

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 79

Topic: MySuper – Stronger Super December 2010

Senator Bushby asked:

The Government resolved not to prohibit cross subsidisation of superannuation member accounts as recommended by the Cooper Review. Cross subsidisation occurs where all members are charged the same amount in fees regardless of whether or not they utilise member services such as advice.

It is not a user pays system. Members who do not access advice and other services cross subsidise the other members. Allowing cross subsidisation would be a retrograde step for the superannuation industry which has moved to unbundle product and advice by moving away from trailing commissions.

Does Treasury believe that cross subsidisation in superannuation is appropriate?

Is Treasury of the view that product and advice should be unbundled?

Does Treasury agree with the Cooper Review that advice and product should not be bundled and cross subsidisation of member accounts should not be tolerated?

If cross-subsidisation is tolerated, hasn't the prohibition on commissions effectively been made redundant?

Does Treasury view cross subsidised superannuation and bundled product and advice as one and the same?

Answer:

As part of Stronger Super, the Government announced that trustees would be required to make a fair and reasonable allocation of costs between MySuper and other products and the Government will consult further on design and implementation issues. Requiring trustees to make a fair and reasonable allocation of costs will ensure that MySuper members only pay for the services they receive, so they no longer subsidise services used exclusively by other members.

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The Government also announced that financial advice (other than intra-fund advice) costs should not be bundled with MySuper products as part of the FOFA reforms and is consulting on implementation details.