

Accumulation Net Benefit Model

Key Assumptions

The purpose of the net benefits table is to study the difference in accrued superannuation savings between the average industry fund and the average retail master trust over various working periods and various levels of superannuation saving levels.

Background

The Accumulation Net Benefit model and comparisons are modelled by Super Ratings, commissioned by First State Super. It uses a complete list of funds including all Master Trusts, Industry funds, Corporate and Government funds tracked by SuperRatings. The universe of industry funds and the universe of master trusts are to be reasonably comparable.

Information about the model

- The model uses First State Super’s main pre-mixed investment option, which is the Growth investment option with the most appropriate comparison level of assets.
- The sample set used in the modelling contains First State Super and the retail super funds with a 5, 10 and 15 year performance history which are actively tracked by Super Ratings.
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	5 yr	10 yr	15 yr
# of RMT options	251	96	36
# of NFP options	211	118	53
All funds	462	214	89

- The model assumes no additional contributions, other than Superannuation Guarantee, or withdrawals over the relevant comparison period.
- The net benefit refers to the cumulative investment earnings less fees for the relevant comparison period. The net benefit excludes the starting balance and the sum of all contributions.
- The model will be updated and reviewed periodically.

key assumptions used in the model

Starting balance

Starting balance \$50k.

Salary

Starting salary \$50k, with a wage increase of 3.5% per annum.

Investment Returns

Performance (Net Benefit) modelling is based on actual reported returns over the stated period.

When are investment returns credited to members' accounts?

Income is paid at the end of every year (i.e. compounded annually)

Superannuation Guarantee Contribution

The Superannuation Guarantee rate used for each year's calculation is in accordance with the Superannuation Guarantee (Administration) Act. The modelling assumes no salary sacrifice or voluntary contributions.

Contribution tax

15%.

When are contributions assumed to be made?

Contributions are made quarterly in arrears (i.e. the first contribution is made 3 months after joining fund)

When are fees assumed to be deducted?

All fees (asset based admin fees, investment fees and member fees) are deducted from the account at the end of each period (year)

Tax rebate

Explicit costs deducted from members' accounts (e.g. member fee) is subject to a 15% tax allowance.

Inflation

2.5% per annum.

Fees

Actual fees and investment returns assumed as return provided by product issuer or disclosed in documents. Fees and returns are as at 30 June for each year of the comparison. Any contribution fees, entry fees, exit fees, and/or additional adviser fees are excluded from the default position of this model.

Insurance

No deductions are made for insurance premiums.