



# Prudential Standard SPS 515

## Strategic Planning and Member Outcomes

### About this Prudential Standard

*Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515) is the **core prudential standard** in the **business operations pillar** of APRA's superannuation prudential framework. It requires an RSE licensee to manage its business operations in a sound and prudent manner to achieve the outcomes it seeks for beneficiaries. Key requirements relate to setting strategic objectives, conducting business planning, financial resource management, performance monitoring, outcomes assessment and transfer planning.

### Authority

1. This Prudential Standard is made under section 34C and pursuant to section 29XA of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

### Application and commencement

2. This Prudential Standard applies to all registrable superannuation entity (RSE) licensees (RSE licensees).<sup>1</sup>
3. Paragraphs 33 to 43 only apply to an RSE licensee that is authorised, or was formerly authorised, to offer a class of beneficial interest in a regulated superannuation fund as a MySuper product.<sup>2</sup>
4. An RSE licensee is not required to comply, in relation to a pooled superannuation trust, with:
  - (a) paragraph 8 (only in relation to the Board being required to approve strategic objectives that support achieving outcomes for beneficiaries);

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<sup>1</sup> For the purposes of this Prudential Standard, 'RSE licensee' has the meaning given in section 10(1) of the SIS Act.

<sup>2</sup> Under section 29E(6B) of the SIS Act, it is a condition of all RSE licensees to give effect to elections made in accordance with section 29SAB of the SIS Act. For the purposes of this Prudential Standard, 'MySuper product' and 'choice product' have the meanings given in section 10(1) of the SIS Act.

- (b) paragraphs 9(a), 9(b) and 9(g);
  - (c) paragraphs 14 and 15;
  - (d) paragraphs 21 to 24 inclusive (only in relation to outcomes for beneficiaries and s. 62 of the SIS Act ('the sole purpose test'));
  - (e) paragraphs 25 and 26(b) (only in relation to outcomes for beneficiaries, the sole purpose test and promoting the financial interests of beneficiaries);
  - (f) paragraphs 27 to 29 inclusive;
  - (g) paragraphs 30 to 32 inclusive (in relation to outcomes to beneficiaries, the annual performance assessment and a transfer of beneficiaries)<sup>3</sup>; and
  - (h) paragraphs 33 to 43 inclusive.<sup>4</sup>
5. This Prudential Standard commences on 1 January 2025.

### Interpretation

6. Where this Prudential Standard provides for APRA to exercise a power or discretion, the power or discretion is to be exercised in writing.

### Adjustments and exclusions

7. APRA may adjust or exclude a specific requirement in this Prudential Standard in relation to:
- (i) a particular RSE licensee of an RSE; or
  - (j) specified RSE licensees of RSEs.

### Strategic objectives

8. An RSE licensee must set specific strategic objectives for the sound and prudent management of its business operations that support achieving the outcomes the RSE licensee seeks for beneficiaries. The strategic objectives must be approved by the Board.<sup>5</sup>

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<sup>3</sup> A reference to 'a transfer of beneficiaries' is a reference to a decision by an RSE licensee to transfer member benefits to a 'successor fund' (as defined in subregulation 1.03(1)) without the consent of a member, or to receive member benefits as a successor fund from another RSE. Refer to *Prudential Standard CPS 190 Recovery and Exit Planning*, which is effective from 1 January 2025, for requirements relating to recovery and exit planning for an RSE licensee, including paragraph 15 of CPS 190.

<sup>4</sup> For the purposes of this Prudential Standard, pooled superannuation trust has the meaning given in section 10(1) of the SIS Act.

<sup>5</sup> For the purposes of this Prudential Standard, an 'RSE licensee's business operations' includes all activities as an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on its activities as an RSE licensee. For the purposes of this Prudential Standard, a reference to the

9. The strategic objectives must be informed by an RSE licensee's consideration of:
- (a) the specific outcomes that the RSE licensee seeks to achieve for beneficiaries;
  - (b) changes to the RSE licensee's business operations that the RSE licensee considers, consistent with paragraph 14 of this Prudential Standard, are likely to improve outcomes for beneficiaries or the sound and prudent management of its business;
  - (c) the RSE licensee's risk appetite statement;
  - (d) the strategies formulated pursuant to sections 52(2)(i), 52(6)(a), 52(7)(a), 52(8)(a) and 52(8A)(a) of the SIS Act;
  - (e) the financial resources deemed necessary to cover the operational risk that relates to the RSE under section 52(8)(b) of the SIS Act;
  - (f) the most recent business performance review; and
  - (g) the sole purpose test.

### **Business plan**

10. An RSE licensee must create and maintain a written rolling plan, of at least three years' duration, that covers the entirety of an RSE licensee's business operations (business plan). The business plan must be approved by the Board and set out the RSE licensee's approach for implementing and delivering on its strategic objectives.
11. An RSE licensee's business plan must specify:
- (a) the key initiatives it will undertake to achieve the RSE licensee's strategic objectives, including for each initiative, the expected cost, how it will be funded and the expected results;
  - (b) where an RSE licensee has decided to undertake a transfer of beneficiaries or other recovery or exit activities, how this decision will be implemented. This includes, where necessary, adjusting key strategic initiatives and maintaining business operations during implementation.
12. An RSE licensee's business plan must be informed by an annual review of the appropriateness of the RSE licensee's retirement income strategy.

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'Board' is to be read as a reference to the Board of directors (Board) or group of individual trustees of an RSE licensee and a reference to 'a director' is a reference to a director of an RSE licensee which has a Board of directors or, in the case of a group of individual trustees, an individual trustee and 'group of individual trustees' has the meaning given in section 10(1) of the SIS Act.

13. An RSE licensee must be able to demonstrate how the business plan reflects the RSE licensee's view of its current, and expected, level of financial resources, informed by<sup>6</sup>:
  - (a) financial projections that demonstrate the ongoing financial soundness of the RSE licensee's business operations, including under different potential scenarios, for at least the term of the business plan; and
  - (b) key assumptions used in the required financial projections and how these assumptions take into account the material risks identified under the risk management framework.
14. The business plan must be updated annually having regard to the results of the most recent business performance review and ongoing monitoring. The annual updates to the business plan must incorporate changes to the RSE licensee's business operations that the RSE licensee considers are likely to improve outcomes for beneficiaries or the sound and prudent management of its business operations including, but not limited to, changes arising from recovery and exit planning activities required under *Prudential Standard CPS 190 Recovery and Exit Planning* or changes arising from remedial actions or transfer planning required under this Prudential Standard.

### **Financial resource management**

15. An RSE licensee must have a robust approach to the management of the financial resources available to support achieving the outcomes sought for beneficiaries and the sound and prudent management of the RSE licensee's business operations.

### *Setting fees*

16. An RSE licensee must set each fee prudently and transparently. This includes demonstrating why the RSE licensee is satisfied, with respect to a fee charged to beneficiaries or a fee charged by the RSE licensee out of an RSE, that:
  - (a) the charging of the fee, including determining the amount of the fee, complies with its legal duties and obligations; and
  - (b) the fee is appropriate and proportionate, having regard to the arm's length value of the features and services that the fee relates to, comparable fees charged in relation to comparable RSEs and financial resources currently available to the RSE licensee.
17. An RSE licensee must ensure that the use of any new fee power, or the use of an existing power for the first time, is approved by the Board.

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<sup>6</sup> For the purposes of this Prudential Standard, a reference to 'demonstrate' includes being able to prove or show both in written form and in practice.

*Management of reserves*

18. An RSE licensee's strategy for the prudential management of reserves must demonstrate the need for, and purpose of, each reserve in the RSE licensee's business operations.<sup>7</sup> An RSE licensee's reserving strategy must include:
- (a) how each reserve is managed in the context of its purpose; and
  - (b) an appropriate target amount or range for each reserve, including how and over what period the reserve is to be established and replenished in an equitable manner, with reference to different cohorts of beneficiaries, and intergenerational issues.
19. An RSE licensee's regular review of each reserve must ensure:
- (a) the reserve remains appropriate to the RSE's circumstances; and
  - (b) there are adequate controls and procedures to ensure the reserve is used for the intended purpose.

*Management of other financial resources*

20. An RSE licensee must have controls to ensure prudent management of financial resources held at the trustee company level and to ensure it is in a sound financial position. Such controls include, at a minimum, a capital management plan to govern the permitted use of financial resources held at the trustee company level.<sup>8</sup>

*Expenditure management<sup>9</sup>*

21. An RSE licensee must ensure that its expenditure decisions are for the purposes of the sound and prudent management of its business operations and are consistent with all legal duties and obligations of the RSE licensee, including the duty to act in the best financial interests of beneficiaries and the sole purpose test.
22. When making expenditure decisions relating to its business operations, an RSE licensee must demonstrate, at a minimum:
- (a) the purpose of the expenditure, including how the expenditure will contribute to the RSE licensee meeting its strategic objectives and outcomes sought for beneficiaries, together with consideration of any previous assessment by the RSE licensee of whether the expenditure or type of expenditure has achieved its intended purpose;
  - (b) where the expenditure results in a non-financial benefit to beneficiaries, or a benefit not directed towards promoting the financial interests of

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<sup>7</sup> Refer to s. 52(2)(i) of the SIS Act for the requirement to formulate, review regularly and give effect to a strategy for the prudential management of reserves held in an RSE.

<sup>8</sup> For the avoidance of doubt, this requirement does not apply to financial resources held in compliance with *Prudential Standard SPS 114 Operational Risk Financial Requirement*.

<sup>9</sup> For the purposes of this Prudential Standard, 'expenditure' means a payment or expected future payment from the assets of an RSE or RSE licensee, including payments to and from reserves, not otherwise allocated to members' accounts.

beneficiaries, why, in such circumstances, the expenditure remains consistent with all legal duties and obligations of the RSE licensee;

- (c) how the expenditure will be funded; and
- (d) how the expenditure will be monitored, including the metrics used to determine delivery of expected outcomes, the circumstances that would trigger a review of the decision and timely action.

### **Monitoring**

- 23. An RSE licensee must monitor progress against its strategic objectives and the business plan to prompt remedial action or transfer planning where expected outcomes sought for beneficiaries are not being, or are unlikely to be, achieved, using key performance indicators and triggers determined for this purpose.
- 24. An RSE licensee must set triggers that identify to an RSE licensee the need to commence taking action to improve outcomes expected to be achieved for beneficiaries or to commence preparation for a transfer of beneficiaries. These triggers must, at a minimum, include failing or expecting to fail the legislated annual performance assessment in section 60C(2) of the SIS Act.

### **Business performance review**

- 25. An RSE licensee must, on an annual basis, review its performance in achieving its strategic objectives, informed by the RSE licensee's monitoring of key performance indicators and triggers. The results of the review must be used to improve the RSE licensee's business operations for the benefit of beneficiaries.
- 26. An RSE licensee's business performance review must assess and demonstrate, at a minimum:
  - (a) whether the strategic objectives are being met, including an explanation of what has driven this assessment;
  - (b) the outcomes achieved for beneficiaries, having regard to:
    - (i) different cohorts of beneficiaries, including beneficiaries who are retired or approaching retirement (and sub-classes of those beneficiaries)<sup>10</sup>;
    - (ii) objective internal and external benchmarks; and
    - (iii) the outcomes assessments under section 52(9) of the SIS Act, including having regard to the latest determinations (if any) made by APRA under section 60C(2) of the SIS Act that relate to the product.

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<sup>10</sup> Refer to section 52AA of the SIS Act.

**Annual outcomes assessment**

27. An RSE licensee must, at a minimum, document the methodology applied in undertaking the annual outcomes assessment under section 52(9) of the SIS Act, including:
- (a) how the RSE licensee has balanced the factors it must have regard to under sections 52(10) or (10A) and section 52(11) of the SIS Act and any benchmarks under the *Superannuation Industry (Supervision) Regulations 1994* (the SIS Regulations) in making its overall determination(s) under section 52(9); and
  - (b) how the RSE licensee has determined the products it will use for the purposes of comparing its MySuper or choice products. Where a product, or part of a product is assessed under the legislated annual performance assessment under Part 6A of the SIS Act, an RSE licensee's methodology must demonstrate how it has taken into account the population of products against which it was assessed.
28. For the purposes of comparing a MySuper product with other MySuper products under section 52(9)(a)(i) of the SIS Act, an RSE licensee must calculate the comparison factors as follows:
- (a) for section 52(10)(a)-(b) of the SIS Act, use the methodologies set out in *Reporting Standard SRS 705.0 Components of Net Return* and *Reporting Standard SRS 705.1 Investment Performance and Objectives*; and
  - (b) for section 52(10)(c) of the SIS Act, use the methodology set out in *Reporting Standard SRS 700.0 Product Dashboard*.
29. Pursuant to section 52(11)(e) of the SIS Act, in determining whether the financial interests of beneficiaries of the RSE who hold a MySuper product or choice product are being promoted, an RSE licensee must also assess the following matters:
- (a) whether, because of the scale of, and within, the RSE licensee's business operations, those beneficiaries are disadvantaged;
  - (b) whether the operating costs of the RSE licensee's business operations are inappropriately affecting the financial interests of those beneficiaries; and
  - (c) whether the basis for the setting of fees is appropriate for those beneficiaries.

**Remedial actions and transfer planning<sup>11</sup>**

30. An RSE licensee must be able to demonstrate how it is taking timely remedial action where expected outcomes it seeks for beneficiaries are not being achieved, including where relevant triggers have been met as set out in paragraph 24.
31. An RSE licensee must take appropriate and timely steps to prepare for circumstances that may necessitate a transfer of beneficiaries out of, or into, its RSE(s), including where relevant triggers have been met as set out in paragraph 24.
32. Where an RSE licensee has received a determination from APRA that one or more of its products has not met the requirements of the legislated annual performance assessment under section 60D(1) of the SIS Act, the RSE licensee must document its plan for responding to this determination in a timely manner. This plan may include, but is not limited to:
  - (a) remedial actions to improve the performance of such products; and
  - (b) commencing preparations for a transfer of beneficiaries.

An RSE licensee must notify APRA if it has activated a plan made for the purposes of this paragraph.<sup>12</sup>

**Transfer of MySuper product assets**

33. Paragraphs 33 to 43 only apply if an authority of an RSE licensee to offer a class of beneficial interests in a regulated superannuation fund as a MySuper product is cancelled, or if APRA notifies an RSE licensee that its authority to offer a MySuper product may be cancelled, by APRA under subsection 29U(1) of the SIS Act.
34. The Board is accountable for ensuring that, following the cancellation of an authority to offer a MySuper product, any affected MySuper product assets are transferred into another MySuper product within the timeframe stipulated in section 29SAB of the SIS Act.<sup>13</sup>
35. The Board must ensure that there are clear roles and responsibilities at a senior executive level for the purpose of meeting the requirements in paragraphs 36 to 43 of this Prudential Standard.

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<sup>11</sup> Refer to CPS 190 for requirements relating to actions required for the recovery and exit of the RSE licensee. It is open to an RSE licensee to develop a single document to meet the requirements of CPS 190 and this Prudential Standard.

<sup>12</sup> Refer to regulation 11.08 of the SIS Regulations for a requirement to provide APRA with a written notice of a decision to undertake a successor fund transfer.

<sup>13</sup> For the purposes of this Prudential Standard, 'asset' has the meaning given in section 10(1) of the SIS Act and 'MySuper product assets' includes any asset or assets of the RSE that are attributed to the MySuper product, including any corresponding member benefits attributed to the MySuper product.



*Planning for a transfer of MySuper product assets*

36. Where APRA notifies an RSE licensee that its authority to offer a MySuper product may be cancelled by APRA<sup>14</sup>, the RSE licensee must document, within a time specified by APRA, a plan that demonstrates preparedness to transfer any MySuper product assets to another MySuper product (MySuper assets transfer plan).<sup>15</sup>
37. An RSE licensee must nominate a MySuper product to receive the MySuper product assets (the receiving MySuper product) that meets the following requirements<sup>16</sup>:
- (a) the RSE licensee of the receiving MySuper product has determined in writing, in its most recent annual determination, that the financial interests of the beneficiaries who hold the MySuper product are being promoted by the RSE licensee<sup>17</sup>; and
  - (b) APRA has determined that the receiving MySuper product has met the requirement in relation to the most recent legislative annual performance assessment and is not closed to new members.<sup>18</sup>
38. An RSE licensee must ensure that its MySuper assets transfer plan has regard to:
- (a) the RSE licensee's risk appetite as set out in its risk management framework<sup>19</sup>;
  - (b) the RSE licensee's business plan; and
  - (c) any other plans developed and maintained pursuant to this Prudential Standard, CPS 190 and *Prudential Standard CPS 900 Resolution Planning*.
39. An RSE licensee's MySuper assets transfer plan must, at a minimum, include:
- (a) the governance arrangements for the transfer of MySuper product assets, including the role of the Board;
  - (b) a description of the roles and responsibilities of stakeholders with a key role in the transfer process;
  - (c) the name of the MySuper product to which the RSE licensee considers that the assets should be transferred<sup>20</sup>;

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<sup>14</sup> Refer to section 29U(1) of the SIS Act for APRA's ability to cancel an RSE licensee's authority to offer a MySuper product.

<sup>15</sup> Refer to section 29SAB of the SIS Act.

<sup>16</sup> For the avoidance of doubt, an RSE licensee may nominate more than one receiving MySuper product in its MySuper product assets transfer preparations.

<sup>17</sup> Refer to sections 52(9) to (11) of the SIS Act.

<sup>18</sup> Refer to section 60C(2) of the SIS Act.

<sup>19</sup> Refer to *Prudential Standard SPS 220 Risk Management*.

<sup>20</sup> An RSE licensee must also document the Australian Business Number of the RSE for the receiving MySuper product.

- (d) the name of the receiving RSE licensee that has agreed in-principle to receive the MySuper product assets from the transferring RSE licensee; and
  - (e) a communication strategy that will be deployed in the event that the authority to offer a MySuper product is cancelled.
40. APRA may require an RSE licensee to develop and implement additional actions to support the orderly transfer of MySuper product assets to a receiving MySuper product.

*Undertaking a transfer of MySuper product assets*

41. If an RSE licensee's authority to offer a MySuper product is cancelled, the RSE licensee must:
- (a) implement the MySuper assets transfer plan;
  - (b) report to APRA on progress of the transfer of MySuper product assets as required; and
  - (c) transfer the MySuper product assets to the receiving MySuper product.
42. An RSE licensee must provide all reasonable assistance to the receiving RSE licensee to ensure that the transfer of MySuper product assets to the receiving MySuper product is completed in accordance with this Prudential Standard.
43. An RSE licensee must notify APRA within 10 business days once the transfer of MySuper product assets has been completed.