

16 April 2013

Mr Neil Grummitt
General Manager, Policy Development
Policy, Research and Statistics
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Email: superannuation.policy@apra.gov.au

Dear Mr Grummitt,

Draft Prudential Standard SPS 450 ERF Transition

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST supports this prudential standard which set out requirements for RSE licensees who operate Eligible Rollover Funds (ERFs). We wish to offer some comments with a view to assisting with minor improvements.

AIST believes that the transition timetable is appropriate, particularly given the advance notice of these measures. However, we submit that the transition plan should be extended to include all data held by the transferring ERF, not just the data which identifies each member. This is because of the implied obligation on ERF trustees to seek to reunite those members with an active account. This obligation is properly fulfilled by having regard to all data held by the trustee. For example, information identifying a member's original fund is often a valuable tool in identifying a lost member, where insufficient additional information is available to identify a member's account.

In addition, AIST supports consideration of transition to another ERF in the first instance, but is ambivalent about the exclusion of MySuper using a lifecycle model in the second.

We believe that one of the problems with data held with ERFs has been overstated. While it is true that data quality is not great in ERFs, we suggest that the overwhelming majority (e.g., greater than 80%) of birth dates held with ERFs are probably accurate. Where a birthdate is not known, a fund could be required to give the member a nominal age of 18 years.

Lastly, we submit that where ERF accounts are transferred to a MySuper product under SPS 450, AIST suggests a legislative amendment that removes the requirement to provide the account with insurance (unless the account is merged with an existing account).

If you have any further questions regarding this submission, please contact David Haynes, Project Director on 03 8677 3803 or at dhaynes@aist.asn.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia
Chief Executive Officer