

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

OnePath – ANZ

OP13QW: Could you please indicate how you supervise the indirect costs associated with vertically integrated retail funds, including what the costs are for (brokerage etcetera) and how you ensure they are not eroding members’ accounts?

Answer: Indirect costs mainly comprise variable transaction costs and include:

- Brokerage – the amount paid to a broker when buying and selling underlying securities (e.g. shares).
- Custody Fees – fees paid to a custodian to hold the assets of the underlying fund and to manage transaction settlements.
- Stamp Duty – generally levied on the transfer of assets or property.
- Bid/Offer Spreads – the difference between the buy/sell price incurred by investment managers for a particular security.

Indirect costs are supervised as part of ongoing monthly and half-yearly performance reporting by a number of functions, including: product actuarial; finance operations and the Chief Investment Office (CIO) with oversight from the Wealth Investment Governance Forum.

Indirect costs are minimised by utilising underlying investments that closely track benchmark indices to lower portfolio turnover. Further, any tactical asset allocation decisions may be implemented utilising derivative instruments, where available, the cost of which is generally lower than trading in the underlying physical assets.

Indirect costs for ANZ ‘Smart Choice’ (MySuper) Life Stage investment options for the year ended 30 June 2019 are set out in the table below (Column C: net transaction costs) and range from 0.02% to 0.03% per annum. For a member with a \$50,000 super balance, this equates to a cost of between \$10-\$15 per annum.

Investment option	Transaction Costs (% p.a.)		
	(A) Gross costs	(B) Costs recovered from buy-sell spread	(C) = (A) – (B) Costs affecting returns
ANZ Smart Choice 1940s	0.04	0.01	0.03
ANZ Smart Choice 1950s	0.04	0.01	0.03
ANZ Smart Choice 1960s	0.03	0.01	0.02
ANZ Smart Choice 1970s	0.03	0.01	0.02
ANZ Smart Choice 1980s	0.03	0.01	0.02
ANZ Smart Choice 1990s	0.04	0.02	0.02
ANZ Smart Choice 2000s	0.14	0.12	0.02