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5 June 2025

General Manager
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Dear Sir/Madam,

APRA Discussion Paper on Governance (March 2025)

Vision Super welcomes the opportunity to respond to the above discussion paper.

Vision Super is an APRA-regulated superannuation fund committed to strong governance and acting in the best financial interests of our members. We are a mid-sized superannuation fund, with approximately 158,000 member accounts and around $29.5 billion in funds under management. Vision Super was founded in 1947, to look after retirement benefits for workers in the local government and authorities sectors in Victoria and has recently merged with Local Government Super who was the equivalent fund based in NSW. We retain a strong and significant connection with our members in our traditional sectors. We have looked after members' retirement savings and pensions for nearly 80 years, managing the full range of benefit designs from MySuper and choice accumulation products, and closed defined benefit schemes to lifetime and allocated pensions.

We acknowledge the importance of robust governance frameworks in promoting sound risk management and long-term financial resilience across the financial services sector. In our submission, we emphasise our support for a principles-based regulatory approach that recognises the diversity in size, structure, and complexity among APRA-regulated entities. In our view, governance requirements should be designed to promote meaningful outcomes and allow sufficient flexibility for superannuation trustees to tailor their frameworks to their operational realities to ensure every dollar spent contributes to stronger retirement outcomes for our members.

A prescriptive or uniform approach may give rise to unintended consequences and risks undermining the effectiveness of governance structures, particularly in the not-for-profit superannuation sector, where trustee board composition and responsibilities are shaped by representational models and fiduciary duties unique to the industry.

Vision Super believes that the equal representation model, enshrined in the SIS Act, remains a key strength of the superannuation sector. This model brings member and employer perspectives directly into governance, enabling decisions to be made with the lived experience and best interests of members front of mind. Independent research and reviews have found that the equal rep model continues to deliver high-performing member-focused outcomes.

We welcome APRA's commitment to proportionality and encourage the development of guidance that recognises the operational differences of profit-to-member funds, especially those with equal representation structures. Rules that inadvertently assume alternative governance models risk displacing the very strengths that have delivered strong member outcomes across the industry.

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Proposals

Proposal 1 – Skills and capabilities

Require regulated entities to:

a) identify and document the skills and capabilities necessary for the board overall, and for each individual director

b) evaluate existing skills and capabilities of boards and individual directors

c) take active steps to address gaps through professional development, succession planning and appointments.

We support APRA's emphasis on identifying and addressing skills and capability gaps on boards. Vision Super recognises that an effective board requires directors with appropriate skills and capabilities on an individual and collective basis, together with each individual satisfying the fit and proper requirements (refer to Proposal 2 below) in a meaningful way.

At Vision Super, we utilise a skills matrix and undertake regular evaluations of our directors' competencies. This ensures our board has the right mix of financial, risk, governance, member and community expertise to deliver on our strategy, and serve members' best financial interests.

Vision Super strongly values diversity at the board level, recognising that a range of perspectives enhances the quality of collective decision making. Repeated governance studies have confirmed that this is best practice. APRA must ensure its required skillsets reflect the depth and complexity of modern superannuation governance. Otherwise, there is a real risk that super fund boards will become robotic compliance machines, rather than the dynamic, independent-thinking stewards that members deserve, driving strategy and prudent oversight, to safeguard member retirement savings.

We strongly believe that director development and succession planning should be viewed not just as a compliance obligation, but as a long-term investment in governance capacity. This is especially important for funds operating under the equal representation model, where director nomination rights are shared between employer and employee groups. These nomination processes bring critical stakeholder insight to the board, and deliver a deeper understanding of the needs, values and expectations of our members.We encourage APRA to work collaboratively with the sector to support the development of shared capability-building pathways, particularly for member and employer-nominated directors. This could include nationally recognised governance credentials, mentoring programs, or industry-led pools of trained nominees. These initiatives would help strengthen the director pipeline across the not-for-profit super sector and ensure that capability expectations are met in a scalable and sustainable way.

Without this support, we are concerned about the unintended consequences of imposing prescriptive requirements. The cost implications from a member best financial interest perspective need to be balanced between the incurring of costs associated with succession planning (such as training for prospective directors) when there is no guarantee that the individual will become a trustee director in the future. This is less of a risk from a retail/corporate fund perspective due to the inherent nature of the businesses supporting a retail/corporate fund board. However, this is a real issue for industry funds who are not products of a retail business and/or supported by underlying corporate organisations.

We support governance standards that are rigorous, but also fair and proportionate. In our view, this proposal will be most effective when it recognises and enables the distinctive strengths of member-first superannuation governance.

Proposal 2 – Fitness and propriety

Require regulated entities to meet higher minimum requirements to ensure fitness and propriety of their responsible persons.

Require SFIs, and non-SFIs under heightened supervision, to engage proactively with APRA on potential appointments.

Vision Super supports Fit and Proper requirements that ensure responsible persons (including directors and key management personnel) are of high integrity and competence. We have internal processes for initial vetting and subsequent annual assessments our responsible persons (including directors). This includes consideration of conflicts of interests and duties, media and social media reviews, and any other relevant issues identified in the lead up to/during the annual fit and proper assessment reviews.

We also note that the introduction of the Financial Accountability Regime (FAR) imposes overlapping obligations on organisations, such as registration of accountable persons. To avoid duplication, we recommend aligning FAR and SPS 520 requirements. Where an individual is an Accountable Person under FAR, their information and attestation should satisfy fit and proper obligations.

In our experience, the claim that trustee boards rely on cursory checks does not reflect sector-wide practice. Vision Super undertakes rigorous assessments of fitness and propriety, including external verification, induction, and continuous professional development.

We note that APRA already holds powers under the prudential framework to disqualify a board director. Introducing a formal right to interview a candidate for appointment/re-appointment as a responsible person may inadvertently imply APRA's endorsement of that candidate by APRA depending upon the outcomes (if any) of that interview. This could create ambiguity around the scope of APRA's role in board appointments and introduce potential legal or reputational implications for the candidate, the trustee and APRA. Therefore, Vision Super cannot support this proposal, we note that accountability for board appointments should ultimately remain with the trustee.

We encourage APRA to focus enforcement activity on demonstrably poor performers rather than apply additional burden to those already meeting high standards.

Proposal 6 – Role clarity

Define APRA's core expectations of the board, the chair and senior management.

Provide additional guidance on which APRA requirements may be delegated to board committees and senior management.

We note that Proposal 6 also intersects with the FAR, which imposes defined accountability on senior executives and directors. To avoid regulatory duplication, APRA's framework should align with FAR obligations, including accountability statements and maps. APRA's guidance should clarify how prudential responsibilities can be delegated without compromising the duties of Accountable Persons.

Proposal 7 – Board committees

> Extend the current requirement for bank and insurer boards to have separate risk and audit committees, to apply to SFI RSE licensees as well. Repeal this requirement for non-SFI banks and insurers, allowing flexibility for smaller entities.
>
> Mandate that only full board members can be voting members of APRA-required board committees.

Vision Super supports APRA's Proposal 7 to require separate board Risk and Audit Committees for larger superannuation funds (SFIs). We have had dedicated Audit and Risk Committees.

Vision Super supports APRA's proposal that only members of a board committee should have voting rights. However, we do not agree that voting rights should be limited only to directors. In our governance structure, committees such as the Valuations Committee include non-director members with relevant expertise. These individuals are full committee members and should retain voting rights consistent with their responsibilities and accountability.

We agree that management, observers, service providers, and external consultants, who attend in an advisory or support capacity, should not hold voting rights. Their role is to inform committee deliberations, not to participate in decision-making.

We recommend APRA clarify that voting rights should be restricted to formally appointed committee members, whether or not they are directors. This approach supports appropriate governance, ensures committee accountability, and allows funds to leverage subject matter expertise in a controlled and transparent manner.

Proposal 8 – Director tenure and board renewal

> Impose a lifetime default tenure limit of 10 years for non-executive directors at a regulated entity.
>
> Require regulated entities to establish a robust, forward-looking process for board renewal.

As recognised in the Discussion paper, the tenure of super trustee directors is already prescribed in the superannuation prudential statements and most funds (including Vision Super) have adopted APRA expectations that the maximum tenure is 12 years, except in limited and well-justified circumstances.

It appears that the proposed term limit of 10 years has been nominated by APRA to protect the independence of independent directors despite contemporary governance benchmarks and the relevant literature suggesting that independent non-executive directors should ideally serve for a maximum period of between nine and 12 years. APRA has also indicated that overseas prudential regulators have not set hard limits on non-executive director tenure but several have issued guidance to indicate that director independence may be affected after 10 years on a board.

A 12-year limit offers significantly more flexibility for board renewal, while still aligning with best-practice governance guidance, including that from the ASX Corporate Governance Council and international prudential regulators, which generally recommend tenure limits of between 9 and 12 years, without mandated caps.

From a practical perspective, a 12-year limit allows trustee boards to implement consistent and structured board terms that support renewal without creating unnecessary disruption (eg allowing directors to be reappointed for a maximum of 3 terms of 4 years, or 4 terms of 3 years, or 2 terms of 6 years).

Each of these combinations is used across the industry and aligns with nomination cycles, director development pathways, and performance review processes. In contrast, a 10-year cap cuts across these standard cycles, introducing awkward discontinuities that may disrupt succession planning or prematurely remove high-performing directors.

This flexibility is particularly important under the equal representation model, where director appointments are made by nominating entities and reflect the voices of key member and employer stakeholders. The nomination process is more deliberative, and appointment pathways can be longer and more complex than in a corporate environment. A hard 10-year cut-off risks narrowing the pool of potential directors and losing valuable institutional knowledge that contributes to strong, stable governance.

We recommend that APRA retain the existing 12-year benchmark, which has been well embedded in current prudential guidance and widely adopted by the industry (including by Vision Super). This standard provides sufficient incentive for ongoing board renewal and succession planning, while also allowing trustee boards to balance continuity with change.

If APRA proceeds with a prescriptive tenure limit, we strongly recommend a “comply or explain” model, similar to international governance frameworks, rather than a rigid hard cap. This would allow funds to retain high-performing directors beyond the default limit in exceptional circumstances, subject to clear disclosure and justification through performance evaluation and renewal policies.

Ultimately, the objective should be to promote effective governance outcomes, not to enforce arbitrary time limits. Tenure policy should be one of several tools available to support board effectiveness, not a blunt instrument that may undermine representational balance and member outcomes.

Yours faithfully

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Chair, Vision Super