

18 February 2014

Australian Prudential Regulation Authority  
400 George Street  
SYDNEY NSW 2001

Email: [superannuation.policy@apra.gov.au](mailto:superannuation.policy@apra.gov.au)

Dear Sir/ Madam

**Consultation on proposed Modification Declaration – Superannuation Industry  
(Supervision) Regulations 1994, r. 4.07E(8)**

Thank you for giving us the opportunity to provide feedback on the proposed modification declaration.

We are very supportive of the modification declaration as a way to remove a barrier to potential successor fund transfers and ensure a level playing field in the decision on a suitable successor fund. Removal of barriers like this is an important step in ensuring better outcome for members.

Our first point of specific feedback on the draft modification declaration is that self insurance will be limited to members who have transferred to the successor fund. For the small number of superannuation funds with an open defined benefit category or categories this is different to the treatment that applies under r. 4.07E(8) prior to any successor fund transfer.

We understand that under r. 4.07E(8) new defined benefit members that join a defined benefit category of a superannuation fund after 1 July 2013 can be self-insured.

We suggest that the r. 4.07E(8A) in the proposed modification declaration be amended to be consistent with r. 4.07E(8). Amending the modification declaration in this way will prevent the treatment of new defined benefit members being a barrier to a successor fund transfer.

Our second comment on the proposed modification declaration is in relation to r. 4.07E(8B) and the requirement that r. 4.07E(8A) is subject to any licence conditions imposed by APRA. While it is reasonable to have such a requirement in the Regulations it would be helpful if APRA gave some guidance on how it will apply that requirement in practice.

A restriction on self-insurance is a standard public-offer RSE licence condition and in many cases the successor fund is likely to be a public-offer fund. So APRA would need to amend the specific RSE licence to allow r. 4.07E(8A) to operate. In the interest of removing barriers to fund mergers and encouraging a competitive level playing field we assume that APRA would be amenable to making the required RSE licence amendment in most cases.

Please do not hesitate to contact me on [REDACTED] if you wish to discuss any aspect of this letter.

Yours Faithfully



Tim Furlan  
Director, Superannuation  
Russell Investments