

## Investment Performance

The most important dimension of superannuation fund assessment is long-term investment performance.

Analysis of fund MySuper returns may not necessarily provide a true 'apples-with-apples' performance comparison since the underlying asset allocation will vary from product to product. Nevertheless MySuper performance remains highly relevant as most super accounts default to this option due to absence of choice by the account holder.

Most super funds offer several pre-mixed options with varying levels of growth/defensive asset allocation. MySuper products typically represent the funds Balanced or Growth option and presently contain around 70-80% growth assets including Australian and International shares.

Super funds also offer a range of asset class investment options, such as shares, property, cash and bonds. The performance of these asset class investments is reported on fund websites. Returns from growth asset classes contribute to the performance of pre-mixed options - like MySuper - so an awareness of asset class (e.g shares, property) performance is very important. Refer [super fund share options returns](#) for a comparison of share option returns in some major super funds.

Super fund websites also publish details of investment managers and stock holdings held by the fund. There may be differences in the levels of individual ASX 200 stocks held by super funds leading to varying performance outcomes. International share option investment mix will vary from fund to fund leading to a wide range of performance outcomes. Super funds adjust the composition of their pre-mix and asset class investments depending upon market conditions.

On average, there is a significant difference between retail fund fees (1.5%) and industry (not-for-profit) fund fees (0.9%). However investment returns are reported net of fees and charges. Therefore comparison of fund MySuper performance includes the impact of fees on returns and need not be considered separately.

## Multiple super accounts

There are many scenarios where operating more than one super account may be a desirable investment strategy. However there should be a limit (two) on the number of super accounts operated as 'default' accounts i.e. not as a result of active choice by the account holder.

## Insurance

Any insurance offered by superannuation providers should be available on an opt-in basis only, regardless of the age of the account holder. The premiums for insurance purchased via a super fund should be paid separately by the account holder – not deducted from the superannuation account balance!

## Improving the super system

Elements of an improved system to benefit Australian account holders should include;

Introduction of an online super choice system accessible through the myGov website to replace the existing employer based system of fund allocation. Selection of MySuper fund, account closures and balance transfers may be initiated through the myGov portal.

Multiple accounts should be cleaned up as part of the implementation of a new system. The account holder TFN should display current super accounts and insurance arrangements which must then be confirmed and rationalised as appropriate.

The system would offer a 'Top 10' list of MySuper funds plus access to a complete list of MySuper funds with performance data.

MySuper fund performance (1 year & 10 year) would be reported to the Government and the fund list available to super account holders updated annually with this information. Account holders should be able to view both current and long-term investment performance.

Initial allocation of a MySuper fund by default could be by rotation through the annually revised Top 10 list. Subsequent changes of employment should give the employee an opportunity to review choice of super fund as part of the commencement process.

A super fund performance benchmark should be updated annually. The benchmark could be calculated using typical MySuper asset allocations and returns. Benchmarking of asset classes should also be undertaken. Comparison with share market index returns would be an appropriate means of assessing fund share option performance, which should be better than the corresponding index return.

There should be standard terminology adopted by super funds to describe investment options and performance.

Notwithstanding the above, the key to better super outcomes is to improve the engagement of individuals in the super system; knowledge – choice – returns.