

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Treasury Laws Amendment (Your Future, Your Super) Bill 2021

2020 - 2021

Division: Retirement Income Policy Division
Topic: Number of people stapled to underperforming accounts
Reference: Spoken 08 April 2021
Senator: Jess Walsh

Question:

Senator WALSH: I'm interested to hear that, but I do wonder whether you know, or have any estimate of, how many people are going to be stapled to an underperforming fund in the first year. We know what the sequencing of the legislation is. We know how many underperforming accounts there are. Do you not have any sort of modelling or estimate of how many people will be stapled to those accounts?

Ms Kelly: We'd have to take that question on notice

Answer:

Treasury estimates that 21 out of 77 MySuper products are underperforming. These products held over \$100 billion in assets across 3 million accounts and charged \$1.2 billion in fees annually. Under the current system, the members holding those accounts receive no notification that they are in an underperforming fund, and there is no trusted source of information for them to make their own informed judgements. There is also no prohibition today on a persistently underperforming fund receiving contributions from new members.

Under the Your Future, Your Super reforms a fund that fails an objective performance based test in any one year will need to inform their members of that underperformance and be listed as underperforming on the YourSuper comparison tool until their performance improves. Funds that continue to underperform and fail two consecutive annual underperformance tests, will not be permitted to accept new members. These funds will not be able to re-open to new members until their performance improves. Every year that a fund underperforms they will need to continue notifying their members.

Superannuation that follows you, by removing the problem of multiple unintended accounts, will lead to an aggregate increase of superannuation savings of \$2.8 billion over 10 years.

More members making informed decisions about their superannuation and increased engagement via the YourSuper comparison tool will provide an additional benefit of \$3.3 billion over 10 years.

By improving underperformance, superannuation balances will be \$10.7 billion better off over 10 years.

Less waste of members' money through greater transparency and accountability will boost members' savings by around \$1.1 billion over 10 years.

Combined, the Your Future, Your Super reforms will see Australians \$17.9 billion better off over the next 10 years.