Media Release

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FOR IMMEDIATE RELEASE

Equip says cost savings from merger are better than expected

Equip is seeing better than expected savings from its merger on 1 July 2017 with the Rio Tinto Staff Superannuation Fund and expects to announce more fee reductions from 1 July 2018.

Equip is in the final stages of full integration of the two funds, nearing completion of a single suite of investment options and the consolidation of member administration at Mercer.

Equip Chief Executive Officer, Nick Vamvakas, said the fund had worked with consultants KPMG to model the cost savings and benefits to members ahead of the decision to merge, but that those projections were proving to be conservative.

"Delivering cost benefits for members and our defined benefit employers was a cornerstone requirement for us to merge. The trustee of the Rio Tinto Staff Superannuation Fund also saw this as a core criterion," he said.

"While it is relatively easy to model the big ticket items like custodian and administration costs, a merger undertaken with total commitment and focus from the funds and close collaboration with partners like NAB Asset Servicing and Mercer, identifies a multitude of incidental savings that can fly under the radar in the modelling.

"Such things as membership and licensing fees, technology enhancement and new opportunities for greater utilisation of internal resources and services are the sort of things that add considerable commercial value to the merging funds," Mr Vamvakas said.

Equip originally estimated that total savings would amount to around $10 million a year once full integration was achieved on 30 June 2018. However, the fund now expects annual savings to be up to 20% higher.

Mr Vamvakas added: "Member expectations are rising and it's not just about lower fees. The future is about the trust relationship between members and their fund, which is built on their fund's capacity to evolve and deliver the products and services they need at scale."

"The cost savings will be a substantial benefit to our 75,000 members, but there are other advantages like extra capacity to fund on-going investment in technology, products and services to help members achieve the financial security to which they aspire in retirement."

The success of the merger with the Rio Tinto fund was only the start of Equip's growth journey and would be a template for similar ventures with like-minded funds in the future, he said.

"This is a working model for ourselves, our commercial partners and advisers. Throughout this merger, we have been actively engaging with other funds by proactively modelling potential benefits for funds of all different membership profiles.

"By 1 July 2018, we believe our fees will be among the lowest in the industry, with potential through future mergers to push them even lower," Mr Vamvakas said.

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Equipsuper manages assets of over $14 billion for over 75,000 members and their employers. The fund is multi-sector, servicing employers and members from the energy, resources, water, infrastructure, manufacturing, health, legal and services sectors.