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Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: superannuationtransparency@treasury.gov.au

Dear Sir \ Madam,

Improved superannuation transparency – choice product dashboard

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to the request for comments in regards to Treasury's consultation on the exposure draft legislation with respect to improved superannuation transparency and, specifically, choice product dashboard.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system so people can live in retirement with increasing prosperity. We focus on the issues that affect the entire superannuation system. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90 per cent of the 14 million Australians with superannuation.

General comments

ASFA supports continual improvement in the disclosure of superannuation. It is critical that such disclosure be meaningful to members; not have the potential to mislead and be as consistent as possible across different products to enable logical conclusions to be drawn and comparisons made. In so doing a balance needs to be stuck between the cost of compliance and effective outcomes, to ensure the provision of information is cost-effective.

We support the underlying policy rationale for product dashboards, as we believe it is beneficial for consumers to be provided with a "snap shot" of product information on a consistent basis to be able to compare products.

ASFA appreciates that Treasury has responded to past industry submissions, however, there are a number of newly introduced items in the draft legislation and regulations which will necessitate more analysis than was achievable in the time available and some which will require further clarity.

Given the importance of ensuring that the choice product dashboard is designed properly and the legislation drafted effectively we are concerned that the consultation period provided by Treasury occurred over the Christmas \ New Year and summer holiday break, when a number of our members are either on leave or have had little time to consider the ramifications of the proposed draft legislation. Given the timing of this consultation it is possible we may receive feedback from members after making this submission - if this occurs we would appreciate the opportunity to raise any matters of significance with you.

The Actuaries Institute and ASFA have been discussing the matter of product dashboards, in particular the content and layout, for some time and ASFA supports the majority of the proposals set out in the Actuaries Institute's submissions to Treasury of 8 October 2015 and 11 December 2015, although there are a small number of technical matters which we are still discussing with a view to reaching agreement.

The Actuaries Institute and ASFA agree that it should be possible to produce a simple, meaningful, effective dashboard which does not have the potential to mislead or confuse. Disclosure on a Product Dashboard should be consistent between products, to facilitate comparisons, as well as consistent with the Product Disclosure Statement (PDS) for the product. Unnecessary costs and duplication of effort should be avoided.

It is critical that, with each iteration outlining the necessary content for product dashboards, there should be funding for comprehensive consumer testing. Such testing should be performed across a sample of sufficient size as to be statistically meaningful; should test a range of different dashboards and compare them with each other; should test both the content and the format and - most importantly – should test for comprehension, not just for stated preference.

The Actuaries Institute and ASFA believe there is considerable potential for superannuation fund members to be confused or mislead by the proposed content for choice product dashboards, especially if they investigate investment options or products in more depth by considering information in the product's PDS, on the fund's website or in their member statement. Accordingly, both organisations consider that a number of aspects of the product dashboard aspects of the exposure draft legislation necessitate amendment to ensure that product dashboards are effective and not misleading.

Both ASFA and the Actuaries Institute would welcome the opportunity to discuss the content and layout of the product dashboard with you further.

Below we have raised some specific policy issues and operational concerns with respect to the exposure draft legislation.

Specific comments

1. Superannuation Legislation Amendment (Transparency Measures) Bill 2015 (the Bill)

Commencement date

The effect of paragraph 1539(b) of the Bill is that the obligation to make a choice product dashboard publically available will commence from 1 July 2016.

The industry generally requires a minimum of 12-month's lead-time from the finalisation of requirements to their final implementation. This allows sufficient time for detailed analysis of the new requirements; clarification from the regulators as to interpretation or application (if necessary); the documentation of business, functional and technical system requirements; the design of the system solution; its build; comprehensive regression testing and other implementation activities such as the development of processes and procedures and the delivery of necessary training. IT builds on product dashboards must also coincide with predetermined IT release dates for this and a number of other projects delivering on regulatory obligations which are also scheduled to commence, including APRA's new reporting requirements and the SuperStream 2 changes.

The draft legislation, however, was only released to the industry for consultation in December 2015, and final legislation is not expected until towards the end of the first quarter of 2016. As the dashboard changes will affect systems and data collection it will be extremely difficult for the industry to be able to implement a long term, strategic, automated solution. This would necessitate the deployment of an interim, tactical, reporting solution to meet the regulatory requirements in the short-term while the strategic solution is being built.

The need to build interim solutions will cause trustees to incur considerable additional, and unnecessary, risks and costs, comprising two sets of development costs (including the costs involved in rework and potentially wasted effort) as well as higher maintenance costs (as interim solutions inevitably necessitate a significantly greater level of manual involvement).

We recommend a 12-month transition period after the finalisation of the regulatory requirements (i.e. the passage of the Bill and the making of the regulations). This would mean that, in effect, funds should be given until after 1 July 2017 to comply with the requirements. To ensure an orderly and appropriate transition, ASIC could be empowered to monitor the industry's implementation plans during this period.

Deadline to publish product dashboards

Paragraph 1017BA(1)(d) states that any updates to MySuper and Choice product dashboards should be published within "14 days after any changes to the information".

With the introduction of choice product dashboards for some RSEs, with multiple products, the number of dashboards will increase markedly. By way of example one large participant, which has a number of RSEs, will have around 50 dashboards to publish covering both MySuper and choice products. Given this the deadline of 14 days will be very difficult for them to meet.

There are specific issues with some of the underlying data. By way of example, the new investment mix pie chart, which is to be based upon the strategic asset allocation and aligned to APRA's SRF533.0. Currently, SRF533.0 is reported within 35 days of quarter end, which provides sufficient time to gather and validate strategic asset allocation details. However, 14 days does not provide sufficient time to gather, validate, reconcile and aggregate strategic asset allocation details from a number of investment managers. Even utilising data aggregators such as Morningstar would not provide a turnaround of strategic asset allocation data in that timeframe.

Accordingly, we recommend that the deadline by which product dashboards are required to be published should be amended from 14 days to 28 days.

Furthermore, the CPI rate, which is used as an input into the dashboard, is not available until around the 26th calendar day after 30 June. It is unclear as from when the "change" is considered to have occurred – with effect from 30 June or upon publication some 26 or so days later.

Application to Pooled Superannuation Trusts (PSTs) and Eligible Roll-over Funds (ERFs)

Proposed new paragraphs 1017BA(1) of the Bill exempts certain funds, including PSTs and ERFs.

ASFA supports this exemption. Application of the product dashboard to these funds would be of no, or extremely limited member benefit while representing a considerable cost for trustees. PSTs are wholesale investment products invested in by trustees, not members, while ERFs contain amounts of small or lost superannuation rolled into the fund by trustees of other funds.

Lifecycle exceptions and changes

Sub-sections 1017BA(4C) and (4D) provide that, if a lifecycle exception applies to a MySuper product, then the product dashboard requirements apply in relation to the product as if each reference in the legislative obligations to a MySuper product were a reference to each lifecycle stage of the MySuper product.

A member has raised a concern that this could produce complex outcomes which would not be meaningful to members and costly to produce. This may need to be monitored and reviewed after the initial implementation.

Definition of investment option

Proposed new sub-section 1017BA(5) specifies that a ***qualifying choice investment option***

> ***"means an investment option within one of the fund's choice products, if that option:***
> ***(a) is one of the 10 largest of those options, as measured by funds under management on 30 June of the previous financial year; and***
> ***(b) is not excluded by the regulations from this definition".***

For the purposes of subsection 1017BA(5), proposed new regulation 7.9.07M prescribes that

> "*an investment option is excluded from that definition if the trustee, or the trustees, of the fund do not have the absolute discretion to vary or replace the financial products, or other property, allocated to the investment option*".

The Explanatory Statement states as follows: -

> “*This regulation excludes some choice investment options from the definition of* ***qualifying choice investment option*** *in subsection 1017BA(5) of the Corporations Act, based on a power provided in paragraph (b) of that definition. Qualifying choice investment options are required under section 1017BA to prepare a product dashboard. Regulation 7.9.07M excludes from the dashboard regime a choice investment option where the trustee does not have absolute discretion to vary or replace the financial products or any other property allocated to the investment option. This provision intends to exclude investment options that require a member's input when determining the investment option's asset allocation.*
>
> - *An example of a situation where a dashboard would not be required under this clause is where a member chooses their own asset allocation, for example from a platform. Another situation where a dashboard would not be required is if a trustee selected a broad asset allocation for an investment option but a member could vary the percentage of those assets. However, if there was a set asset allocation but the trustee could vary the percentage of those assets if he or she wished, a dashboard would be required for the set asset allocation.*
> - *An example of a situation where a dashboard would be required under this clause is where a trustee has invested in numerous financial products and other property, including financial products over which the trustee has no control (for example, an exchange traded fund). Since the trustee can control the share of the investment option in which it invests in a financial product, a dashboard would be required in this circumstance”.*[1]

While acknowledging the intent to exclude where a member chooses their asset allocation from a platform, members have queried the appropriate interpretation and application of regulation 7.9.07M as it currently is drafted.

Accordingly, we seek clarification as to the precise scope of the exclusion provided under regulation 7.9.07M and how this will work in practice.

Furthermore, the sub-section 1017BA(5) definition appears to be different to APRA's definition of an investment option as outlined in SRF001.0 in relation to Select Investment Options. The definition provided by APRA in SRF001.0 is as follows:

> *“If an investment option is offered through multiple product channels or with multiple fee structures, with no change to the underlying investment strategy, apply the principles outlined in Attachment B to determine how many times the investment option is to be classified as a separate select investment option and therefore reported to APRA”.*

Attachment B defines multiple investment options with the same underlying investment strategy as one investment option for reporting purposes.

[1] Explanatory Statement, Page 4

The definition of an investment option under proposed new sub-section 1017BA(5) does not provide clarity in the case where RSEs offer investment options across multiple product channels where the assets held within the options are identical.

Accordingly, we seek clarification as to whether a separate product dashboard is required for each (identical) investment option offered through multiple product channels (assuming both options qualify) or only one product dashboard is required as the (identical) investment options are considered to be one investment option for this purpose. In this instance the aggregate funds under management (FUM) of all (identical) investment options would be used to determine if the option qualified based on being in the top ten by FUM.

It should be noted, however, that if product dashboards were to be required for each retail investment option, then participants which offer investment options through multiple product channels may have a number of choice product dashboards within the top ten by FUM which have exactly the same assets held. For example, it is possible that multiple "top ten" choice product dashboards may relate to the same balanced investment option which only differs by product \ related fees charged.

Accordingly, ASFA recommends that clarification is needed with respect to the application of the product dashboard provision to different investment options and products when they are identical and offered through multiple product channels.

2. Superannuation Legislation Amendment (Transparency Measures) Regulation 2015 (the Regulations)

Qualifying choice investment options – investment policy with a life company

For the purposes of paragraph (b) of the definition of ***qualifying choice investment option*** in subsection 1017BA(5), proposed new regulation 7.9.07M, prescribes that

> "*an investment option is excluded from that definition if the trustee, or the trustees, of the fund do not have the absolute discretion to vary or replace the financial products, or other property, allocated to the investment option*".

In some cases the trustee invests all of the product's assets via an investment policy with a life company. The life company then invests downstream into other assets. The trustee does not have the "absolute discretion" to vary any of these options, as these would be subject to contractual arrangements under the life policy. Once set up the life company determines the underlying investments and operates within designated ranges.

ASFA's understanding is that the reference to "absolute discretion" is probably intended to refer to a discretion as between the member and the trustee. For the avoidance of doubt it may be preferable to re-word this regulation to **require product dashboards where the trustee, or its appointed managers, has some discretion in the investment management of the option, and therefore has influence in the option's performance,** but not to require a product dashboard where the trustee is simply making available investment options where the trustee does not (and cannot) manage the investment or the investment mix (even though the trustee might - in a very broad sense - manage what is placed on and taken off the investment menu from time to time).

Return Target

This was the subject of some discussion at both the Melbourne and Sydney ASIC \ APRA \ Treasury industry roundtables held on 14 and 15 January 2016 respectively.

Given the level of discretion involved in their determination; the assumptions which need to be made; their variability over time and the lack of understanding by consumers, **ASFA recommends that the return target should be replaced by return objective, as specified in the product's PDS.**

If return target is to be maintained, there are issues with respect to how a standard return target calculation method would be applied to all choice investment options. In particular, clarification would be required with respect to particular investment options, such as an index investment option or single sector options, which do not follow a CPI plus approach.

Returns are net of administration fees

Under proposed new regulation 7.9.07Q(1)(a) the "actual return" displayed on a product dashboard is required to be calculated in accordance with any relevant dashboard reporting standard.

The draft APRA dashboard reporting standard SRS 700.0 specifies that the "actual return" calculation is to be calculated as the "net return" which is net of administration fees.

As raised in our submission to Treasury with respect to *Better regulation and governance, enhanced transparency and improved competition in superannuation – Discussion Paper, 28 November 2013,* dated 12 February 2014, ASFA has significant concerns about comparing returns, net of administration fee, on the basis of a "representative" $50,000 member.

In ASFA's view a product's investment return on the product dashboard should be measured as the net investment return – net of tax and investment costs only.

We appreciate there is a desire to illustrate the combined effect of: -
- taxes and investment fees (on investment returns); and
- administration fees (on member accounts)

so that attention is drawn to the effect which both have on a member's end benefit.

In our view, however, this should be achieved separately through the use of a worked example with respect to one or more "representative members".

There are a number of reasons why net investment return should be calculated net of tax and investment costs only, including: -
- a measure of a product's investment returns should be measuring just that – the net return on that product's investments across the product. This has nothing to do with fees and charges with respect to administering a member's account, which is a totally separate matter;
- investment return targets should be established on the basis of an expected return net of tax and investment fees - it does not make sense to set an investment return target with respect to a "representative member" and the administration fees which they would be charged;

- investment returns being disclosed on a "net of tax, investment and administration fees" basis introduces an "apples and oranges" element into the disclosure of investment returns as historically, and potentially in future, products will have disclosed investment returns on the - arguably correct – basis of return net of taxes and investment fees only. Members – incorrectly – will be comparing these two figures; and
- the deduction of administration fees from returns is inconsistent with the methodology used historically to disclose to members, for example in past PDSs.

Illustrating the effect of administration fees should not be done through the generation of a "notional" net return figure based on a "representative member".

The current prescribed methodology whereby a trustee must: -

- determine the amount of an administration fee for a "representative member"; and
- deduct that from the returns net of tax and investment fees for that member

to produce a "return net of tax, investment fees and administration fees" figure for the "representative member" - which is then purported to relate to the product as a whole - produces an outcome which is not meaningful and, depending on the fee structure within the fund, is misleading. This is increasingly the case as any amount calculated by reference to a "flat" fee component of an administration fees becomes proportionally higher than any amount determined by reference to a "percentage" fee.

Such a net return figure would only be applicable to a (hypothetical) member who actually happened to have a final account balance and cash flow identical to that of the assumed "representative member". It would be of no relevance to any other member for whom their net return figure, taking into account administration fees, will be different in every case (except in the rare instance where the administration fees are totally percentage based).

Generally, the net return for every member in a fund will be different, depending on their account balance and contributions. This is the case even with modelling which is not performed on a time or money weighted basis. Once the timing of contributions and returns is taken into account, the variation in net returns between members is even greater.

The combined effect of investment fees and administration fees should be disclosed separately by providing, with respect to one or more "representative members": -

- **the amount of investment return (net of tax and investment fees) determined with respect to that member;**
- **the amount of administration fees deducted with respect to that member; and**
- **the amount of "net return credited to that member's account"**

This could look something like this: -

For a member whose

- *account balance as at 30 June 2015 was $50,000*
- *who made contributions of $5,000 between 1 July 2014 and 30 June 2015*

the amount of

- *investment return was $5000*
- *administration fees was $500*
- ***net returns credited to that members account** was **$4,500.***

We would argue that disclosure on this basis is more appropriate and meaningful to member as it: -
- is explicit that it is with respect to a "representative member";
- does not purport to represent the net return across the entirety of the product, as the generation of a single, product-wide "net return" figure purports to do;
- discloses the amounts in dollars.

Given that flat and percentage based administration fees have a varying effect upon the quantum of administration fees ASFA also submits that consideration be given to there being worked examples with respect to at least two "representative members" to go some way towards demonstrating these differing effects.

By way of illustration, utilising the example provided above, this could look like: -

For a member whose account balance as at 30 June 2015 was **$50,000** and who made contributions of **$5,000** between 1 July 2014 and 30 June 2015: - • the amount of investment return was $5,000 • the amount of administration fees was $500 • the **amount of net returns credited** was **$4,500**	For a member whose account balance as at 30 June 2015 was **$100,000** and who made contributions of **$10,000** between 1 July 2014 and 30 June 2015: - • the amount of investment return was $10,000 • the amount of administration fees was $750 • the **amount of net returns credited** was **$9,250**

This is on the basis that administration fees are charged in accordance with the following: -
(i) $250 per annum fixed fee; plus
(ii) 0.005% of final account balance.

The example goes some way to demonstrating the differing effect of flat and percentage based fees on the net return. The second member has twice as much in their account but their administration fee is only 50% higher and, accordingly, the net return credit to their account is a higher proportion of their final account balance than it is for the lower account balance.

We submit that this worked example – as compared with the "net return figure of 9%" (calculated with respect to the representative $50,000 member) – is beneficial to consumers in that: -
1. it reveals more than the simplistic "net return of 9%" figure; and
2. more significantly – it is not misleading, given that the net return for the $100,000 member was in fact 9.25% and for a $25,000 member it would be 8.5%. These differences are material.

ASFA recommends that: -
- the methodology of deducting the administration fees with respect to a "representative member" from the investment return to determine a notional, product-wide "net return" figure be abolished; and
- in order to illustrate the combined effect of investment and administration fees on member accounts - that worked examples, in dollars, are provided with respect to at least two prescribed "representative members".

Statement of fees and other costs

Proposed new regulation 7.9.07T of the regulations – the statement of fees and other costs - prescribes how particular fees and costs are to be disclosed.

ASFA has a number of concerns with the proposed approach, including, but not limited to: -

- allowing alternatives of dollar amounts or percentage of $50,000;
- combining advice fees with administration fees;
- mandating that investment fees be a percentage while administration and advice fees are expressed as a dollar amount;
- dollar based administration and advice fees does not recognise the bundling of fees within a product;
- expressing indirect costs as a percentage of $50,000; and
- combining direct fees with indirect costs.

We would be happy to discuss the specifics of our concerns with you.

Advice fees

Proposed new regulation 7.9.07N of the regulations prescribes that administration and advice fees must be disclosed as a dollar figure.

It is unclear as to what "advice fees" should be included: -

- funds generally do not charge a fee for the provision of intra-fund advice;
- while an adviser service fee may be deducted by the trustee this is an individual fee. The amount generally will depend on an individual's circumstances and is not a consistent amount across the product – it is not a product fee. Standardisation will be both difficult to achieve and meaningless to the member. The advice is not provided by the fund \ product but by a separate adviser.

Accordingly, we recommend dollar disclosure should only apply to an advice fee which is charged across the product to all members.

Investment mix pie chart

Proposed new sub-regulation 7.9.07N(h) of the regulations prescribes the inclusion of an investment mix pie chart, as described in regulation 7.9.07U.

We support this as a valuable aid to consumer understanding the difference between various investment options. It will, however, be important to ensure that the asset classes are consistent with APRA's current reporting requirements. While this appears to be acknowledged under 7.9.07U the cross-reference could be more explicit – possibly by inserting a reference to APRA, if not the name of the reporting standard(s).

An alternative may be to refer to the specific APRA Reporting Standard(s) explicitly by name but include a reference to any successor reporting standard. That way, should a new reporting standard be made, all that APRA would need to do is clearly denote that it was a successor standard to the one referred to in regulation 7.9.07U. Another alternative is that the APRA reporting standard is expressed stately to be made for the purposes of Subdivision 2E.1 of the Corporations Regulations 2001.

One issue which would need to be resolved flows from the current rules detailed under SRF533.0 with respect to strategic asset allocation. These rules state that - where a fund is a "hedge fund" - the strategic asset allocation should be reported 100% as "other". This could be unhelpful, or even confusing, to a member if the investment falls under the definition of a hedge fund in ASIC Regulatory Guide 240. By way of example, an investment option which meets the definition of a hedge fund would have its strategic asset allocation as 100% "other" when in fact the underlying asset mix is 90% equities and 10% cash.

Interactive superannuation estimator

Proposed new paragraph 7.9.07(1)(k) prescribes that next to the investment mix pie chart an interactive superannuation estimator as described in regulation 7.9.07V must be included.

While ASFA has long been an advocate of the use of interactive estimators, especially if they indicate a projected income stream (in today's dollars) in addition to a lump sum, it is not appropriate for a product dashboard – whose purpose is to provide information with respect to the product - to also include the output of an estimator based on the combination of (insufficient) member-specific data with the fees and returns for the dashboard representative ("$50,000 balance") member.

While we support the appropriate use of retirement income projections to encourage member engagement and raise awareness it is critical that they are designed, framed and used appropriately. In particular, an accurate projection needs to utilise more variables, including, amongst other things, the amount and type of contributions being made and the member's age of retirement.

The reasoning for including an interactive superannuation estimator in the product dashboard is unclear: -

- the purpose of a product dashboard is to disclose information about a product or investment option on a consistent basis to enable consumers to be able to compare products or investment options;
- the purpose of an interactive superannuation estimator is to engage a consumer and to provide them with an indicative projection of their likely superannuation benefit, given a number of variables and assumptions.

If the purpose of including a superannuation estimator in a product dashboard is to demonstrate the likely outcomes for different products, as a function of returns and fees for a "representative "$50,000" member, this potentially is quite risky and misleading.

Firstly, utilising a superannuation estimate for a particular investment option assumes that the member's balance is invested in only that investment option. For a member with a diversified portfolio, projecting a benefit utilising the return and fees for a particular investment option may produce a result which differs markedly from their true projected benefit estimate across their portfolio of investments. The range of different returns and fees across investment options will cause the investment option specific projected benefit to be significantly more or less than the likely overall projected benefit, which will cause consumers to be confused.

To calculate an estimate of a member's balance based on fixed dollar fees being converted to a percentage may result in materially incorrect fee calculations. The member fee percentage used in the calculation is based on a representative member balance of $50,000. Given that a member is most unlikely to have an exact balance of $50,000 the estimate is likely to be inaccurate and misleading.

Most importantly, including the superannuation estimator within the product dashboard could result in some unintended and undesirable outcomes – namely, consumers could become attracted to investing in riskier options, as they produce higher outcomes, while failing to appreciate the risks involved.

ASFA is of the belief that there are broader needs for this type of estimator to provide qualifying statements and also functionality to help members understand what variables and assumptions affect the final outcome and what income their superannuation benefit potentially will fund in retirement.

In ASFA's view this may be better dealt with separately and potentially via the member statement utilising the member's total balance, as opposed to being a component of a single investment option dashboard, with extremely limited variables.

The member statement is an important engagement tool for members – it provides a unique, and ongoing, opportunity to educate and inform members, not only about the historical performance of their superannuation but also to project their preparedness for retirement. In this sense the member statement becomes a more empowering document, in giving members the motivation, means and opportunity to act.

A further consideration with respect to projections could be the desirability of projecting either: -

- at three different market return levels – low, medium and high; or
- stipulating a (specified percentage) range of outcomes under and over the target rate.

The benefit of such an approach is that it can demonstrate how markets fluctuations can alter outcomes, as well as mitigate the risk of a single projection being taken to be a form of guarantee or promise.

As an alternative to including a superannuation estimator in the product dashboard, instead a message could be inserted to promote the more detailed ASIC Money Smart superannuation calculator and a link provided to the page where it is located. The ASIC calculator utilises more variables than the proposed estimator and discloses appropriate qualifications and assumptions. Adding a calculator to the dashboard not only creates duplication but may confuse the member.

ASFA submits that the provision of an interactive estimator should be considered separately from the product dashboard and as part of a consideration of the Financial System Inquiry's Final Report Recommendation 37 - that funds should publish retirement income projections on member statements with the involvement of the ATO with respect to the member's likely age pension. A number of issues will need to be resolved before implementing this reform, including the need for consistent assumptions and whether the age pension should be factored into the member's projected income.

Displaying a Product Dashboard on the Funds Website

Proposed new regulation 7.9.07X states that a product dashboard should be accessible no more than two clicks from the fund's home page.

ASFA supports the policy intent to ensure ease of access to the product dashboard, however, it may be in the consumer's best interests if the rule were amended to a "principles based" approach (e.g. minimum number of clicks reasonably practicable in the circumstance), which would allow more clicks if necessary.

For some providers with multiple RSE licensees, each of which have a number of underlying funds, products and investment options, there may be a large total number of dashboards to be published – in some cases up to 50. It would be very confusing if all 50 dashboard links needed to be displayed in one long list as opposed to, for example, being on different web-pages, each of which relates to a particular product. Introducing a principles based approach, as opposed to prescribing the number of clicks, would provide RSEs with enhanced flexibility to organise their web-pages such that they provide easier and more logical access to the appropriate \ relevant dashboards for consumers.

A further factor to be considered in allowing flexibility is that product dashboards also are able to be viewed on mobile devices, such as smart phones and tablets, which is of particular interest to younger demographics. The design for mobile devices – especially given the smaller screen sizes on mobile devices – would not allow dashboards to be displayed within the same number of clicks as when viewed via a device, such as a personal computer, which has a larger screen.

If necessary this could be supported through ASIC guidance.

Removal of obligation to include product dashboard in periodic & exit statements

Proposed new paragraph 7.9.20(1)(o) of the Regulations will have the effect of **repealing the dashboard's application to periodic and exit statements and replacing it with an obligation to provide a link to a website setting out the latest product dashboard for the financial product.**

ASFA supports this amendment. The primary purpose of a periodic statement is to provide a member with specific, tailored information about their superannuation benefit including detailing transactions over the preceding period (such as contributions received, investment earnings, fees and benefits payments) and insurance benefits as at the end of the period. A product dashboard discloses general, product level, information. The product dashboard is especially irrelevant in the context of an exit statement, where the member has chosen to leave the particular investment option or product and, as such, information contained in the dashboard has no relevance to them. This amendment will have the effect of reducing compliance costs for industry.

On a technical note, the drafting of the replacement sub-regulation refers to "(a)", which appears to be a typographical error and should instead refer to "(o)".

Website disclosure

As per above, proposed new paragraph 7.9.20(1)(o) of the regulations will allow trustees to provide a website link to the relevant choice or MySuper dashboard.

ASFA supports this amendment. This is consistent with the Financial System Inquiry's recommendations to remove regulatory impediments to innovative product disclosure and communication with consumers. This will have the effect of improving member engagement whilst also containing compliance costs.

3. Product dashboard comparison metric consultation

ASFA supports the principle of making comparison metrics available to consumers.

While the prescribed homogeneity of MySuper products lends itself to benchmarking, given the wide variety, complexity and heterogeneity of choice products it would be near impossible to determine appropriate benchmark(s) to enable comparison on an "apples with apples" basis.

Furthermore, the inherent complexity in many superannuation products, coupled with a lack of financial comprehension, increases the risk that individuals may adopt higher risk investment options than may suit their circumstances, needs, objective or risk tolerance as they pursue higher returns.

Simplicity is a laudable goal but may end up contributing to poor outcomes where knowledge levels are low. As reveled in the consumer testing, the current risk measures prove to be a challenge for many superannuation members.

Accordingly, it is important that comparison tools endeavour to measure "like with like".

Comparison metrics, provided they are relevant and simple, should increase product transparency and assist members in comparing similar products. This will necessitate considerable effort to design appropriate benchmarking, to ensure that only similar investment options \ products are combined together to form a particular benchmark and to develop a methodology to determine, with respect to an investment option, which is the appropriate benchmark to be adopted for comparison purposes. Standardised benchmarks provided by APRA would ensure consistency, however a methodology for classifying investment options would need to be developed.

Accordingly, we submit that this initiative should be confined to MySuper products, at least initially.

Due to the consultation occurring over the summer holiday period, we have not received a great deal of specific feedback from members with respect to this particular consultation. We note, however, that the Actuaries Institute has provided a comprehensive submission with respect to this.

4. Consumer testing for the Choice Product Dashboard - ASIC Media Release 15-378 / Report 455

While ASFA welcomes the use of consumer testing, we have a number of concerns with ASIC'S report which may call into question some of the conclusions reached.

Report 455 would appear to indicate that the strongest engagement with a dashboard is likely to be from those who are already engaged and\or comfortable with financial matters, who arguably do not need a product dashboard but could go straight to the product's PDS. Those who are less engaged and \ or less financially literate appeared to avoid the dashboard and gravitate towards more personally tailored information. Given the generic nature of the product dashboard it would not appear to be as useful to those members.

Specific product dashboard content research findings of concern include:

- target return – difficult to comprehend precisely what this was;
- superannuation estimator – became a key element of focus in the proposed product dashboard but, as noted above, this is problematic as we do not believe that it appropriate in a product dashboard;
- risk and inflation – appear difficult for consumers to understand.

We strongly submit that further consumer testing be performed and that: -

- **the sample size be increased (Report 455 was based on 120 participants);**
- **there be testing of comprehension – as opposed to stated preference or self-assessment as to comprehension.**

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Should you have any queries or comments with respect to this submission please do not hesitate to contact me on (03) 9225 – 4021 or via email fgalbraith@superannuation.asn.au.

Yours faithfully

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