

# SHORT TOPIC PAPER SIX

## Member flows and products

### Introduction

APRA is currently conducting a post-implementation review of the prudential framework for superannuation. As described in APRA's discussion paper released in May 2018, this is the last paper in a series of short topic papers covering six specific areas of the prudential framework.<sup>1</sup>

This paper, as with the other papers, provides:

- the objectives and key requirements of the prudential and reporting standards (including guidance material) that fall within the relevant topic area;
- links to the final prudential and reporting standards; and
- a series of questions aimed at determining whether the prudential standards (including guidance material) and reporting standards have achieved their objectives and continue to remain fit for purpose.

The short topic papers seek to facilitate discussion and consideration of key elements of the prudential framework, and the provision of feedback from stakeholders that will:

- enable appropriate consideration of differing views on the effectiveness of the current prudential framework;

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<sup>1</sup> APRA, *Post-implementation review of APRA's superannuation prudential framework*, 23 May 2018.

- provide a greater insight into the practical impact of the prudential framework;
- identify areas where improvements may be warranted;
- identify areas that could be streamlined to reduce compliance costs or improve outcomes; and
- ensure that full and appropriate consideration of the relevant areas and topics covered by the prudential and reporting standards is achieved.

APRA is undertaking this comprehensive post-implementation review to determine whether the prudential and reporting standards (and related guidance material) have achieved their objectives and remain fit for purpose. The review is not intended to revisit the original policy intent or objectives of the reforms, and is not seeking to either weaken or strengthen the prudential framework. Rather, APRA wishes to assess whether the prudential framework is operating effectively and efficiently, and to identify and seek to address any unintended consequences or areas for improvement in the framework.

Consultation on this and the other short topic papers will form part of APRA's industry engagement over the course of the review process, which will also comprise roundtables, small group discussions and bilateral meetings.

While formal written submissions close on 26 September 2018, written submissions (formal or informal) on any aspect of the review can be submitted at any time throughout the review process.

## Member flows and products

### Scope

In the context of this review, the elements of the prudential framework covering member flows and products are:

- *Prudential Standard SPS 160 Defined Benefit Matters* ([SPS 160](#)), *Prudential Standard SPS 410 MySuper Transition* ([SPS 410](#)), *Prudential Standard SPS 450 Eligible Rollover Fund (ERF) Transition* ([SPS 450](#)) and their related guidance material which can be found on APRA's website.
- reporting standards – *Reporting Standard SRS 160.1 Defined Benefit Matters* ([SRS 160.0](#)), *Reporting Standard SRS 160.1 Defined Benefit Member Flows* ([SRS 160.1](#)), *Reporting Standard SRS 410.0 Accrued Default Amounts* ([SRS 410.0](#)), *Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows* ([SRS 533.1](#)), *Reporting Standard SRS 610.0 Membership Profile* ([SRS 610.0](#)), *Reporting Standard SRS 610.1 Changes in Membership Profile* ([SRS 610.1](#)), *Reporting Standard SRS 610.2 Membership Profile* ([SRS 610.2](#)), *Reporting Standard SRS 700.0 Product Dashboard* ([SRS 700.0](#)), *Reporting Standard SRS 710.0 Conditions of Release* ([SRS 710.0](#)) and *Reporting Standard SRS 802.0 Fund Profile* ([SRS 802.0](#)).

### SPS 160 and its associated guidance material

#### ***Objectives and key requirements***

The objective of SPS 160 is to ensure that RSE licensees of defined benefit funds are able to meet the liabilities of those funds, through the assets of the fund, as they become due. The requirements in this Prudential Standard also apply to defined benefit sub-funds.

The key requirements of SPS 160 are that an RSE licensee must:

- appoint an RSE actuary to undertake, and report on, regular actuarial investigations into the financial position of a defined benefit fund;
- arrange for an interim actuarial investigation in circumstances where the financial position of a defined benefit fund deteriorates below a shortfall limit set by the RSE licensee;
- implement a program to restore a defined benefit fund to a satisfactory financial position, so that the vested benefits of beneficiaries are fully funded, and submit the program to, and report to, APRA; and
- if the fund is permitted to self-insure benefits, arrange for regular actuarial oversight, attest annually that the self-insurance continues to be in the best interests of beneficiaries and develop a contingency plan for an orderly wind-up of the self-insurance arrangements.

APRA has issued *Prudential Practice Guide SPG 160 Defined Benefit Matters* (SPG 160) to assist RSE licensees in complying with the requirements in SPS 160.

## **SPS 410 and its associated guidance material**

### ***Objectives and key requirements***

The objective of SPS 410 is to ensure that RSE licensees attribute all accrued default amounts to a suitable MySuper product before 1 July 2017 under section 387 of the *Superannuation Industry (Supervision) Act 1993*.

APRA notes that this prudential standard relates to the transfer of accrued default amounts before 1 July 2017. As such, the review of this standard and related guidance will focus on its effectiveness.

The key requirements of SPS 410 include:

- the identification of members in each RSE with an accrued default amount and the amount of those balances;
- the preparation and implementation of a transition plan addressing the movement of accrued default amounts to a suitable MySuper product; and
- specified reporting to APRA.

APRA has issued *Prudential Practice Guide SPG 410 MySuper Transition* (SPG 410) to assist RSE licensees in complying with the requirements in SPS 410.

## **SPS 450 and its associated guidance material**

### ***Objectives and key requirements***

The objective of SPS 450 is to ensure that RSE licensees transfer the amount held in existing eligible rollover funds (ERFs) to a regulated superannuation fund that is an authorised ERF or that offers a MySuper product within 90 days of 1 January 2014 under section 394 of the *Superannuation Industry (Supervision) Act 1993*. As such, the review of this standard and related guidance will focus on its effectiveness.

The key requirements of this Prudential Standard include:

- the identification of a suitable authorised ERF or RSE offering a MySuper product;
- the preparation and implementation of a transition plan addressing the movement of the amount held in the ERF to the identified successor entity; and
- specified reporting to APRA.

## **Additional guidance on member flows and products**

APRA has issued additional guidance in *Prudential Practice Guide SPG 270 Contribution and Benefit Accrual Standards* (SPG 270) and *Prudential Practice Guide SPG 280 Payment Standards* (SPG 280) to assist RSE licensees with complying with their requirements under the prudential framework.

## Prudential Standard and Prudential Practice Guide Questions

### Questions

- 1) What outcomes have resulted from the implementation of the prudential standards and are these outcomes in line with their objectives?
- 2) Have the requirements in the prudential standards been embedded in RSE licensees' decision-making processes and practices?
- 3) Have the prudential standards achieved their stated objectives? If so, do they continue to remain fit for purpose given developments within the industry?
- 4) Have the prudential practice guides achieved their stated objectives? If so, do they continue to remain fit for purpose given developments within the industry?
- 5) Do the prudential standards, when read in conjunction with their relevant prudential practice guides, provide sufficient:
  - a) Clarity and certainty for RSE licensees in relation to their obligations as trustees of superannuation entities?
  - b) Flexibility for RSE licensees to achieve the objectives in a manner best suited to their business?
- 6) Are any of the requirements or principles contained in the prudential standards or prudential practice guides no longer applicable? Why?
- 7) Are there any aspects of the prudential standards or prudential practice guides that could be improved to:
  - a) Achieve better risk management outcomes?
  - b) Reduce compliance costs?
  - c) Facilitate better supervision by APRA?
- 8) Are there any additional areas that should be addressed?
- 9) What are the ongoing compliance costs associated with the prudential standards and their related prudential practice guides?

## Reporting Standards

The following reporting standards relate to member flows and products. The reporting standards can be used by APRA for its prudential supervision and publication purposes, and provide benefits for other interested stakeholders.

### SRS 160.0

#### *Objective and key requirements*

The objective of SRS 160.0 is to capture data relating to interests in a defined benefit RSE, sub-fund, small APRA fund or single member approved deposit fund.

The information required to be reported under SRS 160.0 includes:

- defined benefits measures;
- actuarial projection assumptions;
- weighted average term and certificate information; and
- detailed member segmentation.

### SRS 160.1

#### *Objective and key requirements*

The objective of SRS 160.1 is to capture data relating to contributions and payments from a defined benefit RSE and a defined benefit sub-fund.

The information required to be reported under SRS 160.1 includes:

- defined benefits measures;
- member contributions and benefit payments; and
- movements in reserves.

### SRS 410.0

#### *Objective and key requirements*

The objective of SRS 410.0 is to capture data relating to accrued default amounts in an RSE.

### SRS 533.1

#### *Objective and key requirements*

The objective of SRS 533.1 is to capture data relating to the strategic and actual asset allocation and members' benefits flows of a select investment option.

The information required to be reported under SRS 533.1 includes:

- strategic asset allocations;
- directly held and indirectly held investments; and
- members' benefits flows.

## **SRS 610.0**

### ***Objective and key requirements***

The objective of SRS 610.0 is to capture data relating to the membership profile of an RSE, including member account segmentation.

## **SRS 610.1**

### ***Objective and key requirements***

The objective of SRS 610.1 is to capture data relating to changes in the membership profile of an RSE.

The information required to be reported under SRS 610.1 includes:

- member account movement detail; and
- member interest switching.

## **SRS 610.2**

### ***Objective and key requirements***

The objective of SRS 610.2 is to capture data relating to the membership profile of a MySuper product.

The information required to be reported under SRS 610.2 includes:

- member account movement;
- detailed member account segmentation;
- members without insurance; and
- membership in lifecycle strategy stages.

## **SRS 700.0**

### ***Objective and key requirements***

The objective of SRS 700.0 is to capture data relating to the product dashboard of each MySuper product.

The information required to be reported under SRS 700.0 includes:

- return target;
- comparison of return target and return;
- level of investment risk;
- statement of fees and other costs; and
- lifecycle stage factors.

## **SRS 710.0**

### ***Objective and key requirements***

The objective of SRS 710.0 is to capture data relating to membership activities relating to conditions of release in the operations of an RSE.

The information required to be reported under SRS 710.0 includes:

- lump sum benefit payments; and
- pension benefit accounts and payments.

## **SRS 802.0**

### ***Objective and key requirements***

The objective of SRS 802.0 is to capture data relating to membership activities relating to the membership profile and insurance arrangements in the business operations of an RSE licensee that is trustee of a small APRA fund or a single member approved deposit fund.

The information required to be reported under SRS 802.0 includes:

- membership and asset information;
- investment strategy of the ORFR reserve;
- details of services provided by the RSE licensee and external service providers;
- income and expense transactions with associates;
- insurance agreement details;
- fees, fee rebates and discounts; and
- activity fees; activity fee rebates and discounts.



## Reporting Standard Questions

### Questions

- 1) Are the objectives of the reporting standards and reported information well understood?
- 2) Do the current reporting requirements in the reporting standards capture:
  - a) All relevant data relating to member flows and products of RSE licensees?
  - b) Sufficient data to enable appropriate analysis of RSE licensees?
  - c) Data at an appropriate level of granularity?
- 3) Is the information captured under the reporting standards accurate, relevant and useful for policymakers, regulators, trustees and the community?
- 4) What are the ongoing compliance costs associated with the collection of data required under the reporting standards?
- 5) Are there any aspects of the reporting standards that could be improved to:
  - a) Reduce ongoing compliance costs?
  - b) Improve the usefulness of the reported data?
  - c) Improve the accuracy of the reported data or clarity of definitions and other instructions?
  - d) Facilitate better supervision by APRA?
- 6) Are any of the current requirements in the reporting standards no longer applicable? Why?