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AMP revamps super and pension products

AMP Financial Services has launched AMP Flexible Super – its first fully flexible all-in-one super and retirement product – available from 24 May for retail and SME customers.

AMP is also streamlining its corporate super product range, with SignatureSuper the principal corporate super product for large employers.

The changes reduce the number of AMP superannuation and pension products on offer from six to two, delivering efficiencies for the business and increased simplicity for customers.

AMP Financial Services Managing Director Craig Meller said the changes are in response to changing customer demand, positioning the company well for growth.

“AMP is taking a fresh approach to the way we do business and we are taking the lead in providing the simpler, more competitive products and services that Australians want.

“AMP Flexible Super provides customers with one account for life – from their first job, to having a family, through to retirement.

“It caters for our broad customer base by offering a single entry-level option to which customers can then add more features, according to what they need at different stages of their life.

“This means we can reduce the number of products on offer without reducing the number of additional features and benefits that our customers want – delivering efficiencies for our business and for customers,” Mr Meller said.

AMP Flexible Super builds on the company’s low cost entry-level super product, Flexible Lifetime SuperEasy, launched mid 2009, which is now the Core option within AMP Flexible Super.

Customers can pick and choose a range of investment options and product features, paying only for what they need. It has three investment modules – Core, Select and Choice – offering between two and 72 investment choices and a range of insurance options.

AMP Flexible Super replaces the existing retail and employer versions of AMP Flexible Lifetime superannuation and retirement products. These products, as well as the corporate super products, CustomSuper and SuperLeader, will be closed to new business from 1 July.

To help customers manage their investments over time, AMP Flexible Super offers LifeStages strategies where superannuation automatically switches to a lower risk investment strategy as a customer nears retirement, removing the need to constantly reassess an investment strategy.

It also offers a superannuation consolidation service which helps track down lost super at no cost and different levels of life insurance depending on a customer's needs.

AMP Flexible Super has a simple pricing structure with a member fee of \$1.50 a week for Core, \$2.00 a week for Select, and \$2.50 a week for Choice, and a management fee depending on the level of investment starting from 0.50 per cent per annum.

AMP Flexible Super has no in-built commissions on its superannuation and investment options. Any advice fees will be agreed in advance between the customer and the planner.

Customers can get AMP Flexible Super from 24 May via a financial planner or advisor, online at amp.com.au or by calling AMP on 131 267.

Closing and repricing some of AMP's superannuation and pension products

AMP will close to new business from 1 July the following superannuation and pension products as part of its product revamp:

- Flexible Lifetime – Super (\$19.6 billion AUM at 31 December 2009)
- Flexible Lifetime – Allocated Pension (\$5.9 billion AUM)
- CustomSuper (\$6.0 billion AUM)
- SuperLeader (\$3.0 billion AUM)

The Contemporary Wealth Management (CWM) business line also includes Flexible Lifetime – Term Pension which closed to new business in 2007.

These products will continue to be reported as part of the CWM business line. Existing customers may also continue to contribute to these products while new employees will be able to join the existing CustomSuper or SuperLeader employer plans.

AMP will also adjust the pricing structure for Flexible Lifetime – Super, Flexible Lifetime – Allocated Pensions and CustomSuper from 1 November to be more in line with the pricing structure of the new AMP Flexible Super product. Commissions will remain on these closing products.

“This is about ensuring our products remain competitively priced while representing good value for our customers. The new pricing will also reward customers as their assets grow during their lifetime, with management fee rebates increasing as account balances grow,” Mr Meller said.

Following the repricing, all members¹ will be charged a member fee and a management fee, regardless of the size of their account balance.

The repricing will affect around one million members across the closed products with members paying on average 14 basis points less in management fees.

¹ The exception will be CustomSuper, where employer plans with balances greater than \$2 million and individuals within a plan with balances \$10,000 or more, will not be charged a member fee.

Approximately 70 per cent of members will pay less than they currently do while the remainder, who will pay more initially, will pay no more than the annual member fee which is currently \$93 per annum. Most of these customers will be better off over their lifetime as their balance increases through contributions and market movements.

Reducing reliance on AUM fees in favour of member fees is consistent with AMP's strategy to diversify revenue sources and enable more competitive levels of management fees. The application of a member fee is also consistent with the pricing structure offered across the industry.

The repricing will have the following features:

- Customers pay on average 14 basis points per annum less in management fees
- Management fee rebates for some members with higher balances will increase
- All retail superannuation members will be charged a member fee (generally only account balances less than \$10,000 are charged member fees)
- A member fee will be introduced for all pension members
- Member fees will increase in line with CPI

Based on 31 December 2009 AUM levels, if the repricing had been in place at this time, CWM investment related revenue would have reduced by an annualised \$9 million (before tax) and investment related revenue to AUM basis points would have reduced by 2 basis points.

Based on 30 June 2009 AUM levels, if the repricing had been in place at this time, CWM investment related revenue would have reduced by an annualised \$6 million (before tax).

AMP is in the process of reducing external asset management costs, which is expected to more than offset the reduced fee revenue.

Embedded value would have reduced by \$42 million and excludes the benefit of asset management cost initiatives.

Following the launch of AMP Flexible Super and the repricing of the closed products, guidance for investment related revenue to AUM, is a decline of approximately 3 per cent per annum across the cycle (that is initially 5 to 6 basis points). This guidance is based on normal market conditions and our current expectations of future regulatory outcomes.

AMP expects the benefits of ongoing lower external asset management fees will to some extent mitigate the expected decline in investment related revenue to AUM.

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