

## **Appendix A23**

### **Pitching Research: Public Policy and Regulation Example**

## **Are Member Needs Being Better Met Under MySuper?**

**January 2015**

**Dr Geoff Warren**

Research Director  
Centre for International Finance and Regulation  
Geoff.Warren@cifr.edu.au

#### **Overview**

This note applies the pitching research template of Faff (2015)<sup>1</sup> in a public policy and regulatory setting. A mixed methods approach is proposed to investigate the implications of the MySuper regulatory regime for default superannuation funds in Australia, which fund providers were required to implement by the beginning of 2014. The proposed research will investigate the extent to which member needs are being better met under MySuper. This note is generated as an illustrative example to assist participants to prepare for the CIFR “Pitching Research” Symposium to be held in Sydney on 29<sup>th</sup> May, 2015. The pitch is reverse engineered to reflect selected elements of CIFR Project SUP002, which can be found at:

[http://www.cifr.edu.au/project/Structure and Responsibilities in Default Superannuation Funds.aspx](http://www.cifr.edu.au/project/Structure_and_Responsibilities_in_Default_Superannuation_Funds.aspx).

---

<sup>1</sup> Faff, Robert W. (2015), “Pitching Research”, version 8.0, *University of Queensland* (11 January)

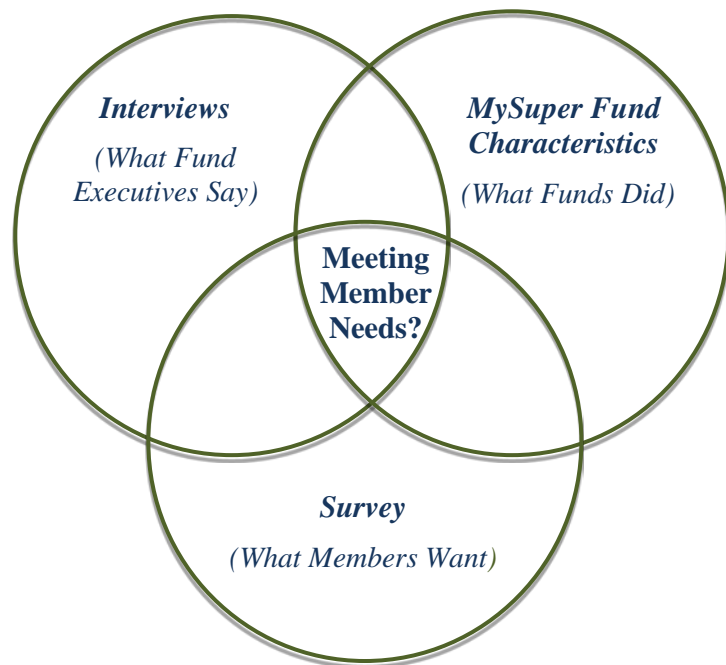
**Figure 1: Pitch - Member Needs and MySuper**

<b>Pitcher's Name</b>	Geoff Warren	<b>FoR category</b>	Default Defined Contribution Pension Funds	<b>Date Completed</b>	28 January 2015
<b>(A) Working Title</b>	Are member needs being better met under MySuper?				
<b>(B) Basic Research Question</b>	To what extent has MySuper improved the capacity and incentive for superannuation (super) fund providers to meet the needs of their default members?				
<b>(C) Key paper(s)</b>	Cooper, Jeremy R., (2014) "Are Defined Contribution Pension Plans Fit For Purpose In Retirement?", <i>Seattle University Law Review</i> , 37, 511-532				
<b>(D) Motivation/Puzzle</b>	MySuper was a disruptive event that required the super industry to consider how it perceives and addresses the needs of members who accept the default. The MySuper regulatory regime permits providers to offer a single default fund, when previously default funds were drawn from the range of choice options. This required fund providers to consider their fiduciary duty towards their default fund members as a specific group; while grappling with potential member heterogeneity and competitive pressures. The extent to which MySuper has benefited members was recently queried by the Financial System Inquiry.				
<b>THREE</b>	<b>Three</b> core aspects of any empirical research project i.e. the "IDioTs" guide				
<b>(E) Idea?</b>	This project will investigate whether MySuper led to development of products that are better suited to needs of default fund members, and/or improved the alignment between members (principals) and providers (agents). The research will involve documenting and evaluating the response of fund providers to MySuper; and contrasting their perceptions of member needs with those expressed by the members themselves. It will also consider the implications of addressing default fund members as a distinct group.				
<b>(F) Data?</b>	<p>(1) <i>Default fund attributes</i> – The data will be sourced from an industry data provider and/or product disclosure statements (PDSs), in order to compare default funds before and after MySuper. Attributes to be considered include: (a) product structure, i.e. balanced vs. lifecycle; (b) investment strategy, including growth/income mix, exposure to alternative assets, and active vs. passive; (c) fees - their level and structure; (d) other product features, e.g. insurance, advice.</p> <p>(2) <i>Interviews of fund executives</i> – Semi-structured interviews will be conducted, where participants are asked to describe: (a) their perceptions of member needs; (b) the approach to designing a MySuper product to meet those needs; and, (c) other influences on MySuper design. The sample will have representative coverage across industry sector and fund size. Interviews will be conducted to point of sufficiency, with 15-30 interviews anticipated.</p> <p>(3) <i>Online member survey</i> – Members will be asked questions aimed at revealing their views on delegating the management of their super, and what they want their fund provider to deliver. A broad range of member characteristics will be collected. Planned sample size is at least 1000 members.</p>				
<b>(G) Tools?</b>	<p>The research will employ mixed methods, reflecting a hybrid of qualitative and quantitative research to provide varying perspectives:</p> <ul style="list-style-type: none"> <li>- Analysis of default fund attributes will aim to identify key product design features, and the changes that occurred with the introduction of MySuper.</li> <li>- Analysis of interview transcripts will be performed using NVivo software to code data into categories reflecting themes, concepts, opinions, facts, etc. The aim is to provide insight into how fund providers perceive and address default members and their needs; and identify any expressed motivations or influences on the design of MySuper products, notably including regulation.</li> <li>- Analysis of survey data will involve tabulation of responses, plus multivariate logit regression analysis to disentangle the relation between expressed wants and needs and member characteristics.</li> <li>- Findings will be triangulated against: PDSs and other fund documents; research by industry observers; reports in the specialist industry media.</li> <li>- Conclusions will be drawn after cross-comparison of findings from all sources.</li> </ul>				
<b>TWO</b>	<b>Two</b> key questions				
<b>(H) What's New?</b>	Public policy formulation may be enhanced by understanding the influences that drive decisions. This research will provide insight into how key decision makers within fund providers both perceive and address the needs of default members. It should shed light on the extent to which providers are aligned with their members, and the role of regulatory settings. Use of mixed methods adds depth and richness to the examination through marrying up accounts by fund executives of decision processes and influences, against what funds actually did, and what members indicate to be their needs (see Figure 2).				
<b>(I) So What?</b>	This study is concerned with default members, many of who are disengaged and may accept what they are offered without question. Whether the super industry is well-directed towards meeting the needs of such member is of considerable public policy interest, especially as super is non-discretionary and a component of social policy. Policy makers should be interested in the role played by the regulation framework in fostering appropriate behavior by providers.				

**Figure 1: Pitch - Member Needs and MySuper (continued)**

ONE	One bottom line
<b>(J) Contribution?</b>	The potential contribution is two-fold. First, the research should help deepen the understanding of policy makers and regulators of the decision making processes within the industry, and the degree to which the regulatory settings may be influencing behaviours. Although policy makers and regulators may themselves have regular industry contact, there is advantage in having the issues examined by independent researchers using rigorous methods. Second, the research potentially contributes to a number of strands in the academic literature, including: design of default defined contribution pension funds; pension fund regulation and governance; and consumer behaviour (see Figure 3).
<b>(K) Other Considerations</b>	<ul style="list-style-type: none"> <li>- <b>Collaboration</b> – The intention is to engage with policy makers and/or regulators (APRA, ASIC), as well as industry bodies (e.g. AFSA; FSC; AIST; ISA).</li> <li>- <b>Dissemination</b> – The findings would be disseminated progressively as follows: (a) initial report aimed at policy makers/regulators/industry (CIFR Working Paper); (b) discussion with collaborators; (c) presentations at industry conferences; (d) two or three subsequent academic papers, aimed at finance, economic and/or maybe law journals. (Possibilities include: Journal of Pension Economics and Finance; Accounting and Finance; Economic Record.)</li> <li>- <b>Risk assessment</b> – Project is low risk in terms of failing to generate meaningful findings, being duplicated by other academics – although it is possible that industry-based researchers may address some of the issues. One risk relates to publication in suitable academic journals. Difficulties can arise in gaining acceptance of qualitative research, and/or multi-disciplinary research that is not clearly aligned with a field of research. It is hard to think of an A* journal that might accept the research. However, A-ranked journals are well within reach.</li> <li>- <b>Scope</b> – Scope is ambitious, but achievable. It requires coordination of a team of researchers working in collaboration on the various components.</li> <li>- <b>Other</b> – HREC (Human Research Ethics Committee) clearance will be required.</li> </ul>

**Figure 2: Venn Diagram – Mixed Methods**



**Figure 3: Venn Diagram – Literature Strands**

