



Australian Government
Productivity Commission

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Dear

Superannuation system Inquiry — follow up on funds survey gaps

Today we released the draft report for our Inquiry into the efficiency and competitiveness of the superannuation system. A copy is available here: www.pc.gov.au.

We will now engage in extensive consultation through public hearings, submissions, release of other technical papers and expert roundtables before we finalise our report to the Australian Government later in the year.

You will see from our draft report that there remain some gaps in our evidence base from the funds survey. Data we had anticipated would be provided were not. For example, about 85 per cent of CEOs reported that their board regularly assesses the attribution of their fund's investment performance by asset class. But only 5 of the 114 responding funds provided returns data — an input to performance attribution analysis — for the 14 assets classes. Sixty funds provided nil responses.

As these data are important to our Inquiry, this letter is to advise that we will now again seek to secure these data from you to inform our analysis and final recommendations to Government.

Next Tuesday (5 June) we will be sending you a link to a short survey form for each fund for which you are responsible to assist our collection of this important data. We appreciate that our original funds survey was late last year and that much has happened in the financial services industry since then.

This follow up survey is going to focus on material gaps which preclude us from undertaking important areas of analysis:

- fund assets and returns by asset class. This information will be used to undertake a comparison of net returns by asset class with international benchmarks and indices. It will also be used to investigate sources of underperformance
- investment management fees by asset class. This information will be used to strengthen the comparison of investment management costs by asset class with international benchmarks. It will also be used to improve the assumptions regarding investment management costs in the performance benchmarks

- fund expenses by expense category and by source (e.g. outsourced non-associate providers, outsourced associate providers and in-house services). This information will be used to undertake a comparison of expenses between funds that do and do not use associate providers.

We will also provide some further guidance and a simpler structure for some of the questions.

Akin to the CEO governance survey, this survey will be undertaken in-house by the Commission. Survey responses will be received and stored securely within the Commission's IT environment, and will only be accessible to Commission staff working on the Inquiry. Responses will be de-identified in published data to protect the identity of funds.

In keeping with our inquiry processes, we will report summary statistics and analysis based on the data in a transparent way, and Inquiry participants will have the opportunity to provide feedback on this work before we finalise our report.

As with the original survey, where funds that received the survey and those that responded were listed in the draft report, funds that received this follow up request and those that complied will be listed in the final report.


Please return the completed survey within 15 business days, that is, by close of business Wednesday 27 June 2018.

If you require assistance with any aspect of the survey, please contact Lou Will (Lou.Will@pc.gov.au, 03 9653 2224).

Yours sincerely



Karen Chester
Deputy Chair



Angela MacRae
Commissioner