

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

AON Hewitt

AON91QW: Since 1 January 2020, for each fund, please outline:

- a. The date and value at the highest valuation of the fund?
- b. The date and value at the lowest valuation of the fund?
- c. The number of business days between the highest and lowest valuation for the fund?
- d. The nominal value between the highest and lowest valuation for the fund?
- e. The percentage value between the highest and lowest valuation for the fund?
- f. The number of business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund?
- g. The number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in the fund?
- h. What volume of switching of investments occurred between funds between the highest and lowest valuations?
- i. What volume of switching between funds occurred in that time by trustees of the fund that are also members of the fund, between the highest and lowest valuations?
- j. What volume of switching between funds occurred in that time by executives of the fund that are also members of the fund, between the highest and lowest valuations?
- k. What volume of switching between funds occurred in that time by other employees of the fund that are also members of the fund, between the highest and lowest valuations?
- l. What integrity measures were taken to prohibit trustees, executives and employees switching between funds from taking advantage of arbitrage of any gap between the lowest valuation date of the ASX and any revaluation of the fund?

Answer:

- a. The highest funds under management for the fund is \$5,662,429,609.55 on 20 February 2020.
- b. The lowest fund under management for the fund is 4,275,354,200.56 on 23 March 2020.
- c. Number of business days between highest and lowest is 32.
- d. The nominal value is \$1,387,075,408.99.
- e. The percentage value is 75.50%



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- f. The number of business days between the ASX's lowest valuation, and the lowest day for the valuation of the AMT (Aon Master Trust) is 0.
- g. The number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in AMT is 0.
- h. The volume of switching of investments between funds between the highest and lowest valuations is \$104,686,453.40. Representing 924 switch instructions over 786 members.
- i. The volume of switching between funds by trustees of the fund that are also members of the fund, between the highest and lowest valuations is 0.
- j. The volume of switching between funds by executives of the fund that are also members of the fund, between the highest and lowest valuations is 0.
- k. There are no employees of the fund. We had one Aon Retirement and Solution employee who switched during this period. This employee is not involved with any Investment and unit pricing functions of the fund.
- l. The Fund applies a forward pricing mechanism to process transactions to/from the Funds. This means that all transactions are processed using a unit price calculated after close of business the day the Funds have received a transaction request (i.e. on a T+ basis). Investment switches are processed no earlier than the third business day after receipt of the completed request and normally within five business days at the unit prices applicable on the date the switch is processed. This is to ensure that the Fund is not exposed to selection by members (including by trustees, executives and employees) due to the time lags in unit prices being provided by the underlying investment managers.

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AON92QW: On financial advisers providing non-intrafund advice (i.e. comprehensive advice - beyond the scope of intrafund advice) within the fund over the past five financial years:

- a. How many do you employ (or are you paying for through outsourced arrangements)?
- b. What is the revenue generated from these non-intrafund advisers?
- c. How many financial advisers within the fund also provide intrafund advice?
- d. If you have non-intrafund financial advisers within the fund also providing intrafund advice, how is their remuneration determined from different sources?
- e. Is there any cross-subsidisation for non-intrafund financial advisers within the fund from activities funded through intrafund advice?
- f. Is there any cross-subsidisation for financial advisers from intrafund advice to non-intrafund financial advisers within the fund?
- g. What is the total budgeted cost and actuals for financial advisers?
- h. What is the remuneration level/range for the financial advisers employed to provide non-intrafund advice to your members?
 - i. What is the aggregated cost of their remuneration?
 - ii. What is the aggregated cost for their employment?
 - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
 - iv. What is the aggregated cost for marketing their services?
 - v. What is the aggregated cost for administrative support services?
 - vi. What is the aggregated cost for professional insurance and indemnity?
 - vii. What is the aggregated cost for compliance oversight?
 - viii. What is the aggregated cost for legal oversight?
 - ix. What is the aggregated cost for other regulatory oversight?
 - x. What is the aggregated cost for the unit, including overheads, that provides financial advice within the fund?

Answer:

There have been no financial advisers employed by Aon Hewitt to provide comprehensive advice within the fund over the past five financial years. The Aon Group did have a separate licensee Aon Hewitt Financial Advice which operated on an arms length basis with the fund sitting on an APL with 5 other superannuation funds. No incentive was paid for the use of the Aon fund to Aon Hewitt Financial Advice or individual advisers.



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Aon does employ smartCoaches to provide intra-fund advice to the fund members which will be addressed in AON93QW. There was a cross subsidy where certain technology, training and investment licenses such as Xplan, Lonsec, Kaplan and administration resources were shared etc which were funded by the larger Aon Hewitt Financial Advice prior to selling the business in April 2019. Therefore, the cross-subsidy was from the non-intrafund business to the intrafund advisers ie the opposite direction of e. and f.

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AON93QW: On financial advisers providing intrafund advice (i.e. strictly limited to advice on your super fund for the member only - not spouse) within your fund over the last five financial years:

- b. What is the remuneration level/range for the financial advisers employed to provide intrafund advice to your members?
 - i. What is the aggregated cost of their remuneration?
 - ii. What is the aggregated cost for their employment?
 - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
 - iv. What is the aggregated cost for marketing their services?
 - v. What is the aggregated cost for administrative support services?
 - vi. What is the aggregated cost for professional insurance and indemnity?
 - vii. What is the aggregated cost for compliance oversight?
 - viii. What is the aggregated cost for legal oversight?
 - ix. What is the aggregated cost for other regulatory oversight?
 - x. What is the aggregated cost for the unit, including overheads, that provides intrafund advice?
- c. What is the revenue that intrafund advisers have generated?
- d. How many financial advisers providing intrafund advice also provide it within the fund?
- e. If you have financial advisers providing intrafund advice also providing it within the fund, how is their remuneration determined from different sources?
- f. Is there any cross-subsidisation for financial advisers providing intrafund advice from revenue funded through activities within the fund?
- h. What is the revenue generated from these financial advisers?
 - i. Within your fund, is there any cross-subsidisation for intrafund advice services?

Answer:

Aon employs a team of smartCoaches who provide both general and personal advice under the intra-fund advice limitation to the members of smartMonday.



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- b.** It is important to note that many functions of the Aon Group are shared such as marketing, IT, legal and compliance and other overheads such that the number is included in one allocation charge.
- c.** Intrafund advisers do not generate direct revenue though an allocation of the administration fee charged to members is allocated to cover the cost of running this function.
- d.** All financial advisers providing intra-fund advice provide it within the fund (within the scope of intra-fund only).
- e.** Not applicable.
- f.** The smartCoach service is funded by an allocation of the administration fees charged to members in the fund as mentioned in c.

- h.** No additional revenue is generated beyond the allocation of the administration fee charged to members.
- i.** See answer to c.



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AON94QW: Do you allow members to use their funds to pay for:

- a. Financial advice?
- b. Internal financial advisers?
- c. External financial advisers?

Answer:

- a. Yes
- b. Not applicable
- c. Yes



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AON95QW: Do you allow external financial advisers access to online facilities to charge for external financial advisers consented by members using their funds?

Answer:

The fund permits external financial advisers who have been appointed by a member using a specific consent to act form to access online information in respect of that member. In addition, the amount to be deducted from the member's account for that advice must be included on that form and consented to by the member. Any change to that fee arrangement requires a new member consent form.