

**Australian Administration  
Services Pty Ltd**

ABN 62 003 429 114

Rhodes Corporate Park  
1A Homebush Bay Drive  
Rhodes NSW 2138  
t (02) 8571 5000  
f (02) 8571 5550



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

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

Australian Administration Services Pty Ltd (“AAS”) welcomes the opportunity to provide a submission to the Joint Parliamentary Committee enquiry into this Bill.

AAS is Australia’s most technologically advanced and innovative Superannuation Administration provider. Founded in 1987, AAS services over 40 funds, over 4 million Members, and more than 350,000 Employers. AAS is a core business of the Link Group.

In consideration of this Bill we recommend the Committee take into account the following:

1. Alignment between MySuper and FOFA is necessary to avoid confusion and costs in the provision of advice to superannuation members;
2. Although disclosure and transparency are cornerstones of our industry we need to ensure there are appropriate mechanisms to ensure meaningful cost benefit analysis around reporting information to APRA;
3. The Stronger Super reform agenda is large and with nine months to implementation of MySuper on 1 July 2013 there is significant risk of unintended consequences.

Outlined in the appendix to this submission are detailed comments to the chapters of the Bill.

Regards

**John McMurtrie**  
CEO  
Australian Administration Services

## **Chapter 1: Fees, Costs and Intrafund Advice**

Research conducted by ASIC and detailed in Report 224: Access to financial advice in Australia has found that there is an increasing demand on consumers to make financial decisions, unfortunately many are ill equipped to make these decisions. Compounding this problem is the issue that less than 40% of the adult Australian population have ever used a financial planner (Roy Morgan Research 2009).

Recent legislative changes have been designed to encourage Australians to become more active in their financial affairs, notably via their super savings. A key to encouraging engagement is providing super fund members with access to quality advice. It is widely acknowledged that super will be the second most valuable asset after the family home for most Australians. With the increasing importance of superannuation savings it is vital that funds are able to provide access to financial advice.

We feel that two areas of the Bill require further clarification; namely “ongoing advice” and “monitoring the implementation of recommendations”.

In Section 1.43 of the Explanatory Memorandum it indicates that the advice will be regarded as ongoing if amongst other things further personal advice is delivered.

As you would be aware there are times where a member requires further advice at a later stage that may or may not be related to the initial advice. The current guidance makes it difficult to determine if the subsequent advice would qualify as ongoing advice. A few notable examples that could occur are:

Where a member’s personal circumstances or legislation changes and the member requests further advice on the same topic to ensure the advice is still appropriate (even though this may years later),

A member requests advice in regard to one topic (eg contributions) and during the advice process the adviser recognises the need for advice on a different topic (eg insurance).

A member that has received advice may request advice on an unrelated topic at a later stage,

In the cases highlighted above, the initial advice and the further advice are both of a one-off or transactional nature and relatively simple. Further there should also be clarification in regard to the timing of the initial advice and the provision of any subsequent advice. As an example, if a member received advice, how long would they need to wait until they could receive another piece of advice that is regarded as one-off or transactional in nature? Is one day, one week, one month, one year or one decade a suitable timeframe?

The key reason for excluding the provision of ongoing advice is the potential for excessive use by any particular subset of members to the detriment of all members. The Link Group has some experience in providing advice to super fund members via Money Solutions, its wholly owned subsidiary, which has delivered over 100,000 pieces of scaled advice to super fund members.

We do not feel the provision of ongoing advice across the member base would be to the detriment of all members as long as appropriate rules are in place to prevent excessive use by individual members. In our experience, we have found providing access to advice allows super funds and their outsourced advice providers to build scale which reduces the average cost of advice thereby making advice more affordable and accessible.

In relation to “monitoring the implementation of recommendations”, when advice is given and an SoA is issued, it is common practice to make a follow-up call or have a follow-up meeting to go through the advice and field any questions from the member. Alternatively, the member may phone or visit the office and have questions to ask. The member may decide to implement at that meeting or undertake implementation separately. Whilst we understand that ongoing monitoring of whether the recommendation has been implemented is excluded, we believe that the cost of this subsequent follow-up call or meeting should be included as intra-fund advice and able to be charged to the fund. In our experience members are more likely to implement the recommendations if their follow-up questions are answered after they have read and digested the advice. We seek confirmation that this follow-up meeting can be deemed to be part of the delivery of one-off transactional advice.

## **Chapter 2 Insurance**

The insurance provisions do not contemplate whether or not a MySuper fund can offer an insurance product other than death and TPD. Many funds currently offer income protection and terminal illness on an opt out basis and will want to continue to offer this as part of their MySuper offering, However the legislation is silent on this. Clarification would be helpful to ascertain whether this is allowable or prohibited.

If other insurance on an ‘opt out’ basis is not to be able to be offered as part of a MySuper offering then transitional rules are required as it will involve taking away existing insurance benefits.

### **Chapter 3 Collection and Disclosure of Information**

We acknowledge the requirement for RSE licensees to publish specific information about their MySuper and Choice products is an important tool for the general public to be able to access and compare important data on a timely basis.

#### **Product Dashboard**

We note that disclosure for MySuper products includes historical information about returns and achievement of investment targets and costs which commences 1 July 2013.

Further we note the need for information on the Product Dashboard to be as up to date as possible. However, it is our view that a number of RSEs will be presented with some difficulty with the requirement to update the required cost data within 14 days of the end of each quarter. This may not be sufficient time to determine what changes need to be made in order to modify a Fund's website.

In particular the information for the fees and other costs calculation will not be available in this timeframe. Estimates will have to be used with consequent risk of error.