

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

AMP

AMP20QON:

Dr LEIGH: Can I ask you, on notice, to quantify the fee revenue lost if you had transferred all members by 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 respectively.

Mr Wade: You can. We can attempt to get that. Would it be helpful to also provide the process?

Dr LEIGH: Yes, thank you.

ANSWER:

Quantifying the difference between fees or revenue obtained had AMP transferred all members by 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 is a complex process. There are several factors that need to be considered in undertaking such estimates, including customer detriment and practicality of undertaking these transactions.

Following the Cooper reforms and the passage of the legislation, superannuation funds were required to transfer their existing accumulated default account balances to a MySuper product and the legislated completion date was before 1 July 2017.

The new MySuper products were designed to provide simple, cost effective default superannuation for members.

In terms of the process, for large companies such as AMP where there are multiple products, multiple systems and millions of accounts, the process was complex. Moreover, new products needed to be developed to comply with the legislation as no existing product met the MySuper legislated requirements.

AMP developed a schedule for transferring individuals into MySuper products in an orderly way, and this schedule was agreed with APRA.

However, for some members there were customer detriment issues where an intra fund transfer was required because a CGT event would be triggered. At the time the legislation provided CGT tax relief for those transfers into a different fund, but not for transfers within the fund.

AMP's trustees were concerned that if transfers of this nature were made ahead of legislative change, it would not be in the members' best interests (i.e. CGT tax would be payable by the member).

The trustees requested that representations were made to government seeking legislative change to address this anomaly in the customers' best interests.

As a consequence of these representations, on 29 June 2015, the Treasurer released the following statement:

From today, super funds that transfer default members balances to a MySuper product within their fund structure will also be able to access tax relief.

This change ensures the policy intent of the MySuper reforms is delivered and that the retirement savings of members are not diminished when balances are transferred.

Once the reassurance had been received from the Treasurer in regard to intrafund transfers, AMP was able to transfer these accounts to MySuper accounts, without consumer detriment.

The transfer itself was also a large and complex transaction across multiple systems. The transfer plan required that impediments be identified. These included:

- attributing an accrued default amount to the wrong MySuper product (a large employer MySuper product rather than the generic MySuper product and vice versa);
- attributing the wrong amount to a member's MySuper product;
- attributing an amount to a MySuper product for a member who had opted out;
- failing to identify a benefit which attaches to a particular member's interest in the fund (for example, an entitlement to share in an employer's reserve);
- terminating a member's insurance cover.

The Trustee had not previously needed to undertake such a large transfer of accounts across products. It was therefore untested and carried significant risk.

Given the volumes and variations for ADAs across multiple products and administration systems, it was decided that the most controlled environment to transition ADA balances was during an Enterprise IT System release. This ensured an appropriate level of technology governance, testing and validation would be applied at the time of the transition

AMP delivers four technology releases per annum encompassing delivery of compliance changes, product enhancements, platform enhancements and technical aspects

Given the volumes of ADA transitions and associated complexity, the transition plan identified the transitions should be completed on a product by product basis with only a single product transition being possible in any system release to ensure a high level of control is in place.

It was for these reasons alone that the account transfers were completed in tranches.