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Via email to superannuation.policy@apra.gov.au

29 May 2019

Dear Ms Richards

Consultation: Proposed Revisions to Prudential Standard SPS 515 Strategic Planning and Member Outcomes - Mercer Submission

Thank you for the opportunity to provide comment on the proposed revisions to *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515) following the passage of the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No.1 Bill 2019)* (the Bill) on 4 April 2019.

General Comments

Mercer supports the proposed changes to SPS 515, however we are concerned that trustees' preparation for the new outcomes assessment requirements, as well as finalisation of the related prudential guidance, will be hampered while there is uncertainty as to the outcomes assessment requirements to be specified by regulations.

Regulations which are or may be required

On our reading, regulations must or may be made about the following aspects of the outcomes assessments legislated in the Bill and effectively incorporated by reference in the updated draft SPS 515:

1. *Specification of benchmarks for the Section 52(9)(a) outcomes assessment*

The provisions of subparagraphs 52(9)(a)(i) and (ii) allow for 'any other' benchmark(s) to be specified in regulations made for the purposes of the main outcomes assessment in Section 52(9)(a).

On our reading, the specification of such other benchmarks in regulations is enabled but not required by the legislation.

2. *Specification of benchmarks for the Section 52(9)(aa) outcomes assessment*

The provisions of subparagraph 52(9)(aa) require a further outcomes assessment against benchmarks specified in regulations.

On our reading, the specification of the relevant benchmarks in regulations is required by the legislation in order to enable the further outcomes assessment to be carried out.

However we note that the Revised Explanatory Memorandum to the Bill (above paragraph 2.32) states in relation to Section 52(9)(aa) that “The regulations **may also** specify additional benchmarks against which each trustee must determine, in writing, whether each trustee is promoting the financial interests of beneficiaries” (emphasis added).

Hence it is possible that Section 52(9)(aa) is intended to enable a further outcomes assessment to be introduced if considered appropriate by the Government at some future time, rather than necessarily being a requirement on initial application of the legislation.

3. *Specification of ‘comparable choice products’*

The provisions of Sections 52(9)(a)(ii) and 52(10A) require the main outcomes assessment in Section 52(9)(a) to include comparisons of choice products against *comparable choice products*, which are to be specified in regulations.

On our reading, the specification of the relevant *comparable choice products* in regulations is required by the legislation in order to enable the main outcomes assessment to be carried out.

Draft SPS 515 – specifically the inclusion at paragraph 20(b) of the reference to the SIS Regulations relating to *comparable choice products* – indicates that this is also APRA’s understanding.

We therefore seek clarification, as early as possible, on whether the Government intends to make regulations on any or all of the above matters and, where applicable, consultation on draft regulations.

Updates to prudential guidance

We also look forward to consultation on any resulting changes to Prudential Practice Guides SPG 515 and SPG 516.

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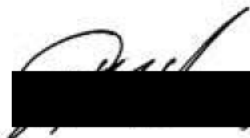
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Mercer Australia provides customised administration, technology and total benefits outsourcing solutions to a large number of employer clients and superannuation funds (including industry funds, master trusts and employer sponsored superannuation funds). We have over \$150 billion in funds under administration locally and provide services to over 2.4 million superannuation members and 15,000 private clients. Our own master trust in Australia, the Mercer Super Trust, has around 230 participating employers, around 240,000 members and more than \$24 billion in assets under management.

Please contact me on 03 [REDACTED] or by email to [REDACTED] if you would like to discuss this submission.

Yours sincerely


[REDACTED]

Dr David Knox
Senior Partner