

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR

AMP

AMP154QON

Dr LEIGH: Last time you were before this committee we spoke about the accounts that AMP has set up for people who were wronged by the fees-for-no-service scandal. Those accounts are now being charged fees. In other words, people are being charged fees on their remediation for fees-for-no-service. How many of those 25,000 or so remediated accounts are in the highest fee bracket for the product?

Mr De Ferrari: I believe you're referring to the eligible rollover fund?

Dr LEIGH: Yes.

Mr De Ferrari: We are remediating in an eligible rollover fund where we cannot find the client and therefore cannot give money directly back to the client, and where the fee-for-no-service incident happened in the context of superannuation, because that is where legislation—you need to put it into the same tax environment. In June we had about a billion dollars in our ERF, with 91,000 clients for an average balance of \$11,000 per client. Our ERF is a little different, as we mentioned last time, than all the other ERFs across the industry. It is a product that is capital guaranteed and that works with a crediting rate, so it is actually more of an insurance-type product. The crediting rate for an average balance of \$11,000 is currently 1.65 per cent, and that is net of all fees and charges; there are no entry or exit fees, so the client receives a net crediting rate of 1.65. We have this type of product that's capital guaranteed, so the client cannot lose the money, because we believe we're just safekeeping this money and should not be investing it according to a profile, when we do not have client instructions. The process is just warehousing and protecting this money as much as possible, to be able to then to reunite it. Obviously, we've been then transferring these balances to the ATO in the six months, which happens on a regular basis.

Dr LEIGH: Let's take those numbers then. We've got 25,000 accounts. You said that the average balance in those remediation accounts is smaller. Let's assume it's not 11,000; let's be quite conservative and assume those balances are only \$2,500. You say you're charging 1.65 per cent. I calculate that as being about a million dollars a year that you're earning from fees on accounts that were meant to be remediating people who copped fees-for-no-service. Does that seem fair to you?

Mr De Ferrari: Sorry, maybe I haven't explained myself properly. The crediting rate of 1.65 per cent is what the client receives as investment income on their balance, net of all the fees.

Dr LEIGH: So what are the fees? What's the fee percentage then?

Mr De Ferrari: I don't have it from memory. Do you know, Lara?

Ms Bourguignon: No. We could take that on notice.

Answer

There are two main fees that are charged on the AMP Eligible Rollover Fund (ERF) account – the Investment Fee and the Administration Fee. Both of these fees are reflected in the net crediting rate applied to a member’s account.

As at 30 June, the net crediting rate applicable for AMP ERF accounts were:

AMP Eligible Rollover Fund

Account balance	3 months % p.a.	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
\$0 to \$2,499.99	1.70	1.31	1.28	1.49	1.47
\$2,500 to \$9,999.99	1.70	1.90	2.14	2.41	2.42
\$10,000 to \$49,999.99	1.94	2.15	2.39	2.66	2.67
\$50,000 and over	2.14	2.35	2.59	2.86	2.87

The applicable Investment and Administration fees for AMP ERF accounts at 30 June 2020 were:

AMP Eligible Rollover Fund										
Type of fee	Amount	How and when paid								
Investment fee ⁽ⁱ⁾	0.69% pa ⁽ⁱⁱⁱ⁾	The investment fee ⁽ⁱ⁾ is reflected in the crediting rates which are set in advance and applied daily to your account balance. It is not directly deducted from your account.								
Administration fee ⁽ⁱ⁾	<table border="1"> <thead> <tr> <th>Account Balances (\$)</th> <th>% pa</th> </tr> </thead> <tbody> <tr> <td>0–9,999.99</td> <td>1.15</td> </tr> <tr> <td>10,000–49,999.99</td> <td>0.86</td> </tr> <tr> <td>50,000+</td> <td>0.62</td> </tr> </tbody> </table>	Account Balances (\$)	% pa	0–9,999.99	1.15	10,000–49,999.99	0.86	50,000+	0.62	The administration fee is reflected in the crediting rates which are set in advance and applied daily to your account balance. It is not directly deducted from your account.
Account Balances (\$)	% pa									
0–9,999.99	1.15									
10,000–49,999.99	0.86									
50,000+	0.62									
Buy-sell spread	Nil	Not applicable								
Switching fee	Nil	Not applicable								
Advice fees relating to all members investing in a particular investment option	Nil	Not applicable								
Other fees and costs	Nil	Not applicable								
Indirect cost ratio ⁽ⁱⁱ⁾	Estimated to be 0.06% pa ⁽ⁱⁱⁱ⁾ (for the 12 months to 30 June 2019).	Indirect costs ^(iv) are deducted from the underlying assets of the investment option as and when they are incurred and are reflected in the declared crediting rate. They are variable and may be more or less than the amount shown.								

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AMP155QON

Dr LEIGH: Let's go back to those eligible rollover fund accounts, then. Did you consider waiving the fees, given that these were fees-for-no-service remediation? Wouldn't it have been appropriate just to waive the fees on them and not have this issue of charging fees on remediation?

Mr De Ferrari: We are managing the accounts of the clients. Again, the client gets a net crediting rate, net of all the fees. Capital guaranteed can never go beyond the capital that has been put in there as part of remediation. The client gets a crediting rate of 1.65 net of all the fees. That's capital guaranteed, so it actually compares very favourably, both versus what you could get on a bank account and what you can get in terms of CPI with ATO, which are the two alternatives.

Dr LEIGH: I'm not sure CPI in the current environment is something we ought to be patting ourselves on the back for. Why do you think there are still 25,000 people with these accounts? Could it be that you haven't put in enough endeavours to connect people with that money?

Mr De Ferrari: Our clear first priority as we seek to remediate clients is to get the money directly back to them. Absolutely. Being a very large superannuation player with millions of members, sometimes it is really hard to get in touch with them. We have remediated hundreds of thousands of clients.

Ms Bourguignon: I think, Dr Leigh, it's a small point of clarification, but the eligible rollover fund is actually part of the Life company that AMP Group sold at 30 June. So now the eligible rollover fund is actually run by Resolution Life, not AMP Australia.

Dr LEIGH: Could you take on notice to provide me with the annual fees that AMP is making from those accounts?

Ms Bourguignon: Yes.

Mr De Ferrari: We definitely can.

Answer

The fees on ERF accounts are set out in AMP154QON.

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AMP156QON

Dr ALY: What are the external channels that you offer them?

Mr De Ferrari: There is sort of an anonymous whistleblowing service that is being offered. We currently have, from memory, 21 employees who are trained to professionally take these types of complaints and handle them according to the proper processes and procedures.

Ms Bourguignon: That's right.

Dr ALY: Who do you have training them?

Mr De Ferrari: I would need to come back to you on who exactly has been training them and their accreditation.

Dr ALY: Are they also trained on bullying and harassment and discrimination?

Mr De Ferrari: They're trained on taking complaints around wider conduct issues in the workplace. I can come back to you as to who has provided the training for them.

Dr ALY: Yes, and could you also come back with the kind of advice that you provide your employees about external options for making a complaint if they do not want to use your internal processes and procedures, please.

Answer:

AMP employees can lodge complaints anonymously through AMP's Whistleblowing Program via an external provider, Your Call. Whistleblowing complaints are then managed internally via the Group Integrity Office.

AMP employees are informed about the availability of the external whistle blowing service via the AMP intranet, as well as through mandatory whistle blowing training.

All staff are required to complete mandatory online whistleblowing training every two years. As part of this training, an assessment must be completed. The training explains how employees can access the whistleblowing policy, and that employees can make complaints anonymously.

AMP has 21 employees trained to take complaints. Of the 21 employees trained to take complaints, 2 are from the employment legal team, 5 are from the Group Integrity Office, and the remaining 14 are specialists from the People & Culture team. The staff within the Group Integrity Office are responsible for managing complaints made via whistleblowing channels as well as for complaints relating to allegations of fraud. The People and Culture specialists or employment lawyers are

responsible for managing all other complaints, including in relation to bullying, harassment and discrimination.

In the past 12 months, formal training on investigations was conducted in November 2019, January 2020 and February 2020. This training was facilitated internally, by AMP's Group Integrity Officer. It covered the receipt and handling/investigation of a broad range of employee complaints and grievances, including bullying, harassment and discrimination. This has been supported by micro learning opportunities during team meetings and huddles, where knowledge, experience, insights and expertise are shared amongst and between all three teams.

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AMP157QON

Dr ALY: Are you currently advertising for financial advisers?

Mr De Ferrari: I do not know the answer to that question.

Dr ALY: Among the emails that I have received and that other members have received is a claim that you are currently advertising for financial advisers on your website. You don't know the answer to that one.

Mr De Ferrari: I would need to come back to you. Our key focus currently with our advice business is to make sure that we work through a remediation, that we define how to set-up an advice business that is fit for the future where we can provide accessible, professional and compliant advice to more clients. We're working significantly on improving technology and migrating our clients to annual agreements. As part of our network reshape, you have seen the number of our advisers effectively come down, and that's part of a company—

Answer

AMP regularly advertises for financial advice related roles on the AMP website. These advertisements may be for each of the following:

- A role in AMP, as an AMP employee, as part of our employed advice team, or
- A role outside AMP, as part of an AMP aligned advice practice in AMP's financial advice network. Aligned practices are small businesses that are authorised to provide financial services by one of the AMP advice licensees, which include AMP Financial Planning, Charter Financial Planning and Hillross. AMP provides recruitment services for its aligned practices, and advertises on the AMP website for roles for which it is recruiting on behalf these aligned practices.

On the date of our appearance before the Committee, 10 September 2020, AMP had advertised financial adviser roles for the AMP employed advice team and for positions within aligned practices around Australia.