

SUBMISSION

Submission to APRA —
Proposed technical
determination for
combining MySuper
product performance
histories

11 May 2023

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General Manager, Policy

APRA

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

11 May 2023

Dear Sir/Madam

Proposed technical determination for combining MySuper product performance histories

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission to APRA in response to its consultation on the proposed technical determination (the Determination) for combining MySuper product performance histories.

ASFA is a non-profit, non-partisan national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$3.3 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing almost 90 per cent of the 17 million Australians with superannuation.

Comments on the proposed Determination

ASFA notes the intent of the proposed Determination – to permit APRA to combine performance histories for all MySuper lifecycle products in respect of the performance test, and so remove the need for APRA to make individual determinations for each affected product. ASFA's comments on the proposed Determination are largely technical in nature.

Scope of the proposed Determination

APRA's letter to RSEs regarding the proposed Determination states that the scope of the Determination is confined to the group of MySuper lifecycle products – APRA has drafted the Determination such that it does not apply to trustee-directed (lifecycle) products. ASFA seeks clarification that, with respect to the interaction with the proposed *Superannuation Performance Test Regulations 2023*, the scope of the proposed Determination remains confined to the group of MySuper lifecycle products.

Definitions

With respect to the proposed definition of **change event**, subsection (a) of that definition means that where the lifecycle structure of a MySuper product changes, the revised formulae to combine lifecycle histories *will not apply* where there is “the deletion of a lifestage with low or zero member accounts”.

It is appropriate that the revised formulae (to combine lifecycle histories) does not apply to circumstances where a lifestage is deleted due to zero member accounts, and similarly to circumstances where a new lifestage is created to cater for the youngest membership cohort (as per subsection (b) of the definition of **change event**). This simply reflects the fact that after the **change event** (in the case of a lifestage deletion),

or prior to the **change event** (in the case of a lifestage addition), the relevant lifestage would have a zero weight. In such circumstances, the standard formulae would apply.

However, it is not clear why the definition includes a reference to the deletion of lifestages with “low member accounts”.

- Firstly, circumstances where members of a lifestage (regardless of the number of members) are combined into another lifestage represents a change in the lifestage structure of a product. This is precisely the issue that the proposed Determination is intending to address (and as such, the revised formulae would apply).
- Secondly, there is no definition in the proposed Determination of the quantum of member accounts that would constitute a “low” number. Nor is there guidance as to how the definition of a “low” number would be determined (for example, via an additional legislative instrument).

In this regard, ASFA would welcome clarification on the rationale for the proposed treatment of lifestages with low member accounts.

Section 7 (Modifications to the actual return formula)

In Section 7(2) of the proposed Determination, the text for subregulation 9AB.4(1) would result in two (and likely different) sets of lifestage weights for the first day of a new lifestage structure.

Currently, the proposed text for subregulation 9AB.4(1) is:

- (1) The lifestage weight of a Part 6A product for the period from*
- (a) the beginning of the quarter to the **change event** is:*

Repetition of lifestage weightings would be avoided if the proposed text for (1)(a) is replaced by:

- (a) the beginning of the quarter to **Day X** is:*

This change would be consistent with the equivalent proposed text, also in subregulation 9AB.4(1), in respect of the formula for calculating benchmark returns.

Worked examples

Due the complicated nature of the proposed revisions to the formulae in the SIS Regulations, ASFA considers that APRA guidance should include worked examples.

If you have any queries or comments in relation to the content of our submission, please contact me on 0401 016 587 or by email acraston@superannuation.asn.au.

Yours sincerely

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