

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2014 - 2015

**Department/Agency: APRA**

**Question: SBT 1-6**

**Topic: MySuper Products**

**Reference: Written - 27 October 2014**

**Senator: Ketter, Chris**

**Question:**

1. How many applications for MySuper products has APRA now approved? How many has APRA rejected?
2. Were the total assets and the scale of the assets of MySuper products taken into account when MySuper products were authorised?
3. How much of accrued default amounts are held by retail as opposed to other fund types?
4. What additional costs would be borne by members if the money stays in legacy funds rather than other MySuper products through until June 2017?
5. What pressure is APRA placing on providers to expedite transfer of accrued default money?
6. Does the MySuper authorisation process selection criteria take into account the suitability of a default MySuper offering for a particular industry or class of award dependent employee – for example in their insurance offering?

**Answer:**

1. As at 10 November 2014, APRA had approved 107 generic MySuper products and 13 MySuper products for large employers.

Currently there are 105 active generic MySuper products on [the register of authorised products](#) following the wind-up of two products.

No applications for authorisation of a MySuper product were rejected by APRA. Nearly all applicants were, however, required to provide further information as part of the authorisation process.

Further, in line with APRA's consultative approach, a significant number of applicants decided to withdraw, revise and re-submit their applications based on feedback from APRA on deficiencies in their applications.

Whilst almost all withdrawn applications resulted in new applications that were authorised, some applicants chose not to re-apply.

2. Consistent with the requirements under the *Superannuation Industry (Supervision) Act 1993* (the SIS Act), the focus of the assessment undertaken by APRA was on whether the RSE licensee were likely to comply with the rules and obligations for offering a MySuper product and, in particular, the enhanced trustee obligations in relation to the MySuper product.

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As part of the application, RSE licensees were required to provide details of the policies and procedures by which they would make the legislatively required annual “scale” determination under section 29VN(b) of the SIS Act. Section 29VN(b) requires that each trustee of a regulated superannuation fund that includes a MySuper product must determine on an annual basis whether the beneficiaries of the fund who hold the MySuper product are disadvantaged, in comparison to the beneficiaries of other funds who hold a MySuper product within those other funds. RSE licensees were also requested to provide business plans in respect of the proposed MySuper product, which included projected funds under management and other relevant information.

3. and 5. RSE licensees are required to move all ADAs to a MySuper product before 1 July 2017. APRA’s guidance in relation to transition arrangements included the following: *“Notwithstanding that the legislation allows for an RSE licensee to move accrued default amounts at any time up until 30 June 2017, APRA expects that the attribution to a MySuper product would be made much earlier than 1 July 2017 when it is in the best interests of members. APRA would expect the RSE licensee’s transition plan to reflect this approach.”*<sup>1</sup>

APRA expects RSE licensees to continue to follow their transition plans and for APRA to be notified of material changes to, or issues in relation to implementing, these plans.

APRA also monitors progress against these plans as part of its supervision of RSE licensees and based on the information submitted under reporting standard SRS 410.0. This information suggests that ADAs are being progressively transferred to MySuper products.

At 30 June 2014, \$77bn of assets had been identified as accrued default amounts (ADAs) in accordance with section 20B of the SIS Act, of which \$62bn was classified as being held by retail funds.

Reported ADAs have decreased significantly over the year to 30 June 2014 and continue to decrease on a quarter by quarter basis.

4. The costs borne by members during the transition period will necessarily vary according to the specific features of their current default fund, the MySuper product to which they are ultimately transferred and the timeframe in which the transfer occurs. The information provided to APRA during the authorisation process, and through its regular data collection, is not sufficiently detailed to enable APRA to provide an aggregate estimate of these costs.

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<sup>1</sup> Prudential Practice Guide SPG 410 MySuper Transition, paragraph 15

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6. Section 29T of the SIS Act provides that APRA must authorise an RSE licensee to offer a class of beneficial interest in a regulated superannuation fund as a MySuper product if the criteria set out in the SIS legislation have been satisfied. The suitability of a default MySuper offering for a particular industry or class of award dependent employee was not a legislative criteria for authorisation.