

Media Report

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news

Super funds terminate Mellon contracts

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The NSW Local Government Superannuation Scheme (LGSS-NSW) and the Energy Industries Super Scheme (EISS) will not renew their administration contracts with Mellon Human Resources, choosing to switch to FuturePlus Financial Services - the funds management company jointly owned by the two schemes.

EISS chair Warwick Tomlins said the contracts did not go to tender but an extensive market review was conducted.

"We looked at available technology, and due to the complex nature of our schemes and the high level of services demanded by our members, we made the decision that FuturePlus should directly administer our schemes," Tomlins said.

FuturePlus already provides

all the front-office services to the groups' members and employers.

Last week, LGSS-NSW and EISS also became the latest funds to ditch outdated administration software Superb. Instead, the schemes have entered a standard five-year contract to use Vision Super's proprietary Classic system.

The schemes are the first external clients to use Classic, however, the software could be marketed to other super funds in the future.

LGSS-NSW chair Peter Woods said back-office partnerships in the financial services sector would become more common.

Achieving economies of scale and retrieving some development costs were driving this trend, Woods said.

"The superannuation environ-

ment is rapidly consolidating and the importance of scale in being able to deliver great service while managing costs means that it was a natural step for our scheme to look for partners embarking on this venture," he said.

Both LGSS-NSW and Victoria's Vision Super are members of the Australian Local Government Superannuation Association (ALGSA), established 12 months ago to provide a forum for local government funds throughout Australia to explore opportunities to share costs and resources.

FuturePlus chief Brett Westbrook is also the inaugural president of ALGSA.

"ALGSA provided us with the opportunity to realise that many of the issues we were facing were

shared by Vision Super. These discussions led us to develop our partnership," Westbrook said.

"Other members of ALGSA may migrate to use our services, I don't know.

"We haven't started any discussions, and our main focus is to transition to Classic. There's no doubt the other members are interested in what we are doing and sharing information and ideas is all part of our mandate."

Mellon has been the administrator of LGSS-NSW and EISS since 1998.

Mellon's contract expires in July 2005.

Both Mellon and FuturePlus are working through a process of data transition, which will occur in mid-2005. ✽