

Transparency and competition

The top priority for an incoming Coalition government, in relation to superannuation, would be to make the information available to consumers on super, more transparent.

Senator Mathias Cormann, Shadow Assistant Treasurer and Shadow Minister for Financial Services and Superannuation said the system had to become more transparent and competitive.

"Without adequate information, it encourages the levels of consumer disengagement that we're currently experiencing.

"A future Coalition government will focus on driving improvements in transparency, competitiveness and corporate governance," he said.

He said these improvements were

necessary to bolster confidence in the superannuation industry.

"The Coalition government would seek to work with the industry to develop standard reporting of fees, standard reporting of gross and net return of individual investment options and a common set of definitions for asset classes and investments so that consumers can be confident that a growth or balanced option from super fund 'X' has the same meaning as super fund 'Y'.

"I'm sure we could come up with a better system to ensure that reporting standards contribute to increased transparency for a more informed market and consequently to greater competition.

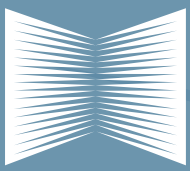
"In relation to competition, we are disappointed the government has not

acted to ensure that there is proper competition in the selection of default superannuation funds under modern awards.

"If the current government has not acted to implement open, transparent and competitive process for the selection of default funds then we will act on that very quickly on coming into government," Senator Cormann said.

Senator Cormann reiterated the government's preference for better incentives for voluntary contributions rather than an increase in the level of compulsory contributions.

But he confirmed the Coalition's position that if legislation passes to increase the SG to 12 per cent, a Coalition government would not rescind it.



Emerging market opportunities

Emerging markets are more than just Asia, according to David Thomas of Think Global Consulting.

“Open your mind to new countries and regions,” he urged delegates at the *Removing the Australian bias* concurrent session.

Also urging super funds to invest more broadly was the session’s other

speaker, CEO of Perpetual Superannuation, Chris Ryan.

“Asset allocation must change to give more attention to emerging markets.

“Asia and Latin America provided 70 per cent of world GDP growth in the last 10 years,” he pointed out.

Despite Australian investors having significant exposure to mining stocks, that didn’t secure sufficient exposure to emerging markets, Mr Ryan said.

Mr Thomas said Australia is underweight in India; that Russia presented cheap stocks in terms of price to earnings ratio; that resources and agriculture were big in Latin America and many interesting opportunities also existed in Africa.

Pauline’s big connections

ASFA’s chief executive, Pauline Vamos key take-outs from ASFA 2011:

- Identifying what the trends are, what you are going to do, and then implement your plans.
- Sometimes you have to let people go free.
- By 2020, China’s economy will be bigger than Americas – one-fifth of America’s debt is held by the Chinese.
- As we come together and debate on issues, recognise the fatal flaw rather than argue over a different way of doing it.
- Super Stream, the one area where we all agree, is also the most work because it also impacts third parties like employers and payroll providers.
- For people who want security in retirement, super is their best bet.



Conference stats

- 409 downloads of Workbook for iPad.
- 1,780 coffees served at the Super Expo’s Café in a Box.
- Over 370 #asfa2011 tweets during Conference.



The BCEC donates all leftover food to charity.

Getting to \$5 trillion

We all know the super industry is growing and on track to reaching \$5 trillion, but have we, as an industry, really considered what this means and how we need to prepare?

In the Friday morning session, *Sleepers beware – are you ready for a \$5 trillion industry?*, facilitated by ASFA's newest life member, Howard Rosario, two industry experts provided their insights on what funds should be doing to succeed in an industry of such extreme size.

Andrew Baker, Managing Partner, TRIA Investment Partners, provided attendees with an outline of the likely shape of the industry in the future. Based on TRIA modelling, Mr Baker expects the industry could reach \$5 trillion around 2027 – just 16 years from now.

"It's likely to be a world of eroding net inflows as members age," Mr Baker said. The industry will depend greatly on investment returns in the future, he said,

and declining cashflows will have a big impact on fund's investment strategies.

Mr Baker cautioned that \$5 trillion is a big responsibility and funds will need to work out their strategy and value proposition going forward, including looking at things such as: solving the advice gap; determining what retirement products they offer; and lifting their standards of governance and disclosure. Funds need to consider what legacy they leave behind for the next generation when the size of the industry will be substantially greater.


Renato Mota, General Manager Distribution, IOOF Holdings, then provided his own insights based on what IOOF has done internally to prepare for the future. As Mr Mota pointed out, "Doing nothing is by far the biggest business risk. There is a lot of imitation going on in our industry at the moment - our level of innovation needs to improve." Other key insights

included:

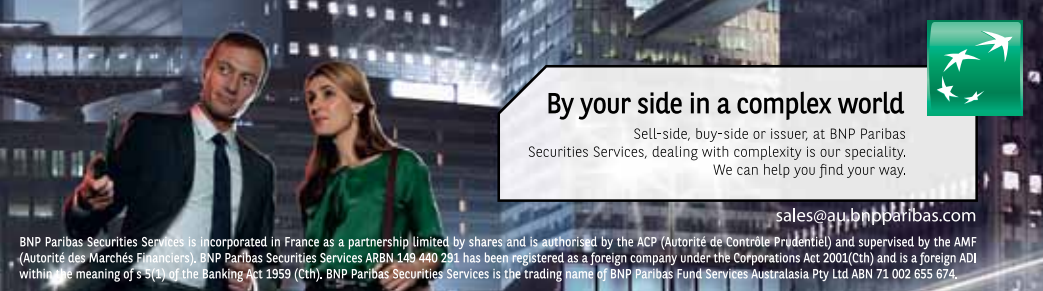
- Changing the organisational DNA from a mutual (for the benefit of members) into an ASX listed company.
- Attracting people who embody the organisation's aspirations and creating an 'agile culture' that embraces change.
- Embracing the risk of failure.
- Investing in an organisation's people and technology.
- Embracing 'co-opetition' (cooperative competition)



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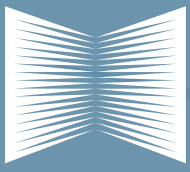


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Road to the top

As far as global super systems go, Australia can consider itself the silver medallist according to the 2011 Melbourne Mercer Global Pension Index.

This year scoring a B+ rating, Australia sits behind the Netherlands (also a B+). Even after three years of running the Index, no country is yet to score an A grade. How we can go about making Australia the first to conquer the milestone was the hot topic of discussion in the session, *Global super environment – where does Australia fit in?*

In explaining the ranking and how improvements could be made in 2012 and beyond, David Knox, Senior Partner, Mercer, led attendees through an overview of the Pension Index and took a broad global look at the super system, while Tim Furlan, Director, Superannuation, Russell Investments, delved into more specific elements.

One way in which Australia can improve its ranking, Mr Knox believes, is through further thinking about income streams. The World Bank suggestion of requiring people to take 50 to 70 per cent as an income stream is something well on the right track, he said.

Encouraging people to think about working longer in this age of longer life expectancy was another factor Mr Knox said would assist Australia in landing itself top of the class. This need to work longer however, also has social implications, as one question from the floor pointed out.

Mr Knox said that while it was important to recognise not everyone is the same, society as a whole is now living longer and entering the workforce later, so working longer may in fact become a necessity.

“We can only have as much retirement as we can actually afford,” said Mr Furlan.

Mr Furlan led delegates through some recent overseas developments, particularly in the UK and US, and opened discussion as to whether these measures could also be relevant for Australia.

“One of the key issues is getting people to think about retirement incomes,” he said. An initial step, he expanded, was communication, which would hopefully lead to less resistance and greater understanding when Government announced new measures.

Mr Furlan said we needed to remember we’re “asking people to give up money for a retirement they may never see”.

And, Mr Knox added, “as we develop the post-retirement space, we need to recognise that.”



Lessons from the Queensland floods

The flooding of Brisbane earlier this year, put to the test risk management and business continuity plans for many businesses. At Friday’s session on operational risk, the CEO of BUSSQ, David Sullivan, shared with delegates what his company learnt from its first-hand experience of an emergency. Observations:

- Having a back-up server in a different geographic location worked well.
- Taking immediate action was effective.
- Some staff took several days as annual leave and didn’t work.
- Some staff lacked the knowledge to work from home.
- Electronic building security failed and manual lock-up did not occur. Therefore:
- A more structured system for staff contact was needed.
- Regular testing of staff remote access should be undertaken.
- A better understanding of business partners’ continuity plans was needed.
- Building security needed to be included in business continuity plan testing.

Mythbusters

There are many myths and misperceptions about self-managed super funds (SMSFs) according to speakers in the Friday morning session, *The truth about SMSFs*.

SMSF Professional Association of Australia (SPAA) Technical Director, Peter Burgess and fellow mythbuster,

accountant Sharyn Long, addressed the top myths they hear about SMSFs.

Among the myths they attacked:

- **SMSFs are tax avoidance schemes:** False, they said. SMSFs operate under identical rules to APRA-regulated funds; there is nothing an SMSF can do that an APRA fund cannot.
- **SMSFs have more fraud problems:** Not true. The speakers acknowledged there had been a problem in the

past due to a system weakness with ATO registration processes, but this had now been addressed. With SuperStream, fraud would become even more difficult.

- **SMSFs have peaked:** Evidence does not support this, they said. The reasons for establishing an SMSF are equally relevant today as previously and SPAA research shows growth is likely to remain strong going forward.

From the regulator

Funds and regulators need to do more to rebuild confidence in the industry, the regulator acknowledged on the final day of the ASFA 2011 Conference.

Deputy chair of APRA, Ross Jones, said faith in the retirement savings system had taken a hit during the last few years with continued market volatility since the GFC.

"Three years ago when all this happened the response of the funds, of governments, from funds, from regulators was to say 'this is a temporary circumstance'. The prevailing message we put out was, 'remember, pensions are a long term proposition.'

"However at the end of 2011, market volatility continues and many countries pension balances still haven't returned to pre-crisis levels.

"In some defined benefit regimes such as the Netherlands, governments, unions and employers have actually made attempts to renegotiate the pension promises.

"Even in countries such as Australia, with long-established defined contribution funds, member commitment and member confidence has been impacted by poor returns.

"[Yet] Australia's pension industry is still highly regarded globally," Mr Jones said.

He warned that although many countries faced serious problems with their pension systems, Australia was not immune from issues of confidence.

"I think it's possible to argue in a mandatory retirement savings where consumers have no choice, funds and governments have an even greater obligation to ensure confidence in the system is maintained.

"Rebuilding confidence and connecting more effectively with members has become a major issue worldwide.

"More attention is being paid now to reducing risks to members in defined contribution schemes and more effectively communicating the nature of those risks, and building a more effective regulatory infrastructure."



APRA reform timeline

Addressing delegates, Mr Jones took the opportunity to outline a timeline for APRA Standards and MySuper licensing:

- Draft application forms for MySuper authorisation available from mid 2012.
- APRA expects to be in a position to accept applications for MySuper authorisations from the beginning of 2013.
- Draft prudential standards released for consultation in early 2012 (subject to the passage of proposed legislative amendments).
- Final prudential standards would be released in 2012, prior to the commencement of the MySuper authorisation.

Mr Jones acknowledged it was going to be a busy couple of years for trustees.

"So my suggestion here is that early and frequent discussion with APRA is fairly crucial to transition to new requirements."

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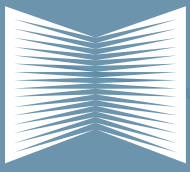


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seen at asfa 2011

Award-winning booths

The winners of the Booth Awards at the ASFA 2011 Super Expo were:



Best crowd pleaser - BNP Paribas Securities Services



Best looking - Conexus Financial



Best green initiative - AON Hewitt



Best product communication - Towers Watson



ASFA's newest life member, Howard Rosario with Tony Lally



Russell Mason




Conference BIG night out


It promised to be BIG, and it certainly delivered. Greeting guests with a 42-piece orchestra, the ASFA 2011 Conference Dinner impressed from the very beginning. A 20-strong bagpipe band paraded through the hundreds of tables as guests took their seats for the dinner, hosted by MCs for the evening, Rachael Beck and Ian Stenlake. Cover band, The Beatnix, had guests flocking to the dance floor as they belted out some classic Beatles tunes before the party really got started as the DJ took to the stage.



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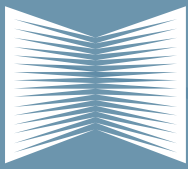
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TOP TWEETS



@haich208

#asfa2011 conference dinner orchestra.. AMAZING! t.co/p9jvJezh

@actuariesInst

David Thomas #asfa2011 India 7% of world economy but attracts <1% investment flows: everyone is overweight India #actuaries

@irishseanl

#asfa2011 coalition favor incentives over compulsion. Roll back to 92 -> we'd have no sg, no adequacy. LNP no clue about behavioral finance

@bubsdragon

#asfa2011 easy tigers it is called economic rational theory & states that the consumer makes the choice that is best for them

@adicoloshie

What other industry - anywhere - is forced by regulation to have a simple comparison of fees/returns? #asfa2011

@DavidH_iq

Coalition supports efficiencies flowing from SuperStream - Cormann #asfa2011

@TimStewartSR

Sharyn Long asks the ASFA audience if they believe she has "busted" the "myth" about SMSFs being oversold. One hand goes up. #asfa2011

@ausnomes

Thanks to @cafeinabox for excellent coffee during the #asfa2011 conference!

@Ant292

Dr. Karl: brilliance. #asfa2011

@peakey60

hi @DoctorKarl Really enjoyed your preso today at #asfa2011. Thought provoking & funny! oughta slow down a bit tho-you'll hurt yourself!

@stephenhuppert

My #asfa2011 highlight: the twitter conversations. A whole new way to experience the conference #ThankYou



Super meets science

Known for his infectious enthusiasm and passion for science, Dr Karl Kruszelnicki delivered this in troves on Friday to the final ASFA 2011 plenary session, *Like totally super moments in science*.

Dr Kruszelnicki offered attendees a range of bite-size science facts and discoveries, touching on subjects such as climate change, alternative power sources and renewables, all the way through to genetic engineering and wildlife.

Showing how things that once seemed impossible are now the norm or perhaps even considered old or outdated, Dr Kruszelnicki painted a picture that indeed anything could be possible – whether in the world of science or superannuation.

"We went from not being able to fly, to going to the moon in one human lifetime," he said. With such monumental change being possible several decades ago, the future looks bright for the evolution and improvement of Australia's superannuation system.

ASFA 2012 comes to Sydney

As is tradition at the ASFA National Conference and Super Expo, as the event came to a close, ASFA Chair, Tony Lally, took to the stage to announce the host city of next year's Conference.

In ASFA's 50th anniversary year, it will be Sydney that ASFA 2012 delegates will call home from 28 to 30 November 2012. Bound to be one of the biggest conferences yet, plans are already underway for ASFA 2012, suitably themed 'New Directions.' It is still unclear where the super industry will be in 12 months time but we hope to see you all at the Sydney Convention and Exhibition Centre next November. Mark it in your diaries now!

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