
Introduction

HESTA has 850,000 members, \$55 billion of assets and has an annualised return of 8.78% p.a. since inception in 1987 in the Balanced Growth – the MySuper authorised investment option.

HESTA is an industry super fund with a strict profit-to-members model that was created to meet the specific needs of employees working in the health and community services sector.

Our members:

- Work primarily in aged care, a sector with significant employment growth;
- Are mostly women (80%), and are likely to take career breaks, live longer, and more likely to be dependent on the Age Pension in retirement;
- These women earn \$52,400 per year on average, with our male members earning 20% more than this;
- Predominantly light blue/blue collar workers in non-desk-based roles, required to perform medium duty manual tasks as a part of their role;
- Are time poor – generally balancing work and family responsibilities;
- HESTA members are some of the most vulnerable and marginalised workers in Australia;
- Generally, work under a traditional employment structure, drawing a regular wage.

The typical HESTA member is aged 43, is female and has a balance of approximately \$25,000 in superannuation. Because of our traditional industry base our members are:

1. More likely to live for five years longer than an average Australian male
2. More likely to suffer the inconsistencies and discrimination of the gender pay gap
3. More likely to take time out of the workforce on periods of unpaid leave
4. More likely to be at risk of poverty in retirement.

HESTA Response to Topic paper 7 – Fees and Costs Disclosed

HESTA acknowledges APRA's requirements to extend its data collection to expand fees and cost disclosures to choice products and options and provide enhanced information on key forward-looking drivers of member outcomes for all superannuation products. We also acknowledge that APRA is seeking to:

- gain a more complete picture of the fees and costs reported in Product Disclosure Statements (PDSs);
- facilitate the comparison and assessment of fees and costs for superannuation products, investment options and investment menus; and
- expand the publication of fees and costs for all superannuation products.

HESTA has considered the proposed changes and our responses to each is outlined below. We note overlap of SRS 706.0 with SRS 703. APRA has noted it will consider granting exemptions from reporting these data items under existing reporting standards or where relevant discontinuing collecting under an existing reporting standard, where duplication is present.

We would appreciate clarity on this as soon as able.

Fees and costs disclosed and alignment to RG97

Proposed Change:

Through draft SRS 706.0, APRA proposes to collect information about fees and costs which are disclosed in the PDS for each superannuation product. This includes all permissible fees charged to MySuper and choice members and will facilitate more accurate, consistent and efficient comparisons of fees and costs across superannuation products. APRA also intends to provide greater transparency through publication of the data collected.

The reporting of fees and costs is currently aligned with ASIC's "Regulatory Guide 97: Disclosing fees and costs in PDSs and periodic statements" (RG 97), which was released in March 2017. However, ASIC has recently released an updated version of RG97, which will commence on 1 July 2020 with transitional arrangements applying to enable RSE licensees to opt into the updated version until 30 September 2022. To address the changing status, draft SRS 706.0 will allow reporting on the basis of both the current and updated version of RG97 until RG97 is fully implemented.

Questions from APRA:

What difficulties, if any, may be caused by reporting data items on draft SRS 706.0 that allows reporting on both a current and transitional RG97 implementation basis? How could this be mitigated?

When do you anticipate that you will complete the transition to the updated RG97 requirements?

HESTA response:

Reporting of fees and costs on both a current and transitional RG97 implementation basis will make benchmarking comparisons (e.g. for member outcomes) difficult.

Another challenge is effective comparisons across Funds. For example, Funds approach their fee structures differently (fixed component of investment fee in member direct charges vs indirectly – splitting investment fee and ICR – especially if there is a component of internal asset management). Currently fees are only comparable at the aggregated level (direct and indirect combined) and under same guidelines.

Fee disclosures

Proposed Change:

MySuper products - APRA proposes to align fee and cost reporting to the updated version of RG97. Key changes include capturing advice fees and costs under administration fees and costs and aligning categories of fees and costs. Entities will also be able to indicate if they are reporting on a pre or post RG 97 implementation basis during the transition period to 30 September 2022.

Non-MySuper products - APRA proposes to extend the reporting of fees, costs and taxes to choice products and options, capturing this data at each of the product, investment option or investment menu levels. These changes also propose to facilitate the reporting of fee tiers and contribution fees.

HESTA response:

HESTA will implement RG97 by 30 September 2022.

Fee discounts and rebates

Proposed Change:

APRA proposes that each discount arrangement scheme available for MySuper and choice products and options is reported. The number of employer sponsors, member accounts and customised features available to members will also be required to be reported.

HESTA response:

HESTA does not currently provide fee discounts or rebates.

Activity fees

Proposed Change:

APRA proposes to extend the reporting of activity fees to choice products and options.

HESTA response:

HESTA is fine with this approach.

Proposed non-confidentiality determination

Proposed Change:

APRA's SDT project will lead to significant changes to reporting requirements. As a result of these changes, APRA needs to consider whether the data reported under Financial Sector (Collection of Data) Act 2001 (FSCODA) should be determined to be non-confidential and publicly accessible.

APRA is generally able to publish aggregate industry-level data without restriction. To achieve the objectives of the enhanced superannuation data collection, which include improved accountability of the industry and more informed analysis and assessment of the performance of the superannuation industry by stakeholders, it will be necessary to publish data at an individual entity, product and investment option level.

Question from APRA:

As required under subsection 57(3) of the APRA Act, APRA seeks submissions from RSE licensees and other interested parties on whether data to be collected under draft SRS 332.0 should remain confidential. The submissions should include:

- details of the data items that should remain confidential (if any);
- information on how the disclosure of that information would lead to detriment to member interests, and the extent to which that could occur; and/or
- information on how the disclosure of that information might lead to detriment to RSE licensees or other parties' commercial interests.

Please ensure feedback is specific on which data items should remain confidential and any detriment to member or commercial interests.

HESTA response:

We have concerns over disclosing the security information and investment size of our portfolio holdings, especially unlisted assets. Both are proprietary, commercially sensitive and differentiate our investment profile from competitors.