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Via email: FinancialAdvice@treasury.gov.au

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Subject: **Consultation on financial adviser education standards**

Thank you for the opportunity to provide feedback on the Consultation Paper 'Financial adviser education standards' dated August 2022.

Mercer supports the proposed changes to education standards. We consider they strike a reasonable balance between raising professional standards for advisers and not imposing an unreasonable burden on experienced advisers who have been providing competent advice for many years.

We note that the proposal to remove the tertiary education requirements for financial advisers who meet the 10 years' experience conditions would substantially ease the compliance burden for the small cohort of superannuation actuaries who are only registered as financial advisers so that they can provide specialist advice to employer-sponsors of large superannuation funds.

However the proposed changes would not assist new actuaries to join this small cohort, so that in time employers may be unable to obtain qualified actuarial advice on superannuation.

In our view, it is inappropriate to require superannuation actuaries to meet personal financial adviser registration requirements in order to provide such advice, when they already have the necessary qualifications and experience to do so.

We therefore submit that further changes are required to take superannuation actuarial advice out of the personal financial advice regime.

Further details are provided below.

Superannuation actuarial advice services

Mercer provides consulting actuarial services to trustees and employer-sponsors of large super funds about various specialist actuarial matters relating to the funds, including on defined benefit funding and related issues. Under the current financial advice regime, such advice can only currently be provided to an employer (of any size, including major corporations and governments) or a small fund trustee

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(responsible for assets under \$10m) by an actuary who is also a registered financial adviser. This is because these clients are classified as retail clients for superannuation.

Advice to a large fund trustee which is copied to an employer affected by the advice may also be caught under the secondary service rules.

We, along with the Actuaries Institute and other firms providing superannuation actuarial services to large funds and employers, consider this is a highly unsatisfactory outcome as it imposes unnecessary additional education and other requirements on actuaries who are already highly qualified and subject to professional regulation and discipline by the Actuaries Institute.

The requirement to be a registered financial adviser has already substantially reduced the number of superannuation actuaries who are able to advise such clients and this number will continue to reduce if the rules remain unchanged so that, in time these clients may be unable to obtain qualified actuarial advice.

In our view, a solution such as a specific exemption for actuarial advice relating to superannuation, or reclassification of small super funds and employers from retail to wholesale clients for superannuation, is required to address this issue.

Who is Mercer?

Mercer is one of the world's leading firms for superannuation, investments, health and human resources consulting and products. Across the Pacific, leading organisations look to Mercer for global insights, thought leadership and product innovation to help transform and grow their businesses. Supported by our global team of 22,000, we help our clients challenge conventional thinking to create solutions that drive business results and make a difference in the lives of millions of people every day.

Mercer Australia provides customised administration, technology and total benefits outsourcing solutions to a large number of employer clients and superannuation funds (including industry funds, master trusts and employer sponsored superannuation funds). We have over \$280 billion in funds under administration locally and provide services to over 2.2 million superannuation members and 15,000 private clients, including the Mercer Super Trust, which has around 230 participating employers, about 200,000 members and more than \$29 billion in assets under management.

Mercer financial advice services

Mercer is heavily involved in the provision of financial advice through a number of channels, including via our personal financial advice arm (Mercer Financial Advice) and through services we provide to members of the Mercer Super Trust and to other superannuation funds which use our outsourced Helpline and advice services.

Naturally, we would be happy to discuss this submission with you or your team at your convenience.

Yours sincerely,

