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Controversial AustralianSuper deal could mark way forward

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AUSTRALIA – AustralianSuper’s decision to sign one-year pilot agreements with six financial advisory firms may be seen as controversial but could serve as a new business model for the fund, chief executive officer Ian Silk believes.

The A\$32bn (US\$34.2bn) scheme recently agreed deals with Godfrey Pembroke, Matrix Planning Solutions, Dixon Advisory, Woods & Partners, Paul Moran and Switzer Financial Planning to provide members with a full range of advisory services from contributions levels to insurance arrangements.

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The move has come as a surprise to some as relationship between industry superannuation funds and financial advisers has often been chilly, with industry funds harshly critical of commission-based remuneration models at advisory firms.

"This has been quite a controversial move to forge this relationship," Silk said. "There have been some industry funds that have raised their eyebrows and plenty of surprised reactions in the financial planning community.

"What's been lost in the debate over the last few years is that industry funds have never been critical of financial planners *per se* and obviously have never been critical of provision of quality financial advice. What we have railed against is conflicted remuneration structures which lead to sub-optimal outcomes for clients of certain financial advisers. ... We didn't just randomly select these organisations. We selected orgs that had a similar philosophy to the provision of financial advice as we do."

Silk said the fund and advisory firms have formally committed to a charter of principles for both sides.

"We have agreement around the principles that will govern the provision of financial advice," he said. "The advisers will always act in the members' best interest, they will not charge commissions, they will be available to have the financial planning work that they do able to be audited so that we're entirely confident that the provision of advice by these groups is going to produce a positive outcome for the members.

"On the flip side of that, our obligations are to provide all appropriate data to those groups and to be as transparent as we can so that they can have a very good insight to AustralianSuper."

The agreements also set the stage for the financial advisers to sell AustralianSuper fund options to their clients, another first.

AustralianSuper's agreements are a pilot programme, but come in advance of legislation being drafted which touches on both aspects. The government is currently working the Future of Financial Advice reforms and is crafting the legislation to implement Stronger Super, the package of reforms to reduce costs, increase efficiencies and mandate a low-cost default superannuation fund option that all funds must offer.

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