23 December 2011

Mr Shon Fletcher
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Mr Fletcher

FSC SUBMISSION – SUPERANNUATION LEGISLATION AMENDMENT (MYSUPER CORE PROVISIONS) BILL 2011

Thank you for the opportunity to provide a submission to the Parliamentary Joint Committee's inquiry into this Bill.

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers and financial advisory networks. The FSC has over 130 members who are responsible for investing $1.8 trillion on behalf of more than 11 million Australians.

The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Stock Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

Please find our submission enclosed. We look forward to discussing the contents with you.

Yours sincerely

ANDREW BRAGG
SENIOR POLICY MANAGER

FSC SUBMISSION – PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

INQUIRY INTO SUPERANNUATION LEGISLATION AMENDMENT (MYSUPER CORE PROVISIONS) BILL 2011

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INTRODUCTION

Context

The Financial Services Council (FSC) welcomes the opportunity to provide comments on the *Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011*) presently before the Committee, which is the first in a number of Stronger Super tranches of legislation. This Bill principally amends the *Superannuation Industry (Supervision) Act 1993* and the *Superannuation Guarantee (Administration) Act 1992* to establish the MySuper legislative framework.

MySuper, as announced by the Minister for Financial Services and Superannuation on 21 September, has been substantially improved for consumers, employers and the superannuation industry through the course of extensive consultation. This Bill contains a number of the central elements of the MySuper policy endorsed by the government during the 2010 election and subsequently reaffirmed in December 2010 and September 2011.

The FSC contends that the policy announcement of 21 September 2011 has been largely reflected in the Bill. However, there is one principal area where the proposed drafting has not reflected the policy intention; additionally there are elements which require further clarification or amendment.

The FSC notes this Bill represents first step in a process which will require further legislative amendments, enabling regulations and the issuance of APRA prudential standards in superannuation.

The FSC wishes to highlight the difficulty in commenting on and legislating significant reforms, such as MySuper, in multiple phases. Many questions arise in relation to the Bill, which may be answered in later tranches. Further, subsequent tranches may give rise to additional issues with this Bill. It is therefore very difficult to properly assess the full impact of the Bill without the benefit of the related tranches of legislation, regulations and prudential standards.

2012 Productivity Commission review of default (MySuper) superannuation funds

The interaction between this legislation and the scheduled Productivity Commission review of default superannuation funds in Modern Awards cannot be overstated. As recommended by the Super System Review (Cooper Review), once MySuper becomes the universal mandatory default superannuation product, any MySuper product would become an eligible default fund under a Modern Award.

Recommendation 1.2 stated: "*The SG Act should be amended so only a MySuper product is eligible to be a 'default' fund nominated by an employer*."[1] In recommending, universal eligibility of default funds for industrial purposes, recommendation 1.3 stated:*" …all MySuper products are able to be nominated, for 'default fund' purposes in awards approved by Fair Work Australia."*

The Cooper Review recommendations recognised that presently, at the wholesale or employer level, competition is restrained. Employers operating under a Modern Award have particular superannuation funds prescribed by name for each industry or sector of the economy. There are 150 Modern Awards stipulating particular funds. Modern Award coverage can be as high as 45 per cent in certain industries;[2] it has been estimated that as many as 80 per cent of Australians do not select a non-default fund.[3]

Further, just 104 of the 196 APRA regulated "public offer" superannuation funds are listed in Modern Awards. Accordingly almost 50 per cent of the regulated industry is prevented from competing and operating in certain workplaces covered by Modern Awards.[4]

The combination of these factors highlights the restriction preventing regulated superannuation funds from competing with each other in the default superannuation market. Ultimately, the individuals who default in these circumstances lose out as they are less likely to benefit from price efficiency and innovation because of this captive market.

The Cooper Review recommendations cited above, if adopted in full, would address the present competitive restraint by creating a minimum default fund standard where all MySuper default products could compete without award based restrictions.

However the FSC recognises that rather than specifically committing to the above recommendations, the government has decided that the Productivity Commission will examine the interaction between Modern Awards and default superannuation funds as part of the

[1] Australian Government - Review into the governance, efficiency, structure and operation of the superannuation system – page 24 - 5 July 2010.
http://www.supersystemreview.gov.au/content/downloads/final_report/part_one/Final_Report_Part_1_Consolidated.pdf
[2] Fair Work Australia – "Statistical Report—2010–11 Annual Wage Review" – Page 28 -
http://www.fwa.gov.au/sites/wagereview2011/statistical_reporting/Statistical_Report_19-May-2011.pdf
[3] Australian Government – "Super System Review" -
http://www.supersystemreview.gov.au/content/downloads/final_report/part_one/Final_Report_Part_1_Consolidated.pdf
[4] Analysis of Modern Award listed superannuation funds (www.fwa.gov.au); the term "public offer" to an APRA regulatory classification for superannuation funds which are permitted to operate in any industry or sector of the economy (see APRA's annual superannuation bulletin - http://www.apra.gov.au/Super/Pages/annual-superannuation-publication.aspx p21)

MySuper reforms. We look forward to this review commencing in 2012 as we believe the Parliament should have the opportunity to consider the Commission's findings when voting on this legislation.

Timing and alignment with the Future of Financial Advice reforms

We further note the importance of timing and coordinated implementation of the reform agenda the government is delivering across the financial services industry. Harmonisation of legislative requirements (including timing) across the MySuper and Future of Financial Advice (FOFA) is critical.

This is particularly relevant in corporate superannuation where both reforms will heavily impact the sector and its stakeholders, including consumers and employers. Any inconsistent application of the reform packages in corporate superannuation, risks consumer and employer disruption and the proliferation of superannuation accounts. We have also made this point in our recent FOFA submissions.

FSC submission

The scope of this submission is confined to the materials within the Bill. The submission is divided into four categories following the structure adopted in the Explanatory Memorandum for the Bill. They are: identifying MySuper members, APRA's authorisation process of approving MySuper products, MySuper characteristics and MySuper fees.

The MySuper reforms will change the superannuation industry in the manner in which it presents the default superannuation product to stakeholders; primarily consumers and employers.

SUMMARY OF RECOMMENDATIONS

1. Section 29WA (containing the requirement that contributions must be made to a MySuper product) should only apply in circumstances where the employer advises that the contribution has been under choice of fund provisions (pursuant to s32C(2)).
2. The final legislation should clearly define the parameters of the application process.
3. MySuper tailored plans must be reported to APRA on an annual basis – APRA can disallow a tailored plan where the tailored plan is not compliant with the licence conditions within 30 days. At which time, tailored plan closure arrangements commence.
4. Replace the large employer definition with a definition based on the number of employees, rather than the number of employee-members in the tailored MySuper product.
5. Extend the MySuper default fund compliance transition period for employers until 1 July 2014.
6. A limited extension beyond 1 October 2013 for funds which have lodged an application prior to 1 July 2013 should be afforded in these circumstances - APRA should notify the trustee of delays beyond the proposed 60 or 120 days is likely.
7. MySuper, as defined, is intended to be linked to an investment strategy or option.
8. Equal access to member services at the same member fee should be required at the workplace level not at the MySuper product level; the principle of Section 29VB(2) should be reflected in the drafting.
9. The fee definitions should omit personal intra-fund advice as an element which can be cross-subsidised through the MySuper administration fee.
10. The legislation or explanatory memorandum should describe a mechanism under which the Trustee can be indemnified for other expenses incurred by the fund which may not be able to be recovered through the fees as described in the Bill.
11. Consistent with the provision for lifecycle crediting, different lifecycle stages should be permitted to reflect differential costs of investment management.

IDENTIFYING MYSUPER MEMBERS

As identified in the Explanatory Memorandum and Bill, there is a two-stage process for identifying MySuper members. There are two sets of responsibilities. The first is for the employer and the second is for the RSE licensee.

The first responsibility is found under s32C(2) where an employer is required to pay default contributions to a MySuper product where choice of fund is not exercised via a written direction to an employer.

The second responsibility requires a trustee to allocate a default contribution to a MySuper product within the fund under s29WA.

The Bill before the Committee does not make it clear that where choice of fund provisions are exercised, there is no responsibility for the trustee *not* to allocate a contribution to a MySuper product.

The legislation should provide trustees with a basis for ignoring s29WA in circumstances where a contribution has been made as a consequence of validly exercised employee member choice.

RECOMMENDATION: Section 29WA (containing the requirement that contributions must be made to a MySuper product) should only apply in circumstances where the employer advises that the contribution has been under choice of fund provisions (pursuant to s32C(2)).

AUTHORISATION PROCESS AND CORE DEFINITIONS

APRA authorisation process

Section 29S outlines the process by which RSE licensees must seek to obtain a MySuper authorisation. Subsection (1) requires an RSE licensee to apply for authority for each class of beneficial interest that is a MySuper product.

The FSC supports the proposed process of applying for a MySuper authorisation. That said, we are seeking further clarity about the authorisation process, in particular:

What exactly is being applied for? For example, will an RSE licensee be applying for a variation of its RSE licence? Or will it be applying for a variation of the terms of registration of the RSE? We expect that the authorisation would involve an amendment to an RSE licence, but recommend that the position be clearly stated in the legislation. This is important given that there are existing legislative terms regulating the variation of RSE licenses and currently there is no ability to impose conditions on the registration of an RSE.

RECOMMENDATION: The final legislation should clearly define the parameters of the application process.

Tailored MySuper employer plans

The FSC recognises that authorisation of MySuper under the RSE licensing regime is an important Government and regulatory control in the MySuper regime. However, the FSC believes that this goal can be achieved by:

(a) the implementation of a single authorization regime, so that a MySuper trustee need only obtain a single authorisation to issue both its public offer MySuper product and tailored large MySuper employer plans;

(b) imposing a detailed reporting obligation in relation to tailored large MySuper employer plans; and

(c) granting APRA the power to disallow a tailored large MySuper employer plans that fails the legislative criteria within 30 days of receiving a report .

Concerns with multiple authorisation regime

The FSC are concerned with the mechanism in the Bill which requires prior authorisation of each tailored large MySuper employer plan for the following reasons:

(a) The process by which an RSE licensee can issue a tailored MySuper product in relation to a large employer plan does not reflect the stated policy in the Stronger Super Information Pack. Section 2.3 (Pricing of MySuper Products) of the Stronger Super Information Pack states that: *"…the details of all separately tailored MySuper products and discounted administration fees will be required to be* ***reported to APRA****…"*

(b) Further, separate authorisation for each tailored plan as proposed in the legislation would be costly, onerous and would be to the detriment of members. Critically, the licence conditions would prohibit issuance of a tailored MySuper product to an employer sponsor with fewer than 500 members.

(c) The proposal involves APRA 'second guessing' the decision of a MySuper provider ie a trustee. MySuper providers, like present RSE holders treat their licence obligations with extreme care, as they are a condition of operating.

(d) Separate authorisation for large employers would present practical difficulties and stifle a fund's ability to make timely offers to employers as it would be subject to authorisation by APRA.

Proposed solution

An important element of MySuper is greater transparency through reporting to APRA and subsequent publication of that data. We believe enhanced transparency and competition will be achieved in the MySuper market by reporting the detail of all MySuper arrangements. Reporting of tailored plans will deliver the transparency and competitive pressures whilst requiring applications for tailored plans will only introduce duplication and inefficiency. The requirement for authorisation is inconsistent with the Stronger Super Information Pack.

Recognising the dual purposes of the licensing provisions and the desire to overlay additional regulatory requirements for tailored MySuper employer plans, the FSC has developed a model for reporting to APRA.

All MySuper licensees must be required to submit the details of each MySuper tailored plan at regular intervals (i.e. on an annual basis). APRA would have a period of 30 days in which to disallow the tailored plan by following clearly outlined criteria (the licence conditions for offering a tailored large MySuper employer plan).

That is, where a MySuper tailored plan does not reflect the licence conditions set by APRA, the plan could be disallowed and members would be compulsorily moved into the "generic / public offer" MySuper division.

This regime would operate similarly to Section 1020E of the Corporations Act where ASIC may issue a stop order under certain circumstances in relation to disclosure documents. In the MySuper context, APRA would be armed with the capacity to order a freeze on the operation of a tailored plan. Any such "stop order" would be confined to the tailored plan; not the RSE Licensee's MySuper authorisation at large.

RECOMMENDATION: MySuper tailored plans must be reported to APRA on an annual basis – APRA can disallow a tailored plan where the tailored plan is not compliant with the licence conditions within 30 days. At which time, tailored plan closure arrangements commence.

Large employer exemption definition

The FSC supports flexibility of MySuper plans for large employers as provided in the Bill. This pricing provision will allow superannuation funds to tailor MySuper products to reflect scale and demographics of Australian workplaces.

For the reasons stated above, the FSC believes that where the trustee is meeting its licence conditions and statutory obligations, it should have discretion to issue a tailored MySuper product in relation to a large employer. In other words, the large employer exemption is within the provider's existing MySuper authorisation, not sought as a separate authorisation per employer (or group of employers).

Accordingly, the following comments are provided in the context of the Stronger Super Information Pack where large employer plans are issued at the discretion of the RSE authorised to issue a MySuper product; the details of each plan would be reported to APRA.

500 member threshold (Issue 1)

The requirement for at least 500 members is inconsistent with the Stronger Super Information Pack. Section 2.3 refers to the Government deciding to permit flexibility to 'offer employers with more than 500 employees'.

Accordingly, the Stronger Super Information Pack is expressly focused on the size of an employer, not how many of its employees are fund members. This is important as it means

that the availability of the exemption will not be dependent on the number of employees who have exercised Choice of Fund.

Section 29TB defines the "MySuper product for large employers". Rather than requiring 500 members of a fund, the 500 employee threshold should apply at the workplace level.

As canvassed, when issuing a tailored MySuper product, the trustee would have to be satisfied it was doing so within the applicable statutory and licence provisions. In other words, the requirement should be for the trustee to ensure that the employer has more than 500 employees.

If the requirement was based on "members" rather than "employers" that have a workforce greater than 500 staff, the parties would need to determine whether more than 500 employees are contributing to any one fund.

Given the choice of fund provisions, this may not be the case. Further, some employers may also use different superannuation arrangements for different parts of their workforce. They may have had prior mergers with different arrangements, or use an industry fund for casual staff and a different fund for permanent staff.

The wording of the final legislation should reflect the Stronger Super information pack where it is stated that the hurdle for a tailored plan will be based on employees for which Superannuation Guarantee contributions are payable.

There is also a concern with the definition that it does not properly capture corporate group arrangements, as it defines a large-employer as one who contributes for its employees and employees of associated entities. In the FSC's view the definition of a 'large employer' should be based on the total employees in the group, acknowledging that employees for whom no Superannuation Guarantee contributions need not be counted towards this limit.

Accordingly, we suggest amending subsection 29TB(2) to read as follows:

> *(2) An employer is a **large employer** in relation to a regulated superannuation fund:*
>
> *(a) where the employer is the only standard employer-sponsor in relation to the class of beneficial interest referred to in subsection (1), the employer has at least 500 employees at the time a beneficial interest in that class is first issued and at the end of each annual reporting period*

and where there is more than one standard employer in relation to the class of beneficial interest referred to in subsection (1), the number of employees of that employer and each other standard employer is 500 employees or can reasonably be expected to grow to 500 employees during the reporting period; or

(b) where there is more than one standard employer-sponsor in relation to the class of beneficial interest referred to in subsection (1), the number of employees of that employer and each other standard employer-sponsor totals at least 500 employees at the time a beneficial interest in that class is first issued and at the end of each annual reporting period and where there is more than one standard employer in relation to the class of beneficial interest referred to in subsection (1), the number of employees of that employer and each other standard employer is 500 employees or can reasonably be expected to grow to 500 employees during the reporting period;

(c) A person is not counted as an employee for the purposes of subsection (2) if the person's salary or wages are not to be taken into account for the purpose of making a calculation under section 19 of the Superannuation (Guarantee) Administration Act 1992

RECOMMENDATION: Replace the large employer definition with a definition based on the number of employees, rather than the number of employee-members in the tailored MySuper product.

Transitional arrangements / employer compliance arrangements

There is a risk of employer and member disruption with the proposed three month period from 1 July 2013 to 1 October 2013 where Superannuation Guarantee contributions may continue to be paid into existing defaults funds prior to compulsory MySuper contributions.

As previously noted, the FSC believes a period of at least one year should be allowed for employers contributing to funds which are unlikely to offer a MySuper option to have sufficient time to select an alternative. This will allow both superannuation funds and APRA time to manage building and registering MySuper arrangements. We believe this flexibility should be provided on the grounds that:

Final legislative and settled detailed prudential standards are unlikely to be finalised before mid to late 2012. These requirements, and particularly the APRA standards and guidance, are critical to decision-making and, if applicable, preparation of a MySuper compliant arrangement;

Superannuation providers (including industry funds, standalone corporate funds and others) will have to find the resources to digest the requirements and then be confident the necessary frameworks (systems, disclosure, administration, legal, and reporting) can actually be built at a sustainable cost over yet to be finalised timeframes;

Resource, funding and capacity constraints are evident prior to settling the details of the reform package. We recommend a period of at least a one year before employers must contribute to a compliant and registered MySuper arrangement for employees who do not choose their own fund.

In particular, smaller employers such as micro businesses can find it difficult to comply with superannuation and other legal obligations; as such an extended compliance period for small business should be applied to minimise disruption.

Given the volume of applications and the short period for employer compliance with MySuper provisions on 1 October 2013, as stated above, there is a risk that employers may be prevented from meeting their obligations because of the capacity constraints upon APRA's authorisation process.

Therefore, the FSC proposes that where an existing trustee operating a default fund has submitted an application by 1 July 2013, they should be allowed to operate in the default / MySuper environment.

RECOMMENDATION: Extend the MySuper default fund compliance transition period for employers until 1 July 2014.

RECOMMENDATION: A limited extension beyond 1 October 2013 for funds which have lodged an application prior to 1 July 2013 should be afforded in these circumstances - APRA should notify the trustee if delays beyond the proposed 60 or 120 days are likely.

MYSUPER PRIMARY CHARACTERISTICS

Access to options, benefits and facilities

The MySuper reforms seek to balance dual objectives of simplicity with workplace flexibility.

Firstly the Government has stated that MySuper is to provide a "new simple, cost-effective default product… (with) a simple set of product features …"[5] Secondly, in providing considerable pricing flexibility, the Government recognised that "…a MySuper product (can be) tailored to the needs of a particular workplace."[6]

There are two primary areas of pricing flexibility for workplaces which demonstrate that the characteristics of Australian workplaces vary greatly. Employers with more than 500 employees are entitled to flexible pricing for administration and investment fees. Other workplaces may have a lower administration fee than the publicly available MySuper product. The latter fee provision recognises the cost to service and administer a workplace differs greatly (including in the provision of member services such as seminars and education).

Given the capacity for trustees to tailor a fee to a workplace, it is critical that the price of the MySuper product set by the trustee contains a commensurate level of member services.

Schedule 1, item 8, division 3, paragraph 29TC specifies the provisions for access to member services. It states under Section 29TC(1)(b) that "all members who hold a beneficial interest of that class in the fund are entitled to access the same options, benefits and facilities."

As MySuper members in different workplaces will have different member services, requiring equal access to services without appropriate pricing and cost recovery undermines the principle of multiple pricing by permitting cross subsidisation of workplaces.

The FSC agrees that all MySuper members should be permitted *access* to the same service offerings, however, we believe services should be *priced* in a consistent manner with the clearly stated pricing policy for MySuper.

Accordingly, rather than require MySuper providers deliver equal member services to all MySuper members regardless of the price set for workplaces, equality of member services should be required at the workplace level.

[5] Australian Government, The Treasury "Stronger Super Information Pack" 21 September 2011 (page 3)
[6] Ibid page 4

This principle has been recognised elsewhere. Section 29VB(2) contains the requirement that where an administration fee is tailored to a particular workplace, all employees must be charged the same fee.

RECOMMENDATION: Equal access to member services at the same member fee should be required at the workplace level not at the MySuper product level; the principle of Section 29VB(2) should be reflected in the drafting.

MYSUPER FEES AND PRICING MEASURES

Intra fund advice

Whilst the Bill does not deal with specific fee definitions, the Explanatory Memorandum clearly states, under Section 5.8, that intra-fund advice can be cross-subsidised via a MySuper provider's administration fee.

This means that neither disclosure obligations nor Future of Financial Advice requirements are likely to apply. As a consequence, there will be members paying for advice they are not receiving without the ability to opt-out, other than to leave the MySuper product altogether.

This will create a significant distortion in the advice market and is contrary to the reform principles the Government has espoused in unbundling product and advice fees and in addressing conflicts of interest.

The FSC submits that all forms of financial advice should be subject to the same set of rules, irrespective of the provider or subject matter. A workable scalable advice framework is critical to enable greater access to affordable advice for more Australia. Intra-fund advice is a subset of scalable advice. However, it is critical that the FOFA advice reforms such as the best interest duty and specific related remuneration provisions allow for scalable advice and are not undermined by the superannuation reforms.

MySuper members should be permitted to access information about their superannuation interest as part of the administration fee but not access personal financial advice which is paid for by all members.

RECOMMENDATION: The fee definitions should omit personal intra-fund advice as an element which can be cross-subsidised through the MySuper administration fee.

Cost recovery basis for certain fees

A number of the fees are only permitted for cost recovery purposes. Administration and investment fees are the exceptions. Certain trustee expenses such as APRA levies (for instance compensation payable under Part 23 of the SIS Act – such as the recent Trio collapse levy) and other costs that might be deducted from fund balances before determining unit prices should be exempted. Further, there are liabilities pertaining to the trustee where the trustee is permitted to be indemnified out of the superannuation fund under the SIS Act.

RECOMMENDATION: The legislation or explanatory memorandum should describe a mechanism under which the Trustee can be indemnified for other expenses incurred by the fund which may not be able to be recovered through the fees as described in the Bill.

Investment fees – Lifecycle strategies

The Stronger Super Information Pack states that MySuper will permit lifecycle investment strategies for the public offer version of the MySuper product (for workplaces with less than 500 employees).

During the Stronger Super consultation, it was widely agreed that a lifecycle investment strategy would allow MySuper providers to address varying age demographics and was, therefore, a valuable feature of the new default framework.

The Stronger Super Information Pack further states that APRA will be charged with developing guidance for MySuper providers using a lifecycle strategy as a MySuper option. However, the APRA Discussion Paper on Prudential Standards in Superannuation released 28 September 2011 was silent on the matter. Instead, the Bill addresses this matter.

Following the Stronger Super Information Pack, it is now clear that the Government will permit the administration fee to be varied for workplaces with less than 500 employees. It is also clear that the Government wishes to permit MySuper providers to have the ability to offer a lifecycle investment. However, there is no statement regarding variation of the investment fee under a lifecycle strategy.

Subsection 29TC(2) proposes that, where a lifecycle strategy is used by the MySuper provider, it is permitted:

> under the governing rules of the fund that allows income from different classes of asset of the fund to be streamed to the accounts of different subclasses of the members of the fund who hold a MySuper product on the basis, and only on the basis, of the age of those members.

This definition provides for different returns to be credited to a MySuper member account where a lifecycle is employed and a different asset allocation applies. Whilst there is an explicit provision to alter the returns attributable to a lifecycle strategy which differs between stages, there is no provision for the differential cost of managing the assets to be reflected in the member fee.

Further, the fee charging rules in section 29VA require all members in the same MySuper product to be charged the same dollar based and/or percentage based fee. This would prevent the imposition of a different investment fee at each stage of a lifecycle strategy.

A different investment fee may be forthcoming because the asset allocation and costs of management will differ depending on the member's age, which determines the lifecycle stage in which the member is enrolled. For instance, in a lifecycle strategy, a younger member will generally have their super invested in a greater amount of growth assets which are typically more expensive to manage, compared to the strategy for an older member whose super is invested in a higher proportion of defensive assets.

Giving the capacity for MySuper providers to reflect the cost of investing the various lifecycle stages will enable trustees to pass through the cost of investing in a diverse range of assets which are likely to traverse MySuper lifecycle stages.

Further, it will prevent a guaranteed cross subsidy; where older cohorts will subsidise younger lifecycle stages due to the lower investment management costs of defensive assets.

RECOMMENDATION: Consistent with the provision for lifecycle crediting, different lifecycle stages should be permitted to reflect differential costs of investment management.