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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

Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011 (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 Entity (RSE) of the Bendigo Superannuation Plan (incorporating Bendigo SmartStart Super) and represents approximately 15,000 superannuation members. As a wholly owned subsidiary of Bendigo and Adelaide Bank, Sandhurst Trustees seeks to deliver investment and superannuation solutions to more than 1.5 million customers.

Bendigo and Adelaide Bank is a member of the Financial Services Council and we acknowledge and support the recommendations made in the submission made by the FSC on 23 December 2011. 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** – In reviewing the Super System Review recommendations, we were pleased to note that the issue of competition relating to funds allowed under Modern Awards was addressed. We are concerned that the Productivity Commission review of this issue remains outstanding and an outcome may still be some time away. 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, i.e. 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. Lifecycle Investment Strategy fee structure** – We are advocates for the lifecycle investment strategy and have significant concerns regarding the requirement for RSE licensees offering a lifecycle strategy to charge all members the same fee, regardless of which stage of the lifecycle they belong to (per section 29VA). We believe that this fee charging rule does not truly reflect the costs of operating a more growth orientated strategy compared to a more defensive orientated strategy. This may result in a cross subsidisation of costs and a disadvantage to some members.

We recommend that the legislation allow for differing fees within a lifecycle strategy. It would be reasonable to include the need for a Trustee to consider and justify the difference between costs of varying stages in the legislation.

- 3. Intra fund advice** – Section 5.8 of the Explanatory Memorandum indicates that intra fund advice may be cross subsidised via a MySuper products administration fee. We believe that the Intra Fund advice model is challenged somewhat under the MySuper fee model and adding the costs to the administration fee will disadvantage many members. We believe that the description of intra fund advice needs to be clearly articulated in future tranches of legislation to ensure that it is a service that a member is likely to use. This should ensure no confusion for providers between personal financial advice and information and guidance in relation to a member's superannuation account.

We propose that a separate fee mechanism should be established to allow organisations with differing advice propositions to continue tailoring their solutions. In addition, intra fund advice should not be cross subsidised as this disadvantages members and may inhibit their decision making when it comes to seeking financial advice in general.

- 4. Consideration of plan scale** – We acknowledge that it is important to ensure that a MySuper product is able to continue to provide net returns that are in the best interests of members but wish to express our concern that by focusing on scale, other key ingredients to a successful offering may not be considered.

We recommend that the legislation yet to be drafted allow for a full consideration of the offering without specifically referring to scale. We would welcome the opportunity to discuss further what we believe should be considered by Trustees.

Please direct any queries in relation to the comments within to Justin Hoare, Senior Manager Investment Solutions,

Yours Faithfully,

Paul Rohan
Bendigo Wealth