



Fees in the Superannuation Industry

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Indirect Cost Ratio – The current system

Enhanced Fee Disclosure

- Sound principle
 - What is the additional cost of professional management
- Not kept pace with the evolution of capital markets
- At least 35 different ways true costs are distorted
 - Knowingly?
 - Inadvertently?



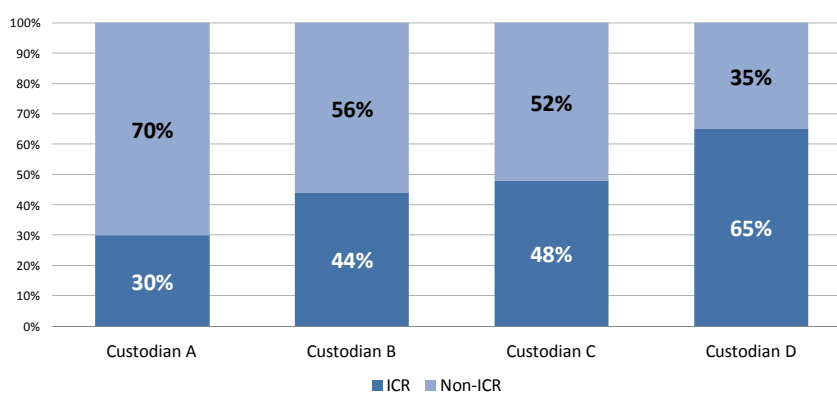


“Enhanced” fee competitiveness

Enhancement category	Number of enhancements
Master custody	9
Investment banking (inc. transition management)	8
Investment management	7
Investment strategies	4
Product fees	3
Other	4



Are the differences material?





Is there any fund that is not knowingly or inadvertently participating?

- Does your fund have a cost budget, or just a fee budget?
- Is your fee budget consistent with your fiduciary obligation to maximise retirement benefits?
- Or is your fee budget about:
 - Competition?
 - Consolidation?
 - Career continuity?



Cooper Review Panel's TAER

Total Annual Expense Ratio, another acronym that:

- Members won't understand
- Will be manipulated for self-serving purposes
- Will create further market distortions
- Will support the promotion of self managed super





TAER requirements

- Brokerage fees
- First non-associated entity
- Gross minus net earnings

A little knowledge is dangerous

- Principles have been forgotten or ignored



Alternative disclosure regime

- Focus on removing:
 - Capital market distortions
 - Incentives to behave in ways that don't maximise retirement benefits
- More information is not always better information

New principle required

- What am I paying my fiduciary to act in my best interests?





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