

ISN SUBMISSION

ISN SUBMISSIONS TO PARLIAMENTARY JOINT  
COMMITTEE ON CORPORATIONS AND FINANCIAL  
SERVICES

ISN SUBMISSIONS  
SUPERANNUATION  
LEGISLATION AMENDMENT  
(MYSUPER CORE PROVISIONS)  
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Industry  
Super  
Network

## About Industry Super Network

Industry Super Network (ISN) is an umbrella organisation for the industry super movement. ISN manages collective projects on behalf of a number of industry super funds with the objective of maximising the retirement savings of five million industry super members. Please direct questions and comments to:

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# | SUMMARY

## **ISN welcomes the Bill**

The Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011 (Core provisions Bill) is important because it recognises the need to legislate to provide further protections to improve and secure the retirement incomes of working Australians.

ISN has actively participated in the Government's Stronger Super consultation process and looks forward to ongoing constructive participation in the development of a secure and sustainable legislative framework for the superannuation industry which has at its core the best interests of beneficiaries.

## **ISN Submissions**

ISN's submissions recognise that the Core provisions Bill is the first of three tranches of legislation, the second (Superannuation Legislation Amendment (Trustee and Prudential Standards) Bill 2012) has now been released and is subject to a separate consultation process.

ISN's submissions are limited to the Core provisions Bill, however there will, by necessity, be occasional reference to the related second tranche Bill.

ISN's submissions are made on the assumption that the advised content of the third tranche of legislation will remain largely unchanged.

## **Transfer of interests of MySuper members**

ISN makes a number of proposed amendments to the Bill to remove inconsistencies between the Core provisions Bill and the Trustee obligations and prudential standards Bill. Without the proposed or similar amendments within these submissions that relate to the transfer of members interests between funds.

ISN is of the view that the MySuper core provisions Bill should recognise that the practice of flipping beneficiaries into higher charging MySuper products is inconsistent with the objects of the Bill.

## **ISN's submissions to Treasury**

ISN has provided submissions to Treasury regarding the core provisions and trustee obligations and prudential standards Bills. Some of ISN's submissions to Treasury regarding the core provisions Bill have been addressed or impacted by the release of the trustee obligations and prudential standards Bill.

# 1. Schedule 1 - MySuper

## 1.1 Object of MySuper

ISN generally supports the objects which require MySuper products to have certain characteristics to facilitate APRA approval to an RSE licensee to offer the MySuper product. ISN suggests certain amendments to the characteristics of a MySuper product designed to improve the objects of the Bill, in particular the fair treatment within and between classes of beneficiaries.

## 1.2 Applying for authority to offer a MySuper product

Section 29S outlines the application process for a registrable superannuation entity (RSE) to be provided with the authority to offer a MySuper product. It is anticipated that most RSE's will seek early approval from APRA and will make application soon after 1 January 2013 to accept contributions as at 1 July 2013.

Given the time lag between application by an RSE and determination by APRA, the sooner APRA provides pro-forma forms and guidance regarding the application process as outlined in section 29S, the more orderly the transition to MySuper will be.

To avoid any confusion and uncertainty, information on the MySuper transition process should be made available as soon as is possible. It is recognised that arrangements for the transition of member accounts from existing default superannuation products to MySuper products is to be dealt with in the third tranche of related legislation.

## 1.3 Authority to offer a MySuper product

For APRA to authorise a RSE licensee to offer a MySuper product the RSE must satisfy the application requirements dictated by s29S, be a registered fund, meet the trustee obligation requirements contained in s29VN of the Superannuation legislation Amendment (Trustee Obligation and Prudential Standards) Bill 2012 and offer a MySuper product that meets the characteristics outlined in s29TC.

With the exceptions provided in s29TA and s29TB a licensee will only be entitled to offer a single MySuper product within a fund.

## 1.4 Product in another fund in which there is existing material goodwill

Section 29TA allows for the operation by an RSE of an additional MySuper product where APRA is satisfied that there is sufficient material goodwill in the other product that it would be in the best interests of the beneficiaries for the RSE to continue to operate the product that has the goodwill as an additional MySuper product.

This section effectively allows a RSE to operate multiple brands of MySuper products in the market where they do so already and the separate products are capable of being properly characterised as MySuper products.

Section 29TA(b) requires APRA to be satisfied that the maintenance of the product distinction is desirable to beneficiaries. Clause 3.12 of the Explanatory Memorandum (EM) appears to limit these circumstances to circumstances where is goodwill in a brand within a fund as a result of a pre-existing merger or takeover of another fund.

It is submitted that the EM appears to limit the circumstances contemplated beyond the wider s29TA. ISN has no issue with the description of the application of s29TA within the EM and believes it would be better practice to avoid confusion and amend s29TA to reflect the limited circumstances envisaged within the EM i.e. pre-existing fund mergers or takeovers. It is also suggested that partially completed mergers or takeovers should also be within the ambit of s29TA.

Whilst not seeking to limit APRA's discretion on these matters, the consideration of non tangible factors such as goodwill and the determination that the goodwill is of a material size, would be difficult and largely subjective exercise if not limited to specific circumstances such as pre-existing or partially completed takeovers or mergers.

## 1.5 MySuper product for large employer-sponsors

Section 29TB allows for the offering of a 'tailored' MySuper product for employer-sponsors where the employer contributes on behalf of at least 500 members of the fund who are either employees of the employer-sponsor or an associate of that employer-sponsor.

It is suggested that the definition of "associate" of an employer-sponsor should receive greater clarity in the EM. It is presumed that 'associate' includes an entity which is a related body corporate and/or substantial shareholder or controlling entity.

## 2. Characteristics of a MySuper Product

### 2.1 Transfer of interests in fund

ISN suggests amendments to section 29TC which deals with the characteristics of a MySuper fund relating to the transfer of interest provisions. The intent of the ISN proposals are to ensure that there is consistency with the changes to the covenants detailed in section 52(2) of the second tranche legislation, the Trustee obligations and prudential standards Bill.

Section 52(2)(f) of that Bill provides a welcomed protection by imposing an obligation on a trustee when dealing with all classes of beneficiaries within the RSE to not give beneficiaries of one class an unfair advantage over another.

It is suggested that the transfer of interest provisions in the first Bill are inconsistent with these new trustee obligations and the wider trustee obligation to act in the financial interests of the beneficiary, and importantly, to give priority to these interests, including to any obligations that arise from the Corporations Act. It is not possible to deal with s29TC of the Core provisions Bill without considering the obligations imposed upon trustees and licensees by the second tranche of the legislative reform package.

ISN makes the suggested amendments in the context of the reduced defences available to trustees contemplated by the new 55(5) detailed in the Trustee obligations and prudential standards Bill. To defend against a claim of loss or damage, there is an onus on a trustee to show that they have met, amongst other things, all their duties to beneficiaries and other prudential standards; including the duty to act in their financial interests.

It is submitted that the common practice of 'flipping' members when they leave the employ of their employer into a more highly priced fund can be inconsistent with the beneficiaries financial interests.

Insofar as such a transfer creates another class of beneficiary, before or after the transfer takes place, it is suggested that s52(2)(f) should impose an obligation to ensure the financial interests of all beneficiaries are protected.

The EM of the core provisions Bill outlines the proposed transfer of interests provisions at 4.36.

3.46 If a member of a tailored MySuper product was to no longer meet the requirements to remain a member of that particular product, for example a member was to no longer be an employee of the employer, the RSE licensee will be required to transfer that member into another MySuper product within the same fund or to an eligible rollover fund.

ISN submits that both tranche one and two of the Stronger Super legislative reforms fail to adequately deal with arrangements whereby a beneficiaries' interests are transferred between funds when certain circumstances change.

This practice, commonly referred to as flipping usually occurs when a member of a commercial fund leaves the employ of the employer-sponsor and is transferred into another product by the trustees. More often than not the fees and charges in the new fund are considerably higher.<sup>1</sup>

It is suggested that the ability to gain substantial profits from members who are flipped into a higher charging product have resulted in bait or loss leader pricing practices in sections of the industry. There is little market push back against these practices due to the high levels of member inertia within default products. A regulatory response is required.

It is submitted that such practices are not in the financial interests of the beneficiaries, cause unfair disadvantage to a class of beneficiaries and are not consistent with the proposed new duties on trustees.

The practice of flipping is inconsistent with the trustee obligations to ensure the financial interests of MySuper beneficiaries are adequately promoted; the duty to ensure that when a conflict exists, priority is given to the interests of beneficiaries and to ensure beneficiaries between and within classes are treated fairly.

It should also be noted that paragraph 3.46 of the EM which envisages the transfer of a member's interest to an eligible rollover fund (ERF), seems to be inconsistent with the requirement that a member's interest can only be transferred to another MySuper product. This is of a particular concern given the relatively poor value for money that many ERF's offer and lesser protections than envisaged for a MySuper product.

## 2.2 Express consent to transfer interests should be required

ISN believes that the MySuper Core Provisions Bill 2011 should be amended to require express consent from a beneficiary before a member's interest can be transferred.

In circumstances where an employee beneficiary who's employment is terminated does not expressly consent to have their interests transferred, their interest should remain in the fund and the trustees duty to act in their financial interests and to do all things reasonable practicable to avoid conflicts should be paramount.

Only through the introduction of a requirement for express consent can the financial interests of default fund members be protected.

It is appropriate at the time of leaving an employer that an employee consider their superannuation options. Whilst the Superstream initiatives dealing with fund enrolment at the commencement of employment will provide an opportunity to consolidate accounts from a former workplace, the system must accommodate instances where members don't actively make a choice.

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<sup>1</sup> Examples of cases where members of funds have been flipped without consent following retrenchment resulting fee increases in excess of 100% are available on request.

The default treatment of a beneficiaries' interest in a fund must not permit unforeseen and unjustified increases in fees. The simplest and fairest approach to deal with this is to allow the beneficiaries' interest to remain in the former fund.

### 2.3 Fee arrangements should remain unchanged

Further it is submitted that trustees should be expressly prohibited from changing the fee arrangements of a beneficiary, except where it can be demonstrated that an employer has directly provided a quantifiable subsidy which benefits the beneficiary and the employer ceases to apply the subsidy when the beneficiary leaves the employ of the employer sponsor.

### 2.4 Mandatory disclosure of fee subsidy

To the extent that an employer-sponsor provides a fee or other subsidy to the fees or charges that would otherwise apply to a MySuper account, it is a requirement imposed by section 29TC(e) of the core provisions Bill that the subsidy not favour one employee over another; i.e. that all employees be treated fairly in relation to the subsidy.<sup>2</sup> This obligation and the more general obligation within the expanded covenants to treat all classes of beneficiary within a class and between classes fairly has no meaning unless there is a requirement to clearly quantify the level of employer subsidy.

It is suggested that the core provisions Bill be amended to require disclosure of the level of subsidy. It would also be appropriate if the requirement was found in tranche 3 of the Stronger Super legislation which is expected to provide APRA with data collection powers.

Both pieces of legislation should explicitly require the detailing of the level of subsidy to both APRA and beneficiaries who would be affected when the subsidy no longer applies, say when their employment is terminated.

To give practical effect to the obligation, the obligation should also be applied to so-called fee discounting provided to large employer-sponsors which may or may not be described as an employer subsidy.

Similar disclosure of the administrative fee arrangements made by trustees with employers as envisaged by s29VB(c) should apply.

### 2.5 Contributions should not be affected

ISN also submits that in such circumstances there should be an obligation to allow the former employee to make voluntary contributions to the fund. The making of additional contributions to the fund by a former employee adds to the investment pool and benefits all beneficiaries.

Superstream initiatives will soon introduce mandatory and standardised electronic contributions, it would be reasonable to allow the fund trustees the ability to exercise their discretion, to impose a limitation that the contributions from the former employee can only be made by electronic means acceptable to the trustees.

It is also recognised that the introduction of Superstream reforms will improve and level administrative efficiencies in the industry to effectively remove any real administrative cost differentials between contributors. The Superstream changes will also introduce processes that are likely to result in the consolidation of the accounts of many, if not most former employee beneficiaries.

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<sup>2</sup> ISN has made submissions in relation to the Core Provisions Bill that seek to clarify the definition of a large employer-sponsor.



Section 29TC(f) of the core provisions Bill would require amendment to facilitate arrangements which would allow a trustee to require electronic contributions from a class of beneficiary.<sup>3</sup>

Without the suggested amendments to section 29TC of the Core Provisions Bill, section 52(2)(f) of the Trustee Obligations and Prudential Standards Bill which imposes an obligation upon trustees to act fairly in dealing with all beneficiaries, would be meaningless.

The ISN proposal, does not impose any significant additional costs upon product providers or employers whilst ensuring the characteristics of MySuper products are not undermined when an employee leaves their job.

To be clear, the proposal is intended to remove the ability to bait price or provide for loss leader arrangements which feed off member disengagement. ISN submits that these practices are unfair and not consistent with the new duties placed upon trustees and licensees.

## 2.6 Details of proposed amendments relating to fairness

### 2.6.1 Level of subsidy to be declared

That there be an obligation to quantify the level of employer subsidy and/or differential fee arrangement that is applied or arranged with a particular employer. Such arrangements should be included in tranche 3 of the legislation and specified in the APRA data collection powers.

That section s29VB (fee charging rules) of the core provisions Bill be amended via the insertion of a new subclause (ii) within 29VB(1)(c) that requires the level of any subsidy to be quantified.

#### **29VB Administration fee exemption for employees of an employer-sponsor**

- (1)(c)
- (i) the trustee, or trustees, of the fund have entered into an arrangement with the employer-sponsor that secures lower administration fees for the employee members; and
  - (ii) **the quantum of the administration fee reduction is quantified and made known to members of the fund; and**

The manner in which the quantum of the fee reduction is expressed and conveyed to members could be dealt with by APRA following a consultation process.

### 2.6.2 Must allow continued membership of fund

That sections 29&C(h) & (i) of the core provisions Bill be amended to prohibit the transfer of a member's interest in a MySuper fund to another MySuper product within the fund or another MySuper entity without the member's consent. This could be implemented by the replacement of "or" with "and" between s29TC(h)(i) and (ii) and minor amendment to S29TC(i) to have the same effect as per the following:

#### **29TC Characteristics of a MySuper product**

- (h) a beneficial interest of that class cannot be replaced with a beneficial interest of another class in the fund unless:
- (i) the replacement is with an interest in another MySuper product within the fund; **and**
  - (ii) the person who holds the interest consents to that replacement; and

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<sup>3</sup> Section 29TC(f) currently imposes an obligation that "no limitations are imposed on the source of contributions made by or on behalf of persons who hold a beneficial interest of that class, other than those imposed by or under the general law or a law of the Commonwealth or of a State or Territory;"

- (i) A beneficial interest of that class (the **old interest**) cannot be replaced with a beneficial interest (the **new interest**) in another superannuation entity unless:
  - (i) The new interest is a MySuper product and the replacement with the new interest is permitted under a law of the Commonwealth; **and**
  - (ii) the person who holds the old interest consents to the replacement with the new interest; **or**
  - (iii) the replacement is otherwise permitted, or is required, under a law of the Commonwealth; and

Such amendments would have the effect of allowing an employee who leaves the employ of their employer to retain their interest within a MySuper product unless a replacement is otherwise permitted by a law of the Commonwealth.

### 2.6.3 Fee discrimination allowed to extent of quantified employer subsidy

If an employee beneficiary remains a member of a fund by not providing consent to have their interests transferred, the trustees should be obliged to continue to charge the same fee as applies to other employees members.

Any fee subsidy applied by an employer will have to be applied equally across employees. However, any employer fee subsidisation as envisaged by s29TC(d) & (e) need not be applied to former employees. To give meaningful effect to s29TC(d) & (e), and the new covenants in s52, particularly, but not limited to the fairness requirements in s52(2)(f) and (g); the level of employer fee subsidy must be clearly identified.

Section 29TC (1)(d) could be amended in the following manner:

#### **29TC Characteristics of a MySuper product**

- (d) to the extent that the accounts of members relate to a beneficial interest of that class, the same process is to be adopted in crediting and debiting those accounts, except to the extent that a different process is necessary to allow for **quantified** fee subsidisation by employers; and

It should be noted that ISN is of the view that the term “process” requires further clarification.

A new section 29VB(5) should be inserted to facilitate the removal of any identified and quantified subsidy as per the proposed new sub-clause s29VB(1)(c)(ii) along the following lines:

#### **29VB Administration fee exemption for employee of an employer-sponsor**

*Former employees may have identified administrative removed*

- (5) Former employees entitled to continue to be a member of the fund, may be provided, but are not entitled to the fee discount identified in s29VB(1)(c)(ii).

### 2.6.4 Trustees must continue to accept contributions but may dictate form

The trustee should be required to continue to accept contributions from the former employee who remains a beneficiary, although it would be reasonable to require contributions to be made in a form acceptable to the trustees, say by electronic means only. This will require an amendment to s29TC(f) of the core provisions Bill which currently prohibits discrimination between beneficiaries regarding the means of contribution.

## 2.7 Clarification of process in s29TC(1)(d)

Section 29TC(1)(d) places an obligation upon a RSE's and trustees to ensure "the same process" is used for the crediting and debiting of accounts, except to the extent that a different process is required to allow for fee subsidisation by employers.

It is submitted that the term 'process' requires definition. The common usage of process in this context would include the manner in which a beneficiaries interests in the fund are administered, treated, managed, handled or otherwise dealt with.

Section 29TC(1)(d), particularly read in conjunction with the proposed fairness covenant amendments in section 52(2) would suggest that process should also include the price, charge or fee applied to the member's account. The explanatory memorandums for both Bills would suggest this interpretation is correct.

It is submitted that the obligation is either to treat beneficiaries fairly or to unfairly treat them but process them in the same manner. It is suggested that the intent is the former and that greater clarity is required to give effect to this intent.

## 2.8 Net fees & consistency in terminology

The Bill and its EM appear to use different terminology when dealing with returns on investments.

To ensure consistency with the Bill and the terminology within the related Trustee obligations and prudential standards Bill, the term investment returns should be replaced with net returns where appropriate. It is submitted that 1.10, 1.15 and 3.31 in the Explanatory Memorandum be altered so **that "investment returns" be replaced by "net returns"**.

The duty placed on trustees by s29VN(a) of the Trustee obligations and prudential standards Bill explicitly refers to an obligation that is centered around net returns to members. The EM describes this consideration of net returns as ".... The most significant component of the financial interests of members of a MySuper product..."<sup>4</sup>

Given the importance of this duty, it is imperative that there be no confusion regarding the wording and intent.

## 2.9 Role of pension products within MySuper

Section 29TC(1)(j) confirms that a product that offers pension payments is not a MySuper product. There appears to be no rationale for this prohibition other than a view that the relationship between MySuper and pension products is complex and should be dealt with at a later date.

The Henry Review, the Cooper Review and subsequent discussions of the tax-transfer system and the superannuation system have all recognised that current superannuation policy settings are focused on the accumulation phase with little development of what should happen at the point of retirement and subsequently.

As we understand it, the Government is keenly considering this policy area with a view to ensuring accumulated retirement savings are efficiently used to help retirees address longevity, inflation and investment risks. Policy decisions will be made around these issues in the near future with input from the community and industry.

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<sup>4</sup> Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Bill 2012, 1.14, p 12

Defaults are important for framing consumer decision-making and will form a part of any likely policy decision. It also seems highly desirable that the retirement phase not be excluded from the higher level of regulatory compliance attached to MySuper.

Further, an unqualified prohibition will have a constraining impact on pension product development and will ultimately result in deferred delivery of innovative pension products that integrate with and meet the enhanced obligations and duties imposed upon MySuper products.

It is therefore ISN's view that it may be counterproductive to the policy effort to explicitly and absolutely prevent MySuper products including pension products. It is submitted that the legislation and the Explanatory Memorandum should have sufficient flexibility so as to allow authority to be provided to make pension payments within a MySuper product.

A more constructive approach could be to make such product elements permissible, subject to approval by the regulator based on criteria that will be determined by Government at a later date.

ISN will continue to contribute to consultation in this policy area.

## 2.10 Division 4 – Cancelling authority

Section 29U provides APRA with the power to cancel the authority of a RSE licensee to offer a MySuper product. ISN believes that it would be appropriate that section 29U(2)(c) be altered to include the word "reasonably" as follows:

### **29U Cancelling authority to offer MySuper product**

(2)(c) APRA is no longer **reasonably** satisfied that:

- (i) where the RSE licensee is a body corporate – the RSE licensee; or
- (ii) where the RSE licensee is made up of a group of individual trustees – each of those individual trustees;

Is likely to comply with the enhanced trustee obligations for MySuper products (whether because of a previous failure to do so, or for any other reason); or

The proposed amendment seeks to do no more than impose a duty on APRA that APRA be reasonably satisfied. It could in any case be argued that APRA already has this duty<sup>5</sup>. It is submitted that the explicit introduction of the reasonableness standard would be both appropriate and add to clarity.

The reasonableness standard is an adaptation of the civil standard of proof of "on a balance of probabilities," or "on the preponderance of the evidence" and is synonymous with the phrase "more likely than not." The duty to act reasonably is satisfied when the relevant decision meets an objective standard of reasonableness.<sup>6</sup>

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<sup>5</sup> *Administrative Decisions (Judicial Review) Act 1977* s 5(2)(g) (CTH)

<sup>6</sup> See *Greiner v Independent Commission Against Corruption* (1992) 28 NSWLR 125 and *Associated Provincial Picture Houses Ltd v Wednesday Corp* [1948] 1 KB 223.

## 3. Division 5 – Fee rules for MySuper products

### 3.1 Definition of fees

The proposal to allow MySuper product providers the ability to offer all employers discounts on administrative fees and to ‘tailor’ MySuper products for large employers places a greater emphasis on the definition of each type of fee. The current Bill and the EM fail to provide an adequate definition of administrative and other fees so as to give effect to the stated policy.

The current legislation is lacking in that it provides inadequate guidance and protections to ensure only administrative fees are discounted. The lack of definition does not allow for transparency, accountability and comparability; all of which are stated aims of the proposed reforms.

Section 29V(2) states “An **administrative fee** is a fee that relates directly to the administration of fund.”

At 5.8 the Explanatory Memorandum describes an administration fee as a fee for the purposes that relate directly to the administration of the fund, including, but not limited to, costs associated with processing contributions; member communication costs; trustee administration costs and intra-fund advice costs.

#### 3.1.1 Proposed Amendment

As the definition of administration costs is a core feature of the legislation, the definition should be clear in the Explanatory memorandum by extending the definition of administration costs to include:

- marketing & communications costs;
- non-investment related product development;
- information Technology expenses;
- employer interface – contribution acceptance services;
- member education
- payment of benefits/claims
- intra-fund advice
- any other cost which is not an investment fee; a buy-sell spread cost; switching fee or an exit fee.

### 3.2 Exclusions to single pricing arrangements for administrative fees

As noted above in respect to the provisions dealing with transfer of a beneficiaries’ interest the legislative framework for administrative discounting is critical to ensuring that pricing of MySuper products are transparent and pools of MySuper members of a fund are not cross subsidised by other pools of MySuper beneficiaries of the fund.

The proposed changes to trustee obligations and duties in the Trustee obligations and prudential standards Bill discussed earlier, in part deal with issues of fairness of treatment between beneficiaries.

Whilst it is accepted that there are administrative efficiencies to be gained by more efficient processing methods, such as straight through processing, it is submitted that:

- 1: to the extent that there are cost differentials associated with administration practices, they will be significantly diminished, if not eliminated following the introduction of Superstream initiatives;

- 2: that claims of administrative efficiency associated with employer based products have been used to justify substantial administrative and other fee increases when an employee leaves the employ of the employer and that these increase in most cases bear no relation to the addition processing and other costs, if any, that may be incurred by the other beneficiaries of the fund and or product provider.

Although the new trustee covenants in s52(2) may impose some limitation of the ability of trustees, connected entities and RSE's to treat beneficiaries unfairly by requiring they act in the financial interests; it is suggested that further protection is required.

Where it is claimed that administrative cost efficiencies associated with an employer-sponsored MySuper product allow for a reduced price, which is subsequently removed when the efficiency is no longer in place there should be an obligation to describe the rationale for the discount and to quantify the level of the discount.

### 3.2.1 Proposed Amendment

An additional paragraph should be added in the Explanatory memorandum after paragraph 6.13 which expands upon the principles underpinning administrative discounts, specifically:

- that RSE licensees can only offer discounted administration fees where the discount is funded through specific and verifiable administrative savings realised through the adoption of administrative processes which differ from standard and are agreed to by the employer being offered the discount;
- That administrative discounts cannot be cross subsidised by members of the public offer or other MySuper product offered by the RSE

In essence it is imperative that the administrative discounting arrangements have integrity by requiring demonstration of a clear link between employer based cost efficiencies and discounted administrative fees.

## 3.3 MySuper products for large employer-sponsors

It is suggested that the definition of "associate" of an employer-sponsor should receive greater clarity in the Explanatory Memorandum. It is presumed that associate includes an entity which is a related body corporate and/or a substantial shareholder or controlling entity.

### 3.3.1 Proposed amendment

If the intention is that a large employer-sponsor is one where a single employing entity is responsible for the superannuation payments of at least 500 persons, including, but not limited to direct employees of the large employer-sponsor. Then the Bill should clarify the intention by stating:

- A large employer-sponsor is one where a single employing entity is responsible for the superannuation payments of at least 500 persons, including, but not limited to direct employees of the large employer-sponsor.

## 4. Date of effect

ISN supports the proposed date of effect of 1 January 2013 or earlier for the provisions amending the SIS Act and the date from which employers must make default contributions to a MySuper fund, being 1 October 2013.