

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2016 - 2017

**Department/Agency:** Australian Prudential Regulation Authority  
**Question:** 499  
**Topic:** Transfer of money into MySuper within the retail sector  
**Reference:** Hansard page no. 8-9 - 20 October 2016  
**Senator:** Gallagher, Katy

**Question:**

**Senator GALLAGHER:** ... I will just refer to the article that is in the *Australian Financial Review* this morning. Are you aware of that article? Is this your area, Mrs Rowell?

**Mrs Rowell:** Yes.

**Senator GALLAGHER:** Are you aware of the article that was in—

**Mrs Rowell:** Is this the one on David Whiteley—

**Senator GALLAGHER:** It was by Sally Patten. It was looking at the amount of money that has not been transferred from ADAs into MySuper largely by the retail sector. What is your response to that? When I had a look back at the work that APRA has done, I think I saw you did a review from the time the changes were implemented to September 2015. In the lead-up to the July 2017 deadline, are you actively monitoring it? Do you have any concerns, particularly the ones that have been highlighted in this article?

**Mrs Rowell:** APRA has been monitoring the transition of accrued default amounts since the implementation of the requirements in 2013. At the time of authorisation, all trustees had to give us their plan for transitioning accrued benefits from old default products to the new MySuper product. We have been engaging actively and monitoring through our reporting and the data we collect whether those plans are on track. We are broadly comfortable with the process that is being followed and that trustees are undertaking the transfers in accordance with their commitments under the law and what they have told us about authorisation. I think some funds have found some challenges in shifting people from one product to another because of the particular terms of trustees and other legal constraints that have meant they have had to go through perhaps some more extended processes than they thought they might need to to be able to legally move members from one product to another. But they have been working hard to address those concerns and get the members across to the new default product. Our message to trustees has been that we think that the orderly transfer should be progressed as soon as possible. The best-interest obligation to members is to move them to cheaper product as quickly as possible. Our sense is that that is occurring, but it is something that we continually raise with trustees to make sure they are staying on track.

**Senator GALLAGHER:** So you are monitoring it from the best-interest principle for the beneficiaries. It appears to me from reading it that there are discrepancies based on sector within the superannuation industry. The industry funds are there with MySuper products, and yet it appears that, for retail funds, a large percentage—around 43 per cent, according to this article—remain in those old-style products with high fees. Can you explain why that difference might be occurring if that best-interest principle is being followed?

**Mrs Rowell:** I would need to confirm the precise numbers. I have not had time to review the analysis of the figures that are in the article. It is correct, however, that there is more old accrued default money in retail funds. The industry funds have moved more quickly in this area. I think that reflects, in part, that the process for a lot of the industry funds was relatively

straightforward. They had an existing default product that was rebadged as a MySuper product, and so the process to transfer members from the old product to the new product was very straightforward. In the case of retail funds, typically there have been quite a range of different default products, and it has been a lengthier and more problematic exercise for them to go through all the details of each of those individual products, decide which ones are right for that particular group of members and identify a product to transfer them to. In addition, we are aware that there have been some legal questions raised about terms of trust deeds that have made the process a little bit slower than might otherwise have been the case.

**Senator GALLAGHER:** Perhaps you can come back—I am aware of time—with any analysis of that data. In particular, does APRA hold data on the value of funds, the number of member accounts, the net returns and the fees in relation to those legacy choice products? This seems to be the issue, doesn't it? The longer people stay in these legacy products, the higher the costs they are incurring. Is APRA holding that data? If so, can it be provided to the committee?

**Mrs Rowell:** We have some of that data. We certainly have balances, and I think we have the number of accounts. I am not sure that we would necessarily be able to break down returns and fees for those products, but I will confirm that.

**Answer:**

For information relating to the value of funds, the number of member accounts, the net returns and the fees in relation to legacy choice products, refer to the answer provided in response to Question on Notice No. 159.