HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

AMP

AMP36QW:

Transferring to MySuper products

a) What was the period of time you took to complete the transfer of your members' accrued default amounts (ADAs) into MySuper products following the commencement of the MySuper regime on 1 January 2014?
b) How did that duration reflect the best interests of your members?
c) Was there anything that prevented you from transferring accounts sooner?
d) Please quantify the fee revenue lost if you had transferred members by 30 June 2014, 2015, 2016 and 2017 respectively.

ANSWER:

a) Timing

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

While some transfers occurred relatively early in the process, others were delayed for the reasons set out below.

b) Best interests of members

For some members there were potential customer detriment issues where an intra fund transfer was required because a CGT event would have been 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.

c) What prevented accounts being transferred sooner?

The lack of legislation for CGT relief for intra-fund transfers prevented the accounts being transferred, consistent with the members best interests duty.

Accordingly, representations were made to the Treasurer and 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 intra-fund transfers, AMP was able to transfer these accounts to MySuper accounts, without consumer detriment.

The transfer itself was also a large and complex transaction. 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 has 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 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 was in place.

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

d) <u>Fee revenue impact</u>

Quantifying the difference between fees or revenue obtained if AMP transferred all members by 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 is a complex; retrospective analysis and a requirement to estimate the CGT impact would be likely to yield inaccurate estimates.

As indicated earlier, it was in the members best interests for the rollovers to be scheduled in the way they were, not because of potential fee loss or gain.