



# Submission on Improved Superannuation Transparency

January 2016

## About National Seniors Australia

National Seniors Australia is a not-for-profit organisation that gives voice to issues that affect people aged 50 years and over. It is the largest membership organisation of its type in Australia.

**We give our members a voice** – we listen and represent our members' views to governments, business and the community on the issues of concern to the over-50s.

**We keep our members informed** – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

**We provide a world of opportunity** – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

**We help our members save** – we offer member rewards with discounts from thousands of businesses across Australia. We also offer exclusive travel discounts and tours designed for the over-50s and provide our members with affordable, quality insurance to suit their needs.

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## Introduction

National Seniors appreciates the opportunity to provide feedback on the Superannuation Legislation Amendment (Transparency Measures) Bill 2015, the Superannuation Legislation Amendment (Transparency Measures) Regulation 2015 and the associated consultation paper on the product dashboard comparison metric.

We understand there is also opportunity to comment on APRA's revised reporting standards for the product dashboards. Our feedback focuses on the proposed amendments as set out in the Bill and Regulation, recognising that APRA's reporting standard will have to align with these requirements once finalised.

National Seniors supports in-principle the intent to improve transparency of superannuation for fund members through the legislative frameworks for product dashboards and increased portfolio holdings disclosure. However, we remain cautiously optimistic about the benefits to consumers. There is a challenge in simplifying information for use on the product dashboard while also ensuring consistency with the detailed product disclosure statements so consumers are not misled or confused.

Importantly, the improved transparency of information must be meaningful and relevant to consumers. In our view, this is only possible if funds go beyond the legislative requirements to educate consumers about how to access and interpret the information as well as offer dedicated advice services so fund members make informed decisions about their retirement savings.

## Choice product dashboards

### *Qualifying choice investment option*

The Bill limits the scope of the dashboard requirements to 'qualifying choice investment option' which means a superannuation fund with five or more members is required to produce a choice product dashboard for the fund's 10 largest investment options, as measured by the value of the funds under management at the end of the previous financial year. This change puts a much greater emphasis on reducing administrative costs for industry as previously, it was intended that the choice product dashboards requirement would apply to all investment options.

Product dashboard requirements already exist for all of a fund's MySuper products, whereby summary information is made publicly available for members to compare MySuper offerings between funds based on the key features of investment performance, risk and fees. We believe the dashboard requirements for choice products should equally facilitate comparison between choice products and between MySuper products and choice products.

Limiting the dashboard requirements to only the top 10 investment options is contrary to one of the objectives of the reform – that is, to assist consumers decide whether their current superannuation investment option is suitable for them or whether to switch into a different investment option. An investment option outside the fund's top 10 may be the most suitable for a particular consumer, but the absence of critical summary information via a dashboard would inhibit switching to that option.

Given the trustee has discretion in deciding where to invest funds under management, the 10 largest choice investments are likely to vary each year. This means there will be a lack of continuity of information for consumers via the dashboard on a year to year basis.

Reducing the scope of the dashboard requirements to a fund's 10 largest investment options also prevents meaningful comparison between MySuper and choice lifecycle products. Whereas a separate dashboard must be provided for all MySuper lifecycle products, this dashboard requirement only applies for choice lifecycle products if the lifecycle product as a whole is amongst a fund's top 10 investment options.

National Seniors believes that product dashboard information should be available for all investment options offered by a superannuation fund. The marginal cost associated with providing this information would encourage funds to streamline the management of their product offerings and put downward pressure on fees. Further, improvement in technology means that the provision of basic information for all choice products via the dashboard would not necessarily impose high costs on industry.

**National Seniors recommends retaining the existing legislative requirement for superannuation funds to provide a dashboard for all choice product investments.**

#### *Information requirements on dashboard*

National Seniors supports the information requirements as outlined in the Regulation, which replicates the same measures for both MySuper and choice product dashboards. Consumers will benefit from the standardised summary information of fees, target return, actual return and level of investment risk using a representative member concept that allows like for like comparison of funds. The additional clarity required for reporting fees and costs into its components (ie investment, administration and advice fees) is welcomed.

We support the requirement for funds to provide a pie chart with standardised investment mix categories and an interactive superannuation estimator for consumers to assess their balance at retirement age on both the MySuper and choice product dashboards. Hyperlinks on the pie chart to additional information on the sub-categories of assets held by the fund would also be useful for interested consumers to gauge whether the funds strategy aligns to their risk appetite. The approach to simplifying information available on the dashboard should ensure consistency with the more detailed information provided in product disclosure statements.

Similarly, we support the requirement for funds to provide an interactive superannuation estimator for consumers to assess their balance at retirement age. However, the projected balance by itself is insufficient without consideration of longevity risk and the level of income needed to support a particular lifestyle. We suggest adding to the estimator the expected weekly income in retirement and how many years this would last.

National Seniors considers the dashboard requirement to be positive overall but highlights its usefulness will largely depend on the financial literacy and level of interest of consumers. We believe funds need to play a role in raising awareness amongst members of product dashboards and how best to use that information. The approach from industry must go beyond just satisfying the regulatory requirements to leveraging the transparency measures as a means of better engaging with consumers.

Further as the dashboard is web-based, there will be a cohort of older consumers who will not necessarily benefit from this initiative. We suggest that funds offer additional support via phone for members who are not able to understand the dashboard information and need further explanation of the fees, return and risks as it relates to their situation. Additional support via phone is also useful

for more astute consumers who may require validation of their understanding from a trusted source.

**National Seniors:**

- supports the addition of a pie chart and interactive superannuation estimator for the products dashboard requirements; and
- recommends that funds be required to provide additional support via phone for members to understand the online product dashboard information.

**Product dashboard comparison metric**

National Seniors supports the proposal in the consultation paper to include a comparison benchmark on both the MySuper and choice products dashboards. This would enable consumers to compare their fund with an industry benchmark without having to visit numerous websites or rely on APRA's consolidated spreadsheet of funds.

We believe the comparison metric should be provided for the fees, return target, actual return and investment risk and consider a range benchmark (i.e. compared with two-thirds of MySuper products) will be useful for consumers. In terms of how best to display the comparison metric on the dashboard, we prefer the use of a diagram with a simple text-based explanation to complement the diagram. The use of a diagram similar to what has been provided in the consultation paper will help put a spotlight on funds with high fees and low returns.

Comparison between MySuper products is more straightforward than comparing choice products with MySuper products as there is potential for consumers to overlook additional features offered in choice products. However, we believe a comparison metric is still beneficial for choice products dashboards as it would prompt consumers opting for these products to consider whether the additional features are delivering any added value and if it is still relevant to their circumstances.

As consumers will increasingly rely on the product dashboard comparison metric to decide whether to switch investment options or switch funds, we see a greater role for both APRA and ASIC in quality control of data and ensuring funds are compliant with the legislative requirements. Consumers will expect product dashboards to have accurate and up-to-date information.

**National Seniors recommends using a diagram with supporting text-based explanations for a comparison metric on the product dashboard of both MySuper and choice investment products.**

**Product dashboard in periodic statements**

We are concerned that the Regulation will remove the current requirement to provide a copy of the dashboard in periodic statements and instead require only the relevant web-based link. Older consumers who have limited access to and participation in online transacting will be disadvantaged.

As the product dashboard has simplified summary information that is easier to understand than the detailed information contained in product disclosure statements, we believe it is necessary to provide a copy of the dashboard in the annual statements. This would also reinforce the need for funds to maintain consistency between information on the product dashboard and the product disclosure statements.

This should not add substantially to compliance costs for industry given there is already a requirement for the dashboard to be in a format that can be printed on an A4 page. Funds can also

minimise costs by offering members the option to go paperless with their statements and improving digital communications with members. For many older consumers, however, receiving a hard copy statement as well as a copy of the product dashboard will remain important for ensuring a basic level of engagement.

**National Seniors recommends that the requirement to provide a product dashboard in periodic statements be retained.**

#### *Exemption from the choice dashboard requirements*

A dashboard will not be required where an individual member is able to choose their own asset allocation mix or for pooled superannuation trusts and eligible rollover funds. We consider these exemptions to be reasonable.

However, we consider that a general power for the Regulation to provide further exemptions from the choice dashboard requirements is too broad. Instead, we believe the Regulation should focus on prescribing the way information is displayed on the dashboard and how the dashboard is accessed via a fund's website as well as empowering APRA or ASIC to set out these information requirements.

**National Seniors recommends that the general power for the Regulation to exempt choice product dashboard requirements be removed.**

## Portfolio holdings disclosure

The Bill requires a superannuation fund to prepare a table of portfolio holdings for each investment option and make this information publicly available at all times. We note that the proposed approach provides full look through of final assets held directly by the fund and its associated entities, but only the initial investment in non-associated entities will be disclosed.

National Seniors understands that in distinguishing assets held directly by funds and associated entities with situations where funds invest in other non-associated funds, the Bill puts limits on the degree of transparency. There is potential risk of funds channelling a larger proportion of investments into non-associated entities to minimise their disclosure requirements given the increased volume of and complexity of information in moving down the investment hierarchy.

As funds will not need to disclose information about the investment of non-associated entities, market analysts will be limited in their critique and dissemination of information, which in turn will adversely affect useability of the disclosed information for consumers.

However, National Seniors is not convinced there needs to be full look through of investments at this stage of the reform process. There is risk of detailed disclosure adding to consumer confusion and potential for misinterpretation of the information. In our view, strengthening requirements of the product dashboards is a priority and more relevant to the vast majority of older consumers than requiring total transparency of portfolio holdings in the short-term.

Instead, we suggest the Bill include a scheduled review (e.g. before end of 2020) of the disclosure regime to evaluate the degree of look through and the benefit of increased transparency to consumers. An incremental approach to disclosure requirements should allow for potential growth in consumer interest in portfolio holdings, consistent with enhanced engagement outcomes as a result of the dashboard initiative. A scheduled review will need to specifically test consumer

expectations of disclosure, assess the organisation and presentation of disclosure on a fund's website and how to complement online information (e.g. with disclosure mail outs).

Including a scheduled review in the Bill with a specific reference to evaluating consumer outcomes would encourage funds to develop innovative disclosure methods based on a better understanding of how their customers make decisions. This requires moving beyond the main categories of assets as proposed under the Regulation to providing additional breakdown by industry, business type or other criteria that is of interest to consumers. Importantly, we believe that superannuation funds should take greater responsibility in educating consumers about how to use disclosure information.

**National Seniors recommends including a scheduled review of the portfolio holdings disclosure requirements in the Bill to be conducted before the end of 2020, with a specific reference to assessing the benefits of increased transparency for consumers.**

## Commencement date

National Seniors supports the 1 July 2016 commencement date for product dashboard requirements and believes there should be no further delays. ASIC has already deferred the requirements for choice product dashboards for two years (requirements were scheduled to take effect from 1 July 2014) and any move to postpone the obligations would be perceived as pandering to industry inaction.

Similarly, the requirements for portfolio holdings disclosure were originally due to take effect from 31 December 2013 and were delayed to 1 July 2015 and subsequently to 1 July 2016. No further delays should be allowed.

**National Seniors recommends retaining the 1 July 2016 commencement date for both the product dashboard requirements and increased portfolio holdings disclosure.**