

20 January 2012



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

Email: corporations.joint@aph.gov.au

Dear Sir / Madam,

Re: Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011

BT Financial Group (BTFG) welcomes the opportunity to provide a submission to the Parliamentary Joint Commission inquiry into the Superannuation Legislation Amendment (MySuper Core Provisions) Bill (the Bill).

BTFG supports the Government's policy intent to ensure that default superannuation members have access to a "simple and cost effective superannuation product" that is relevant to their needs.¹

We have been involved in the development of the Financial Services Council's (FSC) submission on the Bill and fully support the recommendations contained in that submission.

In addition to our support of the FSC submission, we wish to provide some comments on two key areas of concern with the current drafting of the Bill.

1. APRA authorisation for tailored products will reduce competition and is unnecessary

Under the draft legislation, APRA will be required to approve each MySuper product and all tailored MySuper arrangements. The proposed approval process will limit the ability of funds to respond flexibly to differing workplace needs and will reduce competitive pressure within the superannuation industry.

We believe that APRA should only be responsible for licensing the ability of the trustee to offer MySuper products, which would be a natural extension of its current role in licensing trustees.

We do not support APRA having an obligation to actively approve all tailored (or separately branded) MySuper product offerings. Involvement in commercial arrangements entered into by superannuation funds with employers would be costly, time consuming and inefficient for the industry.

Currently the corporate superannuation market place is very competitive, with employers regularly renegotiating arrangements and often conducting a tender process with

¹ Stronger Super Information Pack 21 September 2011, page 3.

superannuation providers to ensure they look after the best interests of their employees. The tender process allows the employer to obtain the best deal for their employees through a tailored solution, based on the needs of the employees. Once an employer has chosen a new superannuation fund, the transition of default members from the old fund to the new fund usually begins almost immediately.

According to the legislation APRA may take up to 180 days to approve a tailored MySuper offering. We believe the requirement for APRA approval will result in:

- Significant delays to how quickly members can benefit from the new arrangement, by delaying how quickly the members can transition to the new fund.
- Uncertainty for employers who have commercially negotiated a beneficial arrangement for their employees. Employers must wait for approval from APRA and then take further action if not approved.
- Reduced competition within the superannuation industry as employers become less likely to negotiate a tailored arrangement or conduct a competitive tender due to the considerable length of time it would take.

BTFG believes that the proposed level of APRA involvement in commercial arrangements entered into by superannuation funds with employers is unnecessary and inefficient. APRA's role should be to monitor compliance with MySuper legislation through annual reporting and ongoing supervisory activities, as envisaged in the Stronger Super Information Pack.²

Recommendation:

We recommend that the Bill be amended so that APRA is only required to licence the ability of an RSE to offer MySuper products.

Superannuation funds that enter into a commercial relationship with an employer and in doing so create a tailored MySuper product, would then only have an annual reporting obligation to APRA. The information collected could be used by APRA, along with its other prudential activities, to monitor the tailoring of MySuper products and ensure that they are consistent with legislation.

2. Trustees should not need to wind up existing brands as a result of MySuper

Many large funds currently have different superannuation products operating as sub-plans within the one Registrable Superannuation Entity (RSE). Each sub-plan (or product) can be branded differently based either on a historical merger or a deliberate decision to create a new brand that meets the needs of different types of consumers. By creating greater appeal through different brands, the RSE can better engage with a broader range of consumers.

Issuing different products through sub-plans of one RSE, rather than maintaining multiple RSEs, is more efficient for multi-branded organisations such as BTFG. Trustees can operate each different product as a sub-plan within a larger fund, allowing them to gain operational efficiencies across multiple products.

The current provisions in the Bill only allow trustees to apply to APRA for multiple branded MySuper products as a result of merger activity after 1 July 2013 where there is "material goodwill" in an existing brand and other requirements are met. The draft legislation is overly restrictive by:

² Stronger Super Information Pack 21 September 2011, section 2.3.

- Not recognising the efforts that trustees have made prior to 1 July 2013 to create operational efficiencies by merging superannuation entities and creating sub-plans, while preserving brands that members recognise and trust.
- Not allowing trustees to create new brands/products under the one RSE to creatively respond to a changing market place and different consumer segments, while still maintaining an efficient internal governance structure.
- Effectively requiring trustees to wind up valuable brands or going to the expense of unwinding sub-plan structures and creating new RSE's so that the existing branding of the product can be maintained. The cost of any restructuring may be a recoverable expense and ultimately borne by members.

Organisations that have made significant investments into building trusted brands through consistent service and benefit delivery, should not be faced with a regulatory change that will effectively destroy the value of these brands.

Recommendation:

We recommend that the Bill be amended so that trustees can continue to offer multiple branded products that will meet the new MySuper requirements without the need to provide evidence to APRA that there is "material goodwill" in an existing brand.

Funds would still have an annual reporting obligation to disclose to APRA the details of all MySuper products, so that APRA can continue its prudential supervision of the industry.

In conclusion, the superannuation industry must be able to continue to operate efficiently in meeting the needs of members and employers. Members will be best served if the Bill is amended to ensure that:

- Employers can negotiate the best deal for their employees, which will ultimately create competitive pressure.
- Trustees can preserve existing brands that members recognise and trust.
- Trustees can efficiently respond to the changing needs of different consumer segments through the use of differently branded products via the one RSE. New and innovative superannuation products are in the best interests of all members and the industry. For example our highly successful low cost BT Super for Life product, which competitors are replicating.

BTFG would be happy to provide a more detailed analysis of the Bill and suggested drafting of legislative amendments if required. Please do not hesitate to contact me directly on if you wish to discuss further.

Yours sincerely

Alyson Clarke
Head of Government & Industry Affairs
BT Financial Group