

13 May 2020

Mr Stephen Boyd  
Secretary  
House of Representatives Standing Committee on Economics  
Parliament House  
Canberra ACT 2600

Dear Mr Boyd

**Industry Super Australia (ISA) response to Questions on Notice from the House of Representatives Economics Committee (the Committee).**

1. I write in response to the Committee's questions (**ISA05QW to ISA15QW**) sent from the Chair on 21 April 2020 and 29 April 2019 relating to ISA's marketing and research program, and online calculators and retirement savings projection modelling.
2. I thank the Chair for the questions and the opportunity to respond.
3. ISA has been a key partner of the government in working towards the joint objective of making the government's Early Access to Super Scheme (**scheme**) a success. We have consistently publicly endorsed the scheme and we will be unwavering in our desire to ensure the scheme works as intended.
4. ISA and other industry bodies have engaged in constant dialogue with the regulators and key government agencies to ensure the smooth running of this scheme – contributing constructive solutions on how to mitigate fraud and other potential risks associated with this scheme.
5. Prudent and considered analysis of the scheme is not only reasonable but a necessary part of making it workable given the magnitude of the 30-year bipartisan policy shift it represents.
6. This work has helped smooth the administrative effects and prepared funds so Australians in financial distress can access their super as quickly as possible. As we've previously said, we want this scheme to work as intended, and we also want members and the economy to be able to recover quickly out the other side, and that will require no more policy shocks.
7. Regarding the committee's questions concerning ISA's marketing program (**ISA05QW - ISA10QW**), there are no plans for this program to include the scheme. On the marketing program more broadly I would refer the committee to the responses Mr Linden and I provided to the committee at its hearing on 22 November 2019.

8. To assist the committee, ISA's latest advertisement can be viewed here:  
<https://www.industrysuper.com/campaigns/coronavirus-and-your-super/>

9. This is the script:

*Ben Lee sings: ...suddenly realised, we're all in this together... (The music drops back, no vocals, and simple acoustics.)*

**Julia:** Those words feel especially true given what's going on.  
It's good to know our super will help us and our economy bounce back.  
If you're with an industry super fund, your money is invested in things that create jobs and keep Aussie businesses strong - delivering good long-term returns, that benefit all of us.  
After all...

*Ben Lee sings: ...we're all in this together.*

10. Plainly it is not about the government's scheme and any assertion to the contrary is rejected.
11. The advertisement is an efficient way to reach Industry SuperFund members. It aims to reassure and inform them that Industry SuperFunds are working to protect their retirement nest eggs while also endeavouring to support the Australian economy to rebound just as we did in the Global Financial Crisis. It reassures members Industry SuperFunds will play an important role in rebuilding by investing in things that create jobs and keep Australian businesses strong, such as infrastructure.
12. Industry SuperFunds hold more than \$80 billion in Australian infrastructure and property, with their spending on infrastructure in one year supporting or creating 46,000 jobs. Industry SuperFunds are already investing in the economic emergence and with confidence of a stable policy environment stand ready to partner with state and federal governments on infrastructure projects that create jobs and drive economic growth.

#### **Identifying and overcoming challenges to ensure the success of the government's scheme (ISA11QW - ISA13QW)**

13. ISA's expert analysis and modelling on the scheme and its potential demand was a critical input to the advice ISA provided to assist the RBA, APRA, ASIC, ATO and Treasury with the implementation of the government's scheme.
14. On supplier arrangements, we have an ongoing arrangement in place with UMR to provide research services. We are unable to provide the committee with the contractual details of this arrangement as this information is commercial-in-confidence.
15. With respect to **ISA14QW**, none has been provided.

16. ISA continues to constructively engage with government agencies and regulators in aim of a successful scheme and to support those members who need to access their super now and the long-term interests of all members.

#### **COVID-19 Inquiry – Treasury error**

17. In the preamble to the question of 29 April 2019 (ISA15QW) you outline that you understood ISA had claimed Treasury Head of Retirement Income Mr Jeremenko was incorrect in evidence he gave to the Select Committee on COVID-19 concerning modelling assumptions used by ISA.
18. I can confirm for the Committee that since then Mr Jeremenko has acknowledged that he was incorrect and had mischaracterised the assumptions that ISA had in fact used. Following his appearance, Mr Jeremenko wrote to the Select Committee on COVID-19 to acknowledge the error in the evidence he gave.

#### **ISA modelling**

19. As you know ISA has several calculators on its website to help people project retirement savings and income scenarios based on their situation. ISA also undertakes cameo modelling from time to time on retirement policy scenarios, such as the government's early release scheme. The primary objective of this work is to better inform existing and prospective industry super fund members so that they can make good long-term decisions about their retirement savings.
20. ISA's assumptions are robust and based on the best available analysis and retirement income modelling expertise. ISA's internal modelling team is led by Phil Gallagher, PSM, who among other things led projections underpinning three Intergenerational Reports (IGR's).
21. In accordance with ASIC guidelines including ASIC Regulatory Guide RG 167 and the ASIC Corporations (Generic Calculators) Instrument 2016/207, ISA discloses the assumptions it uses for its online calculators by providing those details clearly and so that they are easily accessible for users to find on its website. Assumptions and information regarding online calculators and modelling can be accessed via the ISA website here:  
<https://www.industrysuper.com/calculators-and-tools>
22. These disclosures outline among other things assumptions relating to fees and charges, deflators, indirect costs, taxes and charges. They also outline the purpose, limitations and other relevant advice members should take into consideration when making use of such tools. It is important to note that the key assumptions on ISA's web-based calculators can be adjusted by users (ASIC RG 167).
23. Assumptions are regularly reviewed to ensure they are reasonable and take into account the latest ASIC guidance, which is subject to occasional change. ASIC's MoneySmart calculator was updated and new guidance published on April 17, which prompted ISA along with other AFSL holders to assess online calculators and COVID-19 modelling.

24. Assumptions commonly differ between experts, financial advisers, superannuation industry bodies and ASIC – just as they do between government departments, agencies and regulators. For example, in ASIC’s latest regulatory guidance the price deflator is inconsistent with the cameo modelling undertaken by the Productivity Commission (PC) and recent internal Treasury modelling.
25. Importantly, the Productivity Commission’s comprehensive 2019 inquiry report *Superannuation: Assessing Efficiency and Competitiveness* was heavily relied upon by the Morrison Government as a fact-base for its Protecting Your Superannuation reform package, which ISA supported. ISA’s modelling approach has been consistent with the PC’s in that report. The report has been heavily referenced by government and opposition members, including the Chair of this Committee, as a trusted information source.
26. Another example is the Financial Planners Association which uses nominal figures in its template of advice for COVID-19 super access.

#### **Reasonableness of assumptions – ISA approach**

27. Other than specifying an inflation rate of 2 per cent, an additional component for real wages or living standards growth and that values be represented in today’s dollars the regulatory guidance does not mandate a particular assumption rate be adopted other than that it is reasonable.
28. ISA’s approach to assess the reasonableness of its assumptions include understanding the group for whom the modelling is relevant and their risk return profile, comparing the assumptions to others used by professional modelers and government agencies, and a comparison to objective evidence published on the assumptions in question.
29. The primary audience for the website projection calculators and early release impacts is most likely existing or prospective industry super fund members. Accordingly, it would be reasonable for the assumptions to be tailored to the types of products most members would invest in – namely default balanced MySuper options.
30. The assumptions are compared to those used by the Productivity Commission in its recent review of the superannuation system, ASIC’s MoneySmart Calculator (as updated on April 17) and Treasury’s retirement income modelling.
31. Assumptions are compared to objective evidence on long term net returns, fees, benchmark asset class returns, and the latest economic forecasts and analysis on wages, prices and productivity. Sources included relevant publications from SuperRatings, APRA, Treasury, the Productivity Commission and the RBA.
32. Where differences do exist between ISA assumptions and ASIC’s Money Smart calculator, they are evidence-based, reasonable, justifiable, and generally within the range of approaches adopted elsewhere. Those differences include: use of net and gross returns; CPI, ISA 2 per cent, MoneySmart 2.5 per cent; real wages ISA 1 per cent, MoneySmart 1.5 per cent; investment fees ISA 0.58 per cent, MoneySmart 0.85 per cent; admin fee ISA \$78, MS \$74.

**ISA appearance before the committee**

33. ISA thanks for the Committee for its invitation to appear before the committee on 14 May 2020.

34. We look forward to assisting the committee further then.

Your sincerely,

**Bernie Dean**  
Chief Executive  
Industry Super Australia