

3 October 2012

Dr. Richard Grant
Committee Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

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Dear Dr. Grant

Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Bill 2012 (the Bill)

Thank you for the opportunity to provide a submission to the Parliamentary Joint Committee's inquiry into the Bill. Sandhurst Trustees is the Registrable Superannuation Licensee of the Bendigo Superannuation Plan (incorporating Bendigo SmartStart Super) and represents approximately 14,000 superannuation members. As a wholly owned subsidiary of Bendigo and Adelaide Bank, Sandhurst Trustees seeks to deliver investment and superannuation solutions to more than 1.4 million customers.

Bendigo and Adelaide Bank is a member of the Financial Services Council (FSC) and we acknowledge and support the recommendations in the submission made by the FSC. In this submission we have sought to specifically comment on issues most important to us based on our objectives for delivering a quality superannuation solution now and in the future.

Below is a summary of the most significant issues we have identified in reviewing the Bill:

1. The amendment of Modern Awards in relation to default superannuation funds

We noted the introduction of a new requirement that default funds listed in Modern Awards must be authorised to offer a MySuper product. Whilst this offered some legislative improvement, we believe that the current restrictions on allowable default funds for employees captured under Modern Awards impacts our ability to service our customers, including business customers, in a holistic manner. That is, to provide a consistent solution across their banking and wealth needs.

We recommend that this issue be addressed prior to the commencement of MySuper products on 1 July 2013. This will ensure that all MySuper products can compete and will avoid confusion within and across employers and employees with regards to acceptable superannuation funds for default members.

2. Transition to MySuper (Accrued Default Amount)

The Explanatory Memorandum indicates that the accrued default amount for a member will include amounts for members who have exercised choice of

fund and are invested in the choice product's default option and amounts for members who have given direction to invest in a default investment option. We do not believe it is appropriate to transfer member balances which are invested due to a choice of fund decision or have selected to invest in a superannuation fund's default investment option.

We recommend an alternative draft be prepared where member balances should only be transferred where they have not made a choice of fund and have not made an investment choice.

3. **Quarterly publication of MySuper data by APRA**

Whilst we support the publishing of standardised information across the industry, we feel it is important to raise our concerns that returns, fees and costs should not be the only indicators that customers should take notice of when comparing products. We feel the continued aggressive push on fees and costs will ultimately lead product providers in a race to the bottom. Such a culture will ultimately lead to inferior products, poor investments and an inferior outcome for Australians. Whilst the proposed data collection also includes returns (which we wholly support) it excludes any concept of service, risk management, investment diversification and credibility of the provider.

One real world example that outlines the importance in risk management is that of unfavourable return sequencing. Where a fund delivers strong returns in the early years of a members accumulation and then very poor returns in the final years of accumulation the members retirement benefit will be materially (up to 50%) lower than a fund who has consistently performed every year, even if the compound return of the two funds is the same. This occurs as the most important returns for an accumulator are in the last few years of their accumulation, when they have the highest balances. This example outlines why we would like to see more items in the standardised comparison tables than simply fees and compound annualised returns.

We ask the PJC to consider how Australian's are given a balanced message rather than just which MySuper product is the cheapest. Potential ideas could be inclusion of diversification and risk information in the APRA published data, clear referrals to the proposed member dashboard and/or the inclusion of statements that customers should also consider risk, service, diversification and credibility of provider in their comparisons of MySuper offerings.

Yours faithfully,

Paul Rohan
General Manager
Sandhurst Trustees Limited