



Prudential Standard SPS 410

MySuper Transition

Objectives and key requirements of this Prudential Standard

This Prudential Standard sets out minimum processes for RSE licensees in relation to the election under section 387 of the *Superannuation Industry (Supervision) Act 1993* to attribute all accrued default amounts to a suitable MySuper product before 1 July 2017.

The key requirements of this Prudential Standard include:

- the identification of members in each registrable superannuation entity 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.

Authority

1. This Prudential Standard is made under section 34C of the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*.

Application

2. This Prudential Standard applies to each registrable superannuation entity (**RSE**) licensee (**RSE licensee**) under the SIS Act in respect of each RSE within its business operations that is not a pooled superannuation trust, eligible rollover fund (**ERF**) or approved deposit fund.¹
3. All RSE licensees must comply with this Prudential Standard in its entirety, unless otherwise expressly indicated.
4. An RSE licensee that meets the criteria outlined in this paragraph is required only to comply with paragraphs 6, 7, 8(d) and 9 with regard to the attribution of accrued default amounts from an existing default investment option to a specified MySuper product.² The relevant criteria are where an RSE licensee is authorised to offer a MySuper product in an RSE which, at the time of authorisation, includes an existing default investment option, and the MySuper product has:
 - (a) the same investment strategy as the existing default investment option;
 - (b) insurance benefits no less and insurance premiums no higher than apply in the existing default investment option; and
 - (c) administration and investment management fees no higher than apply in the existing default investment option.
5. This Prudential Standard commences on 1 January 2013.

Identifying accrued default amounts

6. An RSE licensee must, by no later than 30 September 2013 and quarterly thereafter, identify:
 - (a) all affected members within each RSE within its business operations³; and
 - (b) the amount of each accrued default amount.

¹ For the purposes of this Prudential Standard, an 'RSE licensee's business operations includes all activities as an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee.

² For the purposes of this Prudential Standard, 'accrued default amount' has the meaning given in section 20B of the SIS Act.

³ For the purposes of this Prudential Standard, an 'affected member' is a member in respect of whom the RSE licensee holds an accrued default amount.

Transition plan

7. By no later than 1 July 2013, an RSE licensee must prepare, and thereafter regularly review and give effect to, a transition plan, approved by the Board of the RSE licensee (**the Board**), in respect of each affected RSE within its business operations.⁴
8. An RSE licensee must articulate in each transition plan the RSE licensee's process for identifying all accrued default amounts in the affected RSE and which may arise between the date of initial determination of accrued default amounts and 1 July 2017. The transition plan must also, at a minimum, articulate the processes and expected timeframes for:
 - (a) identifying one or more suitable MySuper product(s) within the meaning of paragraph 11 to which accrued default amounts are to be attributed;
 - (b) identifying any impediment to attributing a member's accrued default amount to a suitable MySuper product, and, if any such impediment exists, how the impediment is to be resolved;
 - (c) communicating with affected members about the placement of their default contributions⁵ into a MySuper product, and movement of their accrued default amounts to the MySuper product; and
 - (d) attributing all identified accrued default amounts to the identified suitable MySuper product(s), by no later than 1 July 2017.
9. Where an RSE licensee has multiple affected RSEs within its business operations and the proposed treatment of accrued default amounts is the same, it may, after consultation with APRA, prepare a transition plan that applies to more than one affected RSE.

Identifying a suitable MySuper product

10. An RSE licensee must identify one or more suitable MySuper products to which the accrued default amounts of affected members within each RSE will be attributed.
11. A MySuper product will be suitable for the purposes of paragraph 10 if it is a MySuper product:
 - (a) that:

⁴ For the purposes of this Prudential Standard, an 'affected RSE' is an RSE which holds any accrued default amount.

⁵ For the purposes of this Prudential Standard, a 'default contribution' is any contribution, transfer or rollover paid into an RSE in respect of a member for which the member (or authorised agent) has not provided written instruction as to its investment in an investment option other than the default investment option available to the member.

- (i) the RSE licensee is authorised to offer in the RSE in which the accrued default amount is held; or
 - (ii) the RSE licensee is authorised to offer in another RSE within its business operations; or
 - (iii) is in any other RSE; and
- (b) into which the member or class of members is eligible under the governing rules to make contributions; and
- (c) to which the RSE licensee is legally able to attribute the member's accrued default amount

and the RSE licensee has formed the view that attribution of the member's accrued default amount to that MySuper product promotes the financial interests of the member or class of members.

12. Where an RSE licensee is not authorised to offer a MySuper product in an affected RSE, the RSE licensee must identify, by no later than 30 June 2016, one or more suitable MySuper products offered by another RSE into which it will move each accrued default amount by no later than 1 July 2017.
13. Where an RSE licensee is unable to identify a suitable MySuper product for a member or class of members by 30 June 2016, the RSE licensee must report to APRA, by no later than 31 July 2016:
- (a) the number of affected members in the RSE for which the RSE licensee is unable to identify a suitable MySuper product;
 - (b) the value of the accrued default amounts of those members;
 - (c) the details of the MySuper product which the RSE licensee considers to be most nearly suitable for those members; and
 - (d) the reasons why the RSE licensee considers that the MySuper product is not suitable.

Movement of accrued default amount into a suitable MySuper product

14. An RSE licensee must attribute a member's accrued default amount to the MySuper product no later than 120 days from the date of notification to the member in accordance with regulation 9.46 of the *Superannuation Industry (Supervision) Regulations 1994* unless the member directs the RSE licensee in writing, within 90 days of the date of the notification, to attribute the accrued default amount to another MySuper product or an investment option within a choice product in the RSE.
15. An RSE licensee may attribute a member's accrued default amount to the MySuper product no later than 120 days from the date of that notification to the member if the member gives an instruction to opt out of the attribution of their

accrued default amount to the specified MySuper product but does not direct the RSE licensee in writing to attribute the accrued default amount to another MySuper product or an investment option within a choice product in the RSE.

Adjustments and exclusions

16. APRA may, by notice in writing to an RSE licensee, adjust or exclude a specific prudential requirement in this Prudential Standard in relation to that RSE licensee.⁶

⁶ Refer to section 34C(5) of the SIS Act.