

## **IFSA Standard No 19: Adviser fees in superannuation**



## **IFSA Standard No 19: Adviser fees in superannuation 2010**

**The main feature of this Standard is the implementation of arrangements for the “Member Advice Fee” (MAF) and the “Plan Service Fee” (PSF) in accordance with IFSA’s Superannuation Member Charter: A New Commitment to Superannuation Members (as released by IFSA on 17 November 2009).**

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## **IFSA Standard No 19: Adviser fees in superannuation**

### **1 Title**

This Standard may be cited as IFSA Standard No 19: Adviser fees in superannuation.

### **2 Date of Issue**

24 February 2010

### **3 Effective Date**

Compliance with this Standard from 1 July 2012 is mandatory. Compliance from 1 July 2010 is permitted and encouraged.

### **4 Application**

This Standard applies to:

- (a) an Australian financial services licensee or the licensee's representative who provides advice or a related service about an interest in a superannuation fund issued by an IFSA member; and
- (b) an IFSA member who is the trustee of a regulated superannuation fund.

### **5 Statement of purpose**

The purpose of this standard is to implement arrangements for the "Member Advice Fee" or "MAF", and the "Plan Service Fee" or "PSF" in accordance with IFSA's Superannuation Member Charter: A New Commitment to Superannuation Members. One of four key areas for reform identified in IFSA's Superannuation Member Charter was the need for increased transparency and control for superannuation fund members concerning payments to financial advisers.

The Super Charter notes the arrangements made by a superannuation fund member and the financial adviser may be outside the member's super account or utilising the member's interest in their super fund. Where the arrangement (including if made by a standard employer-sponsor) utilises the member's interest in a super fund, it is intended that the trustee will have in place arrangements and agreements to allow the agreed fees to be paid from the fund and to be paid or deducted from or applied to the member's account or other interest in the superannuation fund. Further arrangements may be necessary where the trustee intends to pass its obligations to another person as permitted by law.

Specifically this Standard:

- (a) implements arrangements for the "Member Advice Fee" ("MAF") as the means of remunerating financial advisers for providing advice to retail clients about an interest in a superannuation fund issued by an IFSA member;
- (b) implements arrangements for the "Plan Service Fee" ("PSF") as a means of remunerating financial advisers for providing services and advice in relation to a standard employer-sponsored fund;

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- (c) prescribes the circumstances in which, and terms on which payments can be made, or be arranged to be made by an IFSA member who is the trustee of a superannuation fund to a financial adviser from the member's account or other interest in the superannuation fund;
- (d) requires an IFSA member who is the trustee of a superannuation fund to use the terms "Member Advice Fee", "upfront Member Advice Fee", "ongoing Member Advice Fee" and "Plan Service Fee" in information and statements provided to fund members; and
- (e) requires an IFSA member who is the trustee of a standard employer-sponsored superannuation fund to provide prescribed information to affected members about the "Plan Service Fee".

Under Part A of this IFSA Standard, a retail client who receives advice about his or her superannuation interest in a superannuation fund offered by an IFSA Member will be asked to agree the amount of the MAF payable to his or her financial adviser and the method by which the MAF will be paid.

The IFSA member superannuation trustee will be asked to fulfil the terms of the agreement between the member and the financial adviser to pay, deduct or apply the MAF from the member's superannuation account or interest in the superannuation fund, if permitted by law and the governing rules of the fund.

Under Part B of this IFSA Standard, a member of a standard employer-sponsored superannuation fund is able to terminate the payment of a PSF being paid or deducted from or applied to the member's account or interest in the superannuation fund.

This Standard does not affect payments made to an Australian financial services licensee, or the licensee's representative, dealt with under IFSA Standard 14, Alternative Forms of Remuneration, or IFSA Standard 15, Rebates and Related Payments.

### **6.1 General requirements and exceptions relating to Part A and Part B**

- 6.1.1 Subject to paragraph 6.1.2, a trustee of a regulated superannuation fund must not pay amounts or provide any benefit or enter into any arrangement with an Australian financial services licensee, or their representative ("**adviser**") (or the adviser's associate, employer or principal) to pay any amount to the adviser, the adviser's associate or the adviser's employer or principal other than in accordance with the arrangements outlined in Part A and Part B below.
- 6.1.2 This Standard does not prevent payments by the trustee to the adviser or the adviser's associate, principal or employer in return for a service provided to the trustee (or its associate), where such a service does not constitute the provision of advice to retail clients about an interest in a superannuation fund issued by an IFSA member, or the provision of services and advice in relation to a standard employer-sponsored fund.
- 6.1.3 This Standard does not affect the payment of a salary to an adviser which is payable in the ordinary course of an employer/employee relationship.

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- 6.1.4 This Standard does not affect payments made to an Australian financial services licensee, or their representative, dealt with under IFSA Standard 14, Alternative Forms of Remuneration, or IFSA Standard 15, Rebates and Related Payments.

### Part A – Retail Clients

#### 6.2 Remuneration of adviser – retail clients

- 6.2.1 Subject to the exceptions in paragraph 6.4, where an adviser provides advice to a retail client about an interest in a superannuation fund offered by an IFSA member, the adviser must agree with the client:

- (a) the amount of the Member Advice Fee (“**MAF**”) (if any) or the method by which the amount will be calculated; and
- (b) the method by which the MAF (if any) will be paid.

- 6.2.2 The MAF may be either one or a combination of the following:

- (a) an upfront dollar fee, or upfront percentage based fee (“**upfront MAF**”); and
- (b) an ongoing dollar fee, or ongoing percentage based fee (“**ongoing MAF**”).

In either case, the adviser and client may agree that:

- (c) the MAF will be paid or deducted from or applied to the client’s member account or other interest in the superannuation fund if the trustee of the superannuation fund agrees to do so, or paid directly by the client; and
- (d) the MAF will be paid as a single lump sum or by instalments.

- 6.2.3 Subject to complying with its obligations under the law and the governing rules of the fund, a trustee of a superannuation fund may agree to fulfil any agreement entered into by an adviser and a superannuation fund member (the adviser’s client in paragraphs 6.2.1 and 6.2.2) in accordance with this Standard to satisfy the MAF from the member’s account or interest in the superannuation fund in the amounts as agreed by the adviser and the superannuation fund member.

- 6.2.4 Subject to complying with its obligations under the law and the governing rules of the fund, if the trustee has complied with paragraph 6.2.3, the trustee must fulfil the agreement made between the member and the adviser to pay, deduct or apply the MAF from the member’s account or other interest in the superannuation fund until the occurrence of one of the following events:

- (a) to the trustee’s knowledge, the expiry or termination of the agreement between the superannuation fund member and adviser;
- (b) the trustee receives a notice from the adviser or superannuation fund member (or their legal personal representative) notifying the trustee that the agreement has expired or been terminated;

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- (c) the trustee receives a notice from the superannuation fund member (or their legal personal representative) notifying the trustee to terminate the payment, deduction or application of the MAF from the member's account or interest in the superannuation fund; and
- (d) the superannuation fund member's account or other interest in the superannuation fund ceases or the value of that interest is insufficient to satisfy the MAF.

In the event that the trustee receives competing or inconsistent notices or directions from a superannuation fund member and an adviser, the trustee must act in accordance with the notice or direction provided by the superannuation fund member.

- 6.2.5 A trustee of a regulated superannuation fund may assume that an agreement notified by an adviser or a superannuation fund member is an agreement which satisfies this Standard unless it has reasonable grounds to believe that the agreement does not comply with the terms of this Standard.

### **6.3 Disclosure – retail clients**

- 6.3.1 Whenever the trustee of a regulated superannuation fund or its representative issues a document or makes a statement (including electronically) to a member of the superannuation fund (including a Product Disclosure Statement and a Periodic Statement), it must use the terms “Member Advice Fee”, “upfront Member Advice Fee” and “ongoing Member Advice Fee” to describe amounts paid or deducted from, or applied to the member's account or other interest in the superannuation fund for the purpose of making a payment to the member's adviser in accordance with Part A of this Standard.

The terms should not be used to describe any payment made under paragraph 6.1.2 or Part B of this Standard.

### **6.4 Arrangements and advice to which Part A of this Standard does not apply**

- 6.4.1 Part A of this Standard does not apply in relation to:
- (a) member superannuation accounts or other member interests in a superannuation fund (both pre-retirement and post retirement) that existed prior to the Effective Date of this Standard;
  - (b) advice, and any services pursuant to that advice provided by an adviser to a client prior to the Effective Date of this Standard;
  - (c) any payment made by the trustee of a superannuation fund in respect of a member's interest in the fund to an adviser or the adviser's associate, employer or principal pursuant to an arrangement entered into prior to the Effective Date of this Standard.
  - (d) any advice or service provided by an adviser to a member or any payment to an adviser or the adviser's associate, employer or principal relating to new or existing cover for risk provided under a life insurance policy held by the trustee of a superannuation fund under which the life insureds are one or more members of the superannuation fund.

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- 6.4.2 The exception in section 6.4.1(a) ceases to apply if the member ceases to be a member of a particular plan or division of the fund after the Effective Date, notwithstanding that they continue to have an interest in the fund.
- 6.4.3 Section 6.4.2 **does not** apply to successor fund transfers done in accordance with Part 18 (Amalgamation of Funds) of the *Superannuation Industry (Supervision) Act 1993*.

### **Part B – Standard Employer-Sponsored Funds**

#### **6.5 Remuneration of adviser – standard employer-sponsored fund**

6.5.1 Subject to the exceptions in paragraph 6.7, where:

- (a) an adviser provides advice or services in relation to a standard employer-sponsored fund of which an IFSA member is trustee; and
- (b) it is proposed that the adviser’s remuneration comprises or includes an amount or amounts which will be paid or deducted from, or applied to a member’s account or other interest in the superannuation fund of the employer’s employee or employees,

the adviser must agree, in writing, with the standard employer-sponsor:

- (c) the amount of the Plan Service Fee (“**PSF**”) (if any) or the method by which the amount will be calculated; and
- (d) the method by which the PSF (if any) will be paid.

6.5.2 The PSF may be either one or a combination of the following:

- (a) an upfront dollar fee, or upfront percentage based fee (“**upfront PSF**”); and
- (b) an ongoing dollar fee, or ongoing percentage based fee (“**ongoing PSF**”).

6.5.3 Subject to complying with its obligations under the law and the governing rules of the fund, a trustee of a superannuation fund may agree to fulfil any agreement entered into by an adviser and a standard employer-sponsor in accordance with this Standard and notified to the trustee to pay or deduct the PSF from, or apply the PSF to the member’s account or other interest in the superannuation fund in the amounts as agreed by the adviser and the standard employer-sponsor.

6.5.4 Subject to complying with its obligations under the law and the governing rules of the fund, if the trustee has complied with paragraph 6.5.3, the trustee must pay or deduct the PSF from, or apply the PSF to a member’s account or other interest in the superannuation fund until the occurrence of one of the following events:

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- (a) the trustee receives a notice from the superannuation fund member (or their legal personal representative) notifying the trustee to cease paying or deducting the PSF from, or applying the PSF to the member's account or interest in the superannuation fund. The notice must be in the manner prescribed in the Product Disclosure Statement;
- (b) to the trustee's knowledge, the superannuation fund member ceases employment with the standard employer-sponsor;
- (c) to the trustee's knowledge, the arrangement between the standard employer-sponsor and the adviser expires or is terminated; or
- (d) the standard employer-sponsor notifies the trustee that the arrangement with the adviser has expired or has been terminated.

### **6.6 Disclosure – standard employer-sponsored fund**

6.6.1 All Product Disclosure Statements for standard employer-sponsored funds issued after the Effective Date in paragraph 3 of this Standard must contain a clear explanation of whether a PSF can be charged and if so, that affected superannuation fund members can terminate the payment of the PSF from the superannuation account, and set out the process for doing so.

6.6.2 The following examples illustrate how the Product Disclosure Statement may disclose the PSF:

[Fee table extract]

#### *Upfront and Ongoing Plan Service Fee*

This is the fee that may be agreed between your employer and the plan adviser to be paid to the plan adviser for services and advice relating to the plan.

[Extract from detailed fee information section]

#### *Upfront and Ongoing Plan service fee*

Your employer can agree with the plan's financial adviser to have an Upfront or Ongoing Plan Service Fee for services and advice relating to the plan paid from your superannuation account. The Upfront or Ongoing Plan Service Fee can be charged as:

- a percentage of your account value; or
- a set dollar amount.

You can stop the Upfront or Ongoing Plan Service Fee from being deducted from your account.

You can stop the Upfront or Ongoing Plan Service Fee by [insert method(s)].

An ongoing fee will be deducted from your account on a monthly basis and will appear on your regular account statements.

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In addition, a one-off fee can also be charged as:

- a set dollar amount.

This one-off fee will be deducted from your account. You can specify the option from which the fee should be deducted. Your employer specifies the amount (including GST) on the application form. The trustee may at its discretion refuse to deduct a Plan Service Fee.

- 6.6.3 Whenever the trustee of a regulated superannuation fund or its representative issues a document or makes a statement (including electronically) to a member of the superannuation fund who pays a Plan Service Fee, it must use the term “Plan Service Fee” to describe amounts paid or deducted from, or applied to the member’s account or other interest in the superannuation fund for the purpose of making a payment to the member’s adviser in accordance with Part B of this Standard. The term should not be used to describe any payment made under Part A of this Standard. The PSF amount paid by a member must be disclosed in every Periodic Statement issued by the trustee of the fund to the member. Every Periodic Statement must also include a statement that the member may terminate the payment of the PSF from their superannuation account.

### **6.7 Arrangements and advice to which Part B of this Standard does not apply**

- 6.7.1 Part B of this Standard does not apply in relation to:

- (a) any standard employer-sponsored superannuation fund that exists prior to the Effective Date of this Standard;
- (b) advice, and any services pursuant to that advice provided by an adviser to a client prior to the Effective Date of this Standard;
- (c) any employees joining a standard employer-sponsored superannuation fund where their employer was a standard employer-sponsor of the fund prior to the Effective Date of this Standard; or
- (d) any advice or service provided by an adviser to a superannuation fund member or any payment to an adviser or the adviser’s associate, employer or principal relating to new or existing cover for risk provided under a life insurance policy held by the trustee of a superannuation fund under which the life insureds are one or more members of the superannuation fund.

## **7. Definitions**

- 7.1 When used in this Standard, the terms “representative” and “retail client”, have the meaning given to those terms in Chapter 7 of the *Corporations Act 2001*.
- 7.2 When used in this Standard, the terms “standard employer-sponsor”, “standard employer-sponsored fund” and “superannuation interest” have the meaning given to those terms in Part 1 of the *Superannuation Industry (Supervision) Act 1993*.
- 7.3 When used in this Standard, the term “advice” includes but is not limited to financial product advice as defined in Chapter 7 of the *Corporations Act 2001*.

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- 7.4 When used in this Standard, the term “Product Disclosure Statement” includes statements or information incorporated into the Product Disclosure Statement by reference to another document.
- 7.5 When used in this Standard, the term “life insurance” includes risk products such as insurance cover for total and permanent disability, and for income protection insurance.