
- Minimising the burden on Government to backstop the superannuation system with the age pension

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Allen Partners contact:

Please feel free to contact us to discuss any aspect of this paper in more detail.

Craig Gribble, Managing Partner
craig.gribble@allenpartners.com.au
0404 069 073

[16] Value for Money: A framework on metrics, standards, and disclosures - GOV.UK (www.gov.uk)