



Investments

Challenges Trends Opportunities

Institutional Insights



Towards a cohort of one

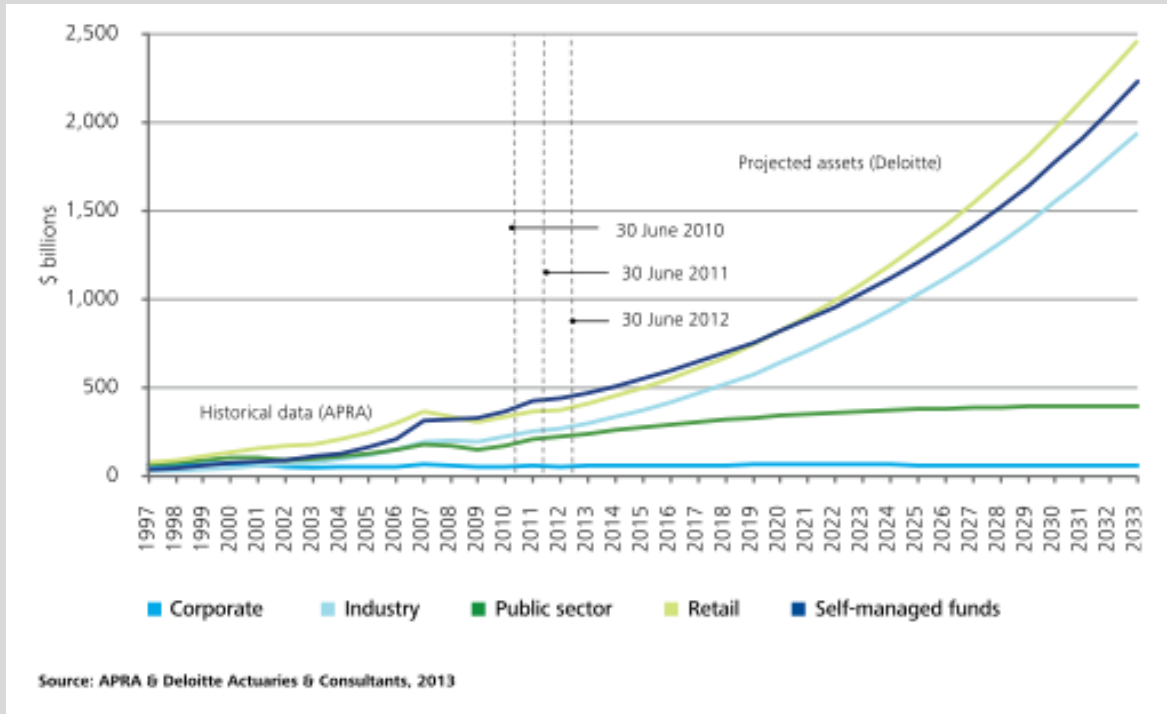
Perspectives from Australia's Superannuation Industry

Wade Matterson, FIAA
Practice Leader, Milliman Australia

Superannuation snapshot



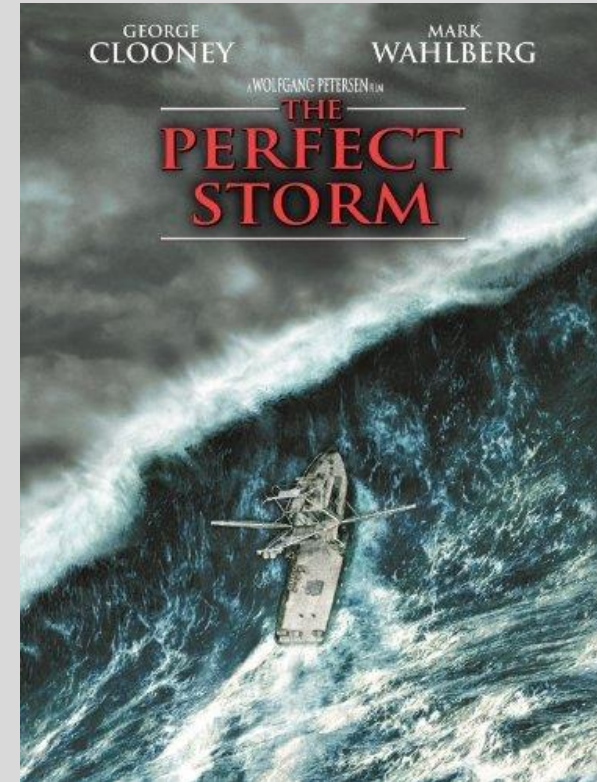
- \$2 trillion as of Jun 2015
- Still short of maturity due to low initial contribution rates
- Currently mandated contributions of 9.25% of salary pa
- A three horse race across retail, industry & self managed sectors



Are we facing a perfect storm?



- The convergence of a number of trends with profound impact on the world of pensions, including;
 - Macroeconomic
 - Demographic
 - Technology
- Government scrutiny and intervention continuing to increase.



Result - there's a lot going on!



- Reviews, reviews, reviews
 - Henry
 - Cooper
 - Productivity Commission
 - Financial Services Inquiry
 - Future of Financial Advice (FoFA)
 - MySuper
 - Superstream
 - Etc. etc.

End high-income tax
OPINION
By Peter Lewis and Jackie Woods

Superannuation
Australia's superannuation system is not meeting the goals it was created to meet. What regulation and tax reforms are needed to make 'super' more efficient and fairer?

Time to look at the 45% bracket and 15% superannuation tax breaks? Super idea!

Pension Reform strikes the balance, but Government will


Superannuation reform too vital to be avoided

Industry response?



- Historically, clear delineation of industries
 - Retail
 - Industry / Corporate
 - Self Managed
- These lines are now blurring, although philosophical & political differences remain
- Those with large levels of disengagement prone to disruption



The image features a dark background filled with out-of-focus, glowing light spots in shades of yellow, orange, and pink, creating a bokeh effect. A white camera viewfinder frame is overlaid on the image, with corner brackets in each of the four corners.

Years from now.



The cohort of one



- Increasing focus on more segregated services and focus on individual outcomes for members, including;

Engagement & Advice
Investment Strategies &
Approaches
Products & Services

- Has created opportunities for funds to differentiate themselves in a heretofore homogeneous market

Four ways we show we care

1 Expert advice

Our superannuation advisers are available to provide advice on your superannuation or retirement planning.

2 Educational seminars

Regular seminars on a variety of topics to help you with your superannuation and retirement planning.

3 Member rewards

Access to discounts and special offers on a range of products and services from our reward partners.

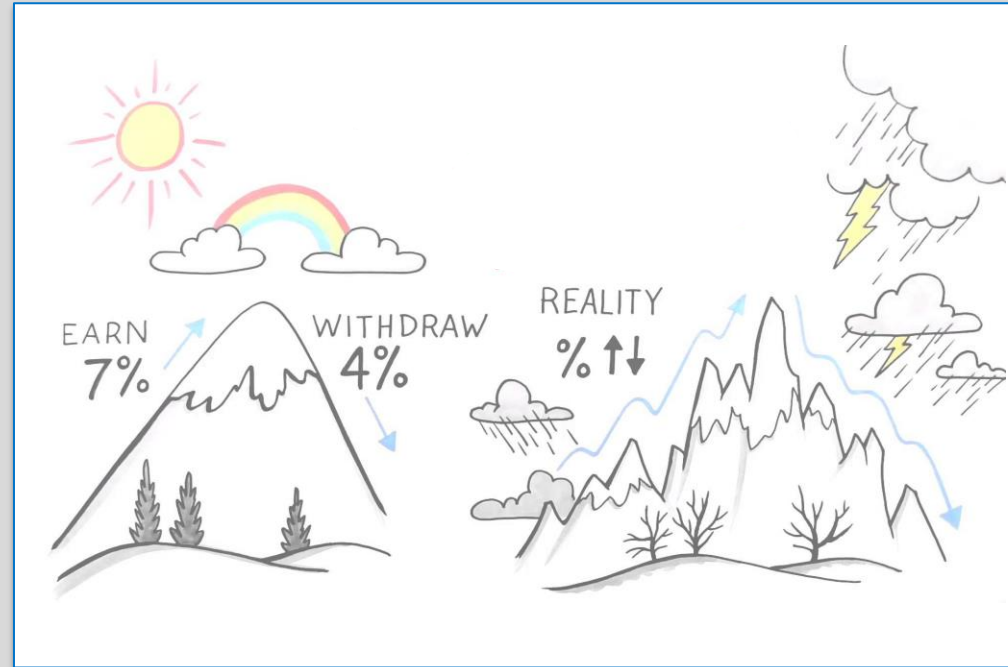
4 More choice

Flexible investment options and a range of online tools to help you maximise your savings and manage your investment.

Engagement & Advice



- Advice necessary, but difficult to scale
 - Opt-out / soft compulsion models
 - Financial planning partnerships
 - Scaled advice models
 - Shared services and internal development
- Technology a key enabler
 - Robo-advice
 - Online tools & calculators
- Education critical
 - Member statements including projected income
 - Peer benchmarking



Engagement & Advice



- Advice necessary, but difficult to scale
 - Opt-out / soft compulsion models
 - Financial planning partnerships
 - Scaled advice models
 - Shared services and internal development
- Technology a key enabler
 - Robo-advice
 - Online tools & calculators
- Education critical
 - Member statements including projected income
 - Peer benchmarking

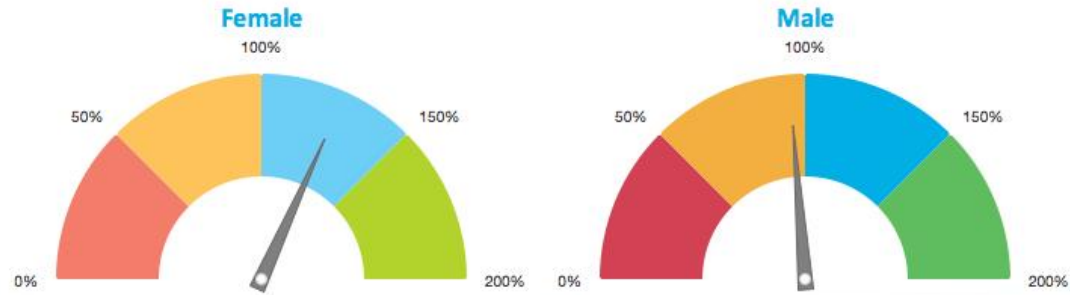
The screenshot shows the HESTA website interface. At the top, there is a navigation bar with the HESTA logo (An Industry SuperFund) on the left, and links for 'Join HESTA' (with a checkmark), 'Login to...' (with a lock icon), and a search bar. Below this is a purple navigation menu with categories: 'Why join HESTA?', 'Learn about super', 'Managing your super', 'Approaching retirement', 'Insurance & other services', 'Resources & calculators', and 'Employers'. The main content area has a breadcrumb trail 'Home > Campaigns' and a large heading: 'About the super estimate provided in your statement'. Below the heading, a sub-heading reads: 'We estimated your super at retirement and likely income.' The text continues: 'You may have received a super projection in your annual statement. A super projection is an estimate of the balance of a member's super investment at retirement, taking into account their current account balance, the impact of fees, and assumptions about future contributions, earnings and other matters. The estimate provided in the annual statement to some members has an estimate end benefit in today's dollars and is presented as both:' followed by a bulleted list: '• a lump sum, and' and '• an annual retirement income based on your super and what Age Pension you may be entitled to.' A final paragraph states: 'The amount shown has been rounded to the nearest \$10,000 for a lump sum amount, and \$1,000 for the annual retirement income amount. The estimate is based on the member's current account balance taken from the closing balance at 30 June 2015.'

Engagement & Advice



How you compare

This is how your super compares with other Equip members around your age*



Your balance vs. Ave. Female (balance for members near your age)

127 %

Your balance vs. Ave. Male (balance for members near your age)

95 %

Ave. Equip Female vs. Ave. Equip Male (at equivalent ages)

75 %

Click here for our retirement calculator

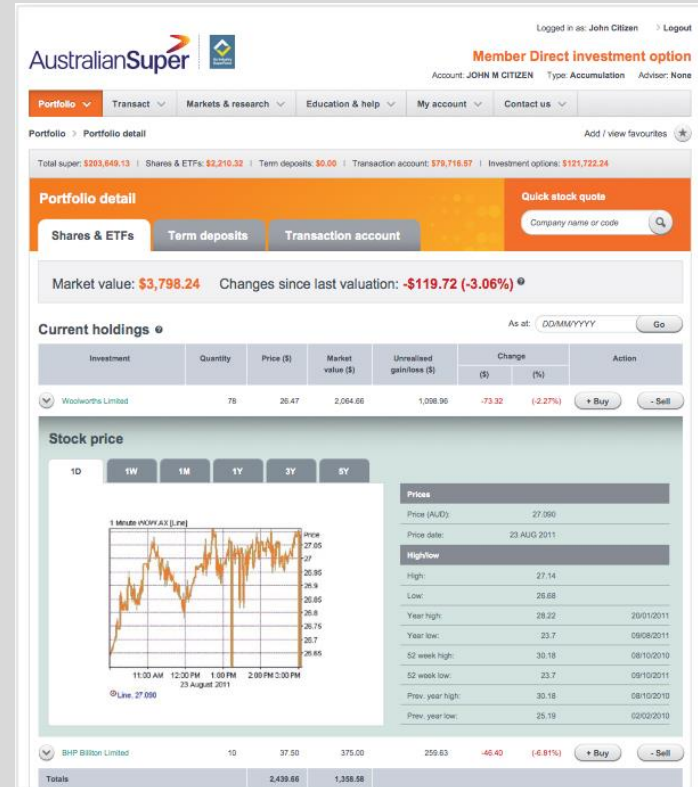


You're a bit ahead of the pack right now. Keep up the good work! Maybe visit our retirement calculator to see how you're tracking against your own goals.

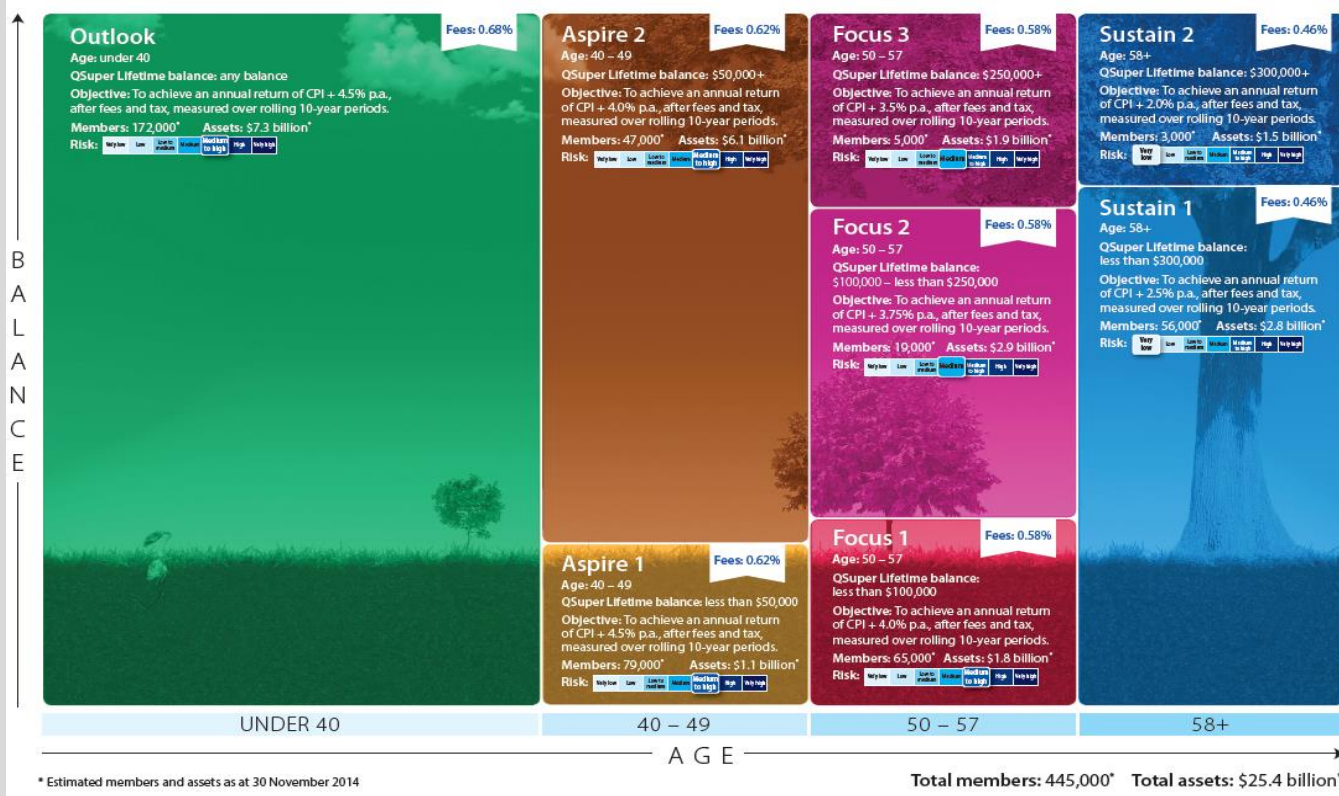
Investment Strategies & Approaches



- Industry divided over target date / lifecycle approaches
50/50 split for MySuper
- Smart defaults
Some adoption of more granular cohorts
- Wider range of investment options
Infrastructure & property
Direct investment options
- Risk aware & objectives based investment strategies

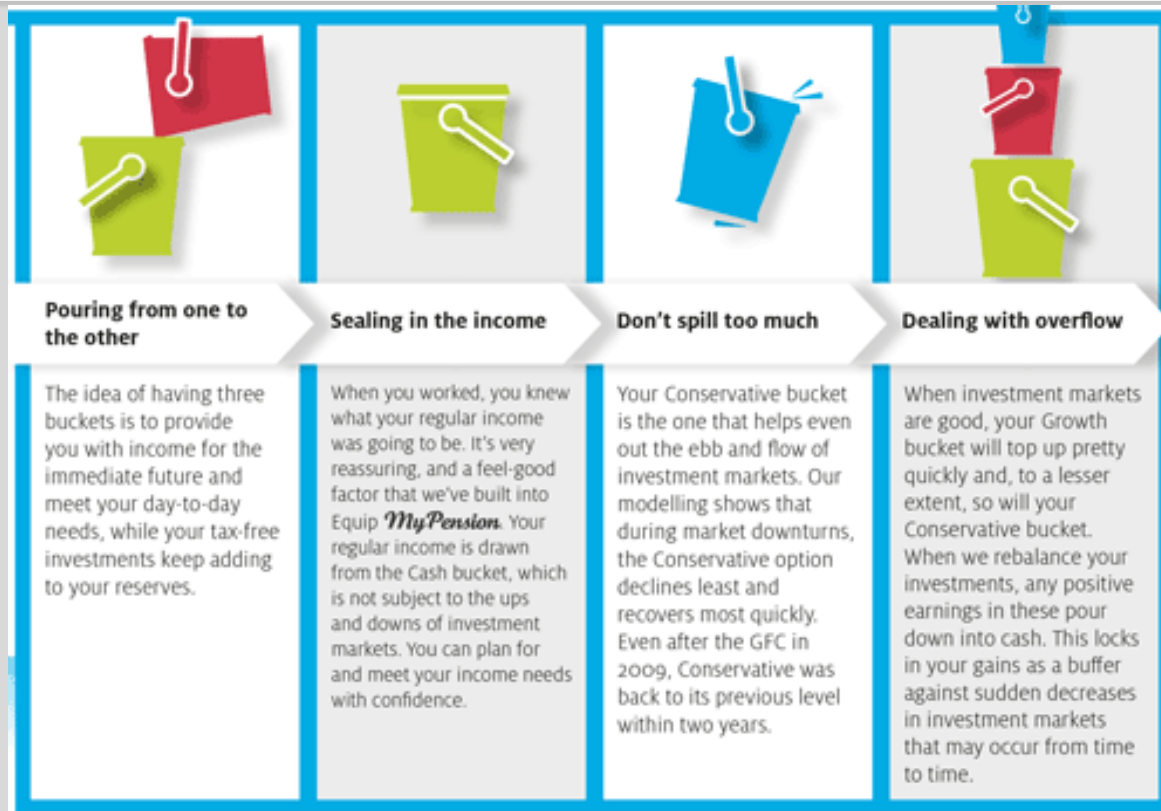


Investment Strategies & Approaches



* Estimated members and assets as at 30 November 2014

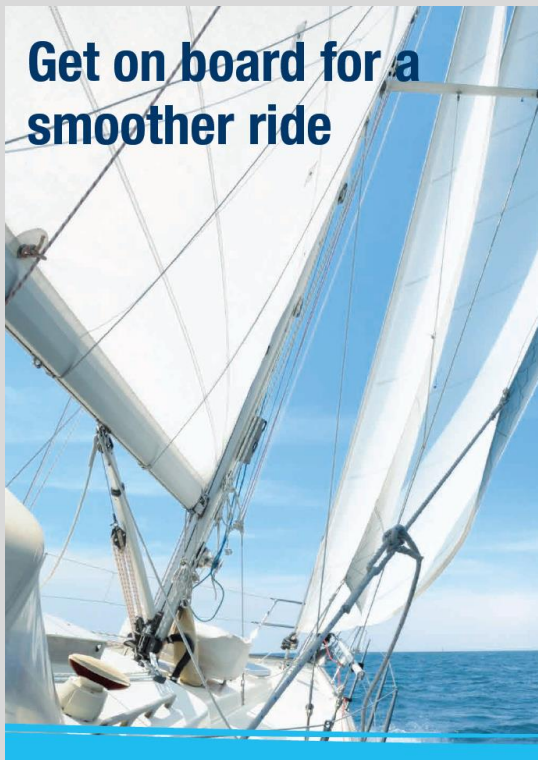
Investment Strategies & Approaches



Products & Services



- Term deposits
- Capital protection and risk management solutions
- Annuities & longevity products
- Wider array of ancillary services



Get on board for a smoother ride

Most members choose an investment strategy designed to deliver an expected level of investment growth for their super, but all too often they go off-course during periods of volatility and switch to lower-risk investment options that don't support long-term savings goals.

Maritime Super aims to provide members with opportunities for long-term investment growth to help deliver financial freedom in retirement. To offer you flexibility and choice when it comes to investing your super, we offer a range of investment options, both diversified and sector options. Our range of investment options aligns with the fact that members have different investment objectives, risk-tolerances and return expectations.

Introducing an optional new feature in our Growth and Balanced options

To help members with less tolerance to market volatility, we've developed an optional new feature to be available in our Growth and Balanced investment options that aims to provide a smoother investment journey during periods of extreme volatility.

It's called the 'Managed Volatility Process' (MVP), and you can add it to either the Growth or Balanced option from 1 July 2014. The underlying investments of the Growth and Balanced option are still the same, but the MVP is an overlay that places more emphasis on managing volatility. The aim is to reduce the severity of return fluctuations, be it positive or negative.

The Managed Volatility Process aims to:

- provide a smoother investment experience by reducing the impacts of extreme market volatility.
- protect your super balance by cushioning falls in the market
- improve the potential for consistent investment growth

It's important to note that, while the MVP can reduce the impact of downside risk, it can also reduce the height of upside results. All investments carry a degree of risk, and risk can never be completely eliminated without giving up some potential return. The MVP is designed to more actively manage risk during periods of market volatility. This process incurs an additional management cost of 0.25% p.a. on amounts invested in an MVP option.

If you want to protect against extremes in your investment journey, you may wish to explore this opportunity in the Growth and Balanced options

Investment performance expectations

The investment strategy under the MVP delivers investment returns that are less volatile in the short term. When markets are 'up' and doing very well, you may receive a comparatively lower return than the standard options. However when markets are 'down' and performing very poorly, you should not experience the extreme downside investment performance may even be greater in the long term where 'down' markets override 'up' markets. It's possible that investment performance may match the performance of the standard options over time, however your investment experience will be comparatively less volatile.

Avoid jumping ship!

Generally, the worst thing you can do during periods of volatility is to switch your investment option to a perceived safer option like cash. Evidence shows that investors who do so generally miss the recovery in the market and are often worse off. What they've essentially done is jumping ship at a low price and trying to get back in at a higher price, but by the time they've looked in significant losses.

The MVP aims to deliver a smoother investment journey, keeping your super exposed to growth cycles and cushioning the fall during market declines. For members who have less tolerance to volatility, this process provides a level of comfort while staying on course with your investment strategy.

Let's take a look this concept. For illustration purposes only, the chart below shows an investment over a 10-year period with a standard option and an option with the MVP.



For more information or to speak with one of our financial planners, call Member Services on 1800 757 607. You can also learn more by referring to the *Investment risk, return and volatility fact sheet* available under Publications at www.maritimesuper.com.au.

Products & Services



Travel discounts through Intrepid Travel

Special offer: 10% off Intrepid land tours

For travellers with a yearning to get off the beaten track.

Intrepid Travel are offering an exclusive 10% discount on Intrepid members. You'll also receive access to competitive airfares and an opportunity to take advantage of quarterly 'super' trip packages and tours. To redeem the 10% discount, you must book direct '2941'. See [Intrepid's terms and conditions](#) and call 1300 36



Flexicar: making carsharing a public transport option

Flexicar is offering VicSuper members an exclusive deal to join Flexicar. Available in Melbourne and Sydney.

Flexicar's offer includes:

- 50% discount on annual membership fee (\$35 instead of \$70)
- \$75 of bonus driving credit to get you started, provided in addition to whichever you choose.



15% discount on sustainable house design and living magazines

Special offer to VicSuper members. A 15% discount on 1-2 year subscriptions to 'Sanctuary: modern green homes' and/or 'ReNew: technology for a sustainable future' magazines, published by the independent, not-for-profit Alternative Technology Association. To claim your discount go to the [ATA site](#) and use the Coupon Code: **vicsuper** at check-out.

Sanctuary: modern green homes magazine is Australia's only dedicated sustainable house design magazine.

ReNew: technology for a sustainable future is Australia's premier magazine on practical sustainable living



MembersEquity

Low cost home loans through MembersEquity
Special offer: Pay less interest on your home loan

As a member of VicSuper you're eligible to apply for low cost MembersEquity Super Members Home Loans, a product of MembersEquity. For more information on their products, fees and services call MembersEquity on 13 15 63 or [v](#)



Blamey Saunders: \$50 cash back for digital hearing aids

Blamey Saunders hears are providers of digital hearing aids. Blamey Saunders hears are specialists in the science of hearing and their hearing aids use the amplification technology developed for the bionic ear and Cochlear implants.

Implications for fund governance & operating model

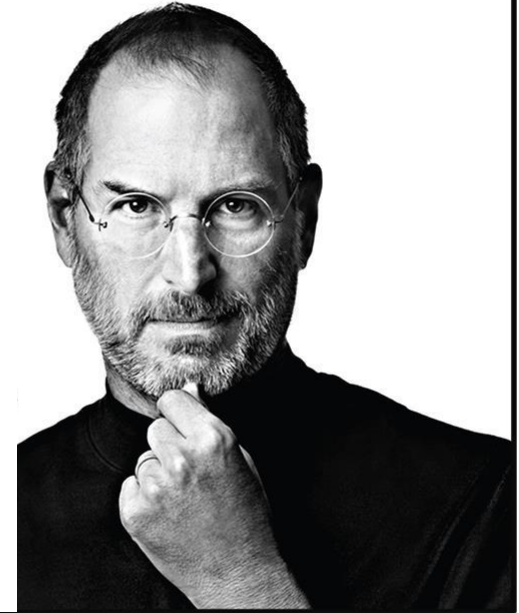


- Required expertise and issues changing rapidly
Traditional models being questioned
- Partnerships an important part of the equation
- Tendency to follow peers, not always a good idea (e.g. DIOs)
Governance important
- Challenges for large organisations to adopt lean and agile approaches
Increasing tendency to expand internal teams & responsibilities

Some lessons

- Beware the hype
- Increased engagement is inevitable
- Disruption occurs quickly
- Opportunity exists & technology is key

"I always thought of myself as a humanities person as a kid, but I liked electronics. Then I read something that one of my heroes, Edwin Land of Polaroid, said about the importance of people who could stand at the intersection of humanities and sciences, and I decided that's what I wanted to do."



Steve Jobs
1955-2011

questions 

thank you 