

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question No: AET 61

Topic: COOPER REVIEW

Hansard Page: Written

Senator Bushby asked:

The Government's response to the Cooper Review in December 2010 stated that ASIC should continue developing a framework for superannuation forecasts on annual statements for consumers as proposed in Consultation Paper 122.

- What is the progress of developing superannuation forecasts under guidance in CP 122?

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1.3.3 Summary of Results

The tables below show the composition of the expense rates for 2008 and 2006 in terms of the cost of administration, platform, investment management and the cost of advice. Note that in 2006 we included the platform fees in administration costs.

Table 1. Fees and Expenses 2008

Fees and Expenses By Superannuation Segment - Year to 30 June 2008							
Sector	Segment	Administration %	Platform %	Investment Management %	Administration, Platform & Investment Management	Cost of Advice %	Total Fees %
Wholesale	Corporate	0.24	-	0.47	0.71	0.02	0.73
	Corporate Super Master Trust ¹ (large)	0.20	0.01	0.56	0.78	0.02	0.79
	Industry	0.38	-	0.67	1.05	0.02	1.07
	Public Sector	0.21	-	0.46	0.67	0.02	0.69
Retail	Corporate Super Master Trust ² (small) [^]	0.41	0.43	0.81	1.66	0.46	2.12
	Personal Superannuation	0.17	0.61	0.70	1.47	0.53	2.00
	Retirement Income	0.20	0.42	0.69	1.31	0.53	1.84
	Retirement Savings Accounts	0.60	-	1.70	2.30	-	2.30
	Eligible Rollover Funds	2.03	-	0.47	2.49	-	2.49
Small Funds	Self Managed Super Funds	0.31	-	0.52	0.83	0.15	0.98
Total		0.28	0.14	0.59	1.02	0.19	1.21

* Expressed as a % of average assets over the year to 30 June 2008.

[^] The difference between the 2008 values and 2006 values is the result of better data.

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The above table shows that employer or wholesale superannuation funds have an average total cost of 82 basis points.

Table 8. Corporate Super Master Trust Segments

Employer Sub-plan Size	Corporate Super Master Trust Segments Member Accounts ('000)	Assets (\$millions)
> \$5m ("Wholesale" Plans)	907	54,422
< \$5m ("Retail" Plans)	594	35,624
Total Corporate Super Master Trusts	1,501	90,046

This table shows that almost 1 million Australians have their superannuation in wholesale master trusts which cost an average of 79 basis points (cross referenced with the table in Appendix A.

Answer:

Superannuation forecasts are likely to be regulated as personal financial advice, as they take into account the consumer's objectives, financial situation or needs.

Our work in Consultation Paper 122 was put on hold in 2010, because we were aware that the issue of superannuation forecasts was being considered by the Super System Review. We were concerned continuing our policy work in the absence of a Government response to the Super System Review risked confusion within industry and possible inconsistencies if the Government decided to pursue law reform.

We are preparing internal papers for a decision on what policy approach to take on superannuation forecasts. However, consideration of these issues will also need to have regard to other Government reforms (the Future of Financial Advice Reforms) that will impact on everyone who provides financial advice. The interaction between superannuation forecasts and these reforms was noted in the Government's response to the Super System Review.

Draft legislation on the Future of Financial Advice Reforms is expected to be released for comment over the coming months. Subject to internal approvals, communication of any ASIC policy decision on superannuation forecasts may occur after that.