Actuaries Institute Podcast – SPD Sub-Committee
Recorded: 3 June 2019
Speakers: Rein Van Rooyen, Estelle Liu
Duration: 7:55 Minutes

Rein: Hello and welcome to the Actuaries Institute podcast. My name is Rein Van Rooyen. I'm an Actuary and the Head of Investment Performance and Data at QSuper. I'm also on the magazine editorial team for the Actuaries Institute and what we call the SPD [sub-committee], which is the Superannuation, Projections and Disclosure Sub-Committee. Today I'm joined by Estelle Liu, Consultant at Rice Warner Actuaries and my fellow member of the SPD [sub-committee]. We're recording today from the Actuaries Institute Summit [on] day one where there have been lots of interesting sessions on Superannuation.

Estelle, thank you for joining me,

Estelle: Hi Rein, thanks very much for having me today.

Rein: In this podcast, we will be discussing key activities of the SPD [sub-committee] which has been extremely active in pursuing improvements in superannuation, projection and disclosure matters in Australia. Estelle, could you start with telling us a bit more about the superannuation projection disclosure subcommittee.

Estelle: Yep sure, so we have been very active in promoting Actuaries working in projection and disclosure related matters, so this involves recent engagement with the Treasury, APRA, ASIC and also the industry.

On the treasury side, we have been focusing on MySuper and Choice dashboards and also potentially the retirement product dashboards. The engagement with APRA is on SPS 515 member outcome tests and also stronger super review. On the ASIC side, we have a number of outstanding issues including the recent CP 308 which is a review of the RG 97 fees and costs disclosure matters. We are also very engaged on the industry front on a long term risk measure initiative and an indirect cost survey.

So in addition to those, we also have a number of ongoing work which includes the advocacy of exemption from requirement for financial advice license for DB projection statement to ASIC, also treasury budget fee cap advisory role as well as on the Professional Standard 101, which is focusing on investment performance measurement and presentation.

Rein: Clearly the SPD [sub-committee] has been one of the most active groups within the Institute. Can you give us an idea about the number and types of submissions we've done?

Estelle: Yeah so, we have been really active and provide a lot of submissions in the recent years. On average, we provide more than 10 submissions, articles, and notes every year. So for 2019 to date, we have provided four of such submissions.
So the first one is a submission to ASIC regarding to the CP 308 which I explained earlier which is the review of RG 97 fees and costs disclosure and the second one, we contributed to the treasury retirement income disclosure submission by the Retirement Income Working Group (RIWG).

The third one is the collaboration with the Retirement Income Working Group and we established a task force to research rule of thumb for retirement income drawdown from account-based pension. We produced a research paper submitted and presented at the Actuaries Summit and it's looking to potentially published a paper in a journal.

The last one is a technical paper focusing on the historical random start modelling on investment return, so we expect to publish this paper at [on] the Actuaries Digital, maybe in the coming months.

Rein: Clearly the SPD [sub-committee] is also engaging the industry quite a lot. Would you be able to tell us a little bit about the long-term risk measure?

Estelle: Sure, so we understand that there's general acceptance that the current standard risk measure indicator of investment risks only focuses on the short-term investment risk and does not provide relevant risk measure to superannuation fund members, who have a longer term investment horizon and they are most of the members, so to address this problem we believe that it is very important to introduce a long term investment risk measure and we understand that both ASIC and APRA actually support the introduction of such measures but only if there is industry-wide acceptance of such [a] matrix. As a result, it is our plan to arrange a meeting with a group of industry representatives to discuss the issue and push this forward.

Rein: The SPD [sub-committee] has also been active in promoting the role of Actuaries, specifically around superannuation benefit projection scheme. [Can you] share a little bit about that?

Estelle: So, we're promoting superannuation projection as the best means to assess superannuation fund member benefit outcomes. One example is that the SPD [sub-

committee] provided a submission to APRA in March 2018, specifically focusing on the Prudential Standard 225 which is on member outcome assessments. So, in this submission we highlighted the importance of using retirement benefit projections in assessing members retirement outcome.

Rein: and in terms of membership, do you have to be based in Sydney or Melbourne to be part of the SPD [sub-committee]?

Estelle: so [the] SPD [sub-committee] current membership includes ten members. In Melbourne, we have Colin Grenfell, Bill Buttler, Esther Conway, David Orford, Richard Starkey and Ray Stevens and in Sydney we have Ian Fryer and myself [Convenor] Estelle Liu. In Brisbane we have Rein! We have you and [we] also have Brnic Van Wyk, so we want to actually take this opportunity to thank past members. We have two members [who have] recently left the SPD [sub-committee],
Glenn Langton and Tom Sneddon, so we would like to thank them for their invaluable contribution to SPD [sub-committee] and also wish them all the best for their next adventure and I also would like to use this opportunity to mention that we're actually recruiting one or two new members, so this could include a role of SPD [sub-committee] secretary which might be a good opportunity for a younger member to participate in our activities. So, if you're interested, please do not hesitate to contact us.

Rein: Estelle, the SPD has been engaging various regulatory bodies, financial institutions and so forth regarding an indirect cost survey. Can you tell our listeners a little bit more about that?

Estelle: Yep sure, so the survey focuses on the views of indirect costs and it's encouraged by the treasury so [the] SPD [sub-committee] sent a survey to sixteen Actuaries working for super funds and also to related financial institutions, you mentioned there are ASFA, ASIT, ISA, FSC, Choice and SEC regarding to the calculation in disclosure of indirect cost to fund members. So, with assistance from ASFA as well, it was also circulated to the CEO's of ASFA members. So the survey responses were collated, analysed and shared with the participants anonymously and with ASIC in our submission regarding to CP 308, so we really hope that the survey and responses will help the regulator understand the views of different industry participants regarding indirect cost disclosure matters and also with finalisation of their subsequent policy positions.

Rein: One of these sessions [at the Actuaries Summit] today was the great debate between David Knox and John Daley, who discussed and argued Australia's compulsory retirement savings rate, whether it's inadequate or about right.

So, the ongoing escalation in Australia is, compulsory rate of superannuation contributions to 12% from its current level of 9.5% is clearly under challenge and these two giants fought it out and the debate is still ongoing. This is clearly a topic that the SPD would investigate as part of any future submissions.

Estelle, thank you for joining me. It's great to hear about your insights and we appreciate your time today discussing our work in this area.

Estelle: Thanks very much Rein.

Rein: To our listeners, we hope you enjoyed the discussion. Please check out our Actuaries Institute podcast for more thought leadership content. Write in with your questions and comments on the show. We love to hear from you and we'll get in touch. I'm Rein Van Rooyen, bye for now.