



Trustee Workshop

on APRA's Superannuation
Proposals – draft prudential
standards and MySuper
authorisation

Thursday, 17 May 2012

Sofitel Sydney Wentworth

Draft Prudential Standards

**Andrew Boal, Chair of the
Superannuation Practice Committee**



Defined Benefit Matters (SPS 160)

- Must set a shortfall limit based on vested benefits
 - Expected to be addressed within 1 year - or next valuation if sooner
 - Without need for immediate action (otherwise “interim” valuation, report within 3 months, assets vs shortfall limit, recommended actions/contributions within 15 days)
- APRA can direct licensee to appoint an actuary or conduct valuation or request report
- 6 month timeframe for regular valuations
- ORFR excluded from assets
- 3 years projections on reasonable expectations



Defined Benefit Matters (SPS 160)

- If unsatisfactory (or about to become – 3 years?):
 - Actuary must prepare a statement to licensee within 15 business days with recommended actions/contributions
 - Restore satisfactory position within “reasonable” timeframe (3 years maximum)
 - Licensee must set out restoration plan within 3 months
 - Including likelihood that contributions will be paid
 - Provide copy to APRA within 15 business days
 - Actuarial management if shortfall limit breached
 - APRA may require regular reports, review investment strategy or vary the period of the restoration plan



Defined Benefit Matters (SPS 160)

Self insurance:

- Annual attestation that self insurance is in members best interest
- Actuarial assessment of adequacy of reserve at least every three years
- Develop a contingency plan



Insurance in Super (SPS 250)

Requirements:

- Need to have “insurance management framework”
 - Costs/premiums, underwriting, claims
 - Review process
- Formulate and give effect to selection process
- Due diligence of selected insurers
- Insurance policies to meet minimum standards
- Rules for monitoring insurance relationships
- Transition for “non permitted” insurance products



Fit and Proper (SPS 520)

Responsible persons:

- Includes a director, senior manager and secretary, plus the approved auditor and the actuary
- Criteria for the actuary includes:
 - Competence, character, diligence, experience, honesty, integrity and judgement – all other criteria
 - Appropriate formal qualifications (FIAA or Accredited)
 - Minimum five years relevant experience in super
 - No conflict of interest, or the conflict will not create a material risk that the person will fail to perform properly their duties of the position



Conflicts of Interest (SPS 521)

Requirements for the actuary:

- Identify all potential conflicts
- Circumstances that might give rise to a conflict
- Understand the conflict management framework
- Obligations to the trustee board
 - Disclose all relevant duties and relevant interests, and
 - Keep the information up-to-date
- Trustee Board must:
 - Avoid conflicts where required, or
 - Manage conflicts to give priority to beneficiaries



Risk Management (SPS220) & ORFR (SPS114) & more

- Risk Management Framework
 - Covering all material risks, risk appetite, risk tolerance
- Operational Risk Financial Requirement (ORFR)
 - Target level and tolerance limit
 - Process is important (projections & stress testing)
 - Replenishment plan over reasonable period
 - Audit adequacy and effectiveness (external expert)
- Investment Governance Framework
 - Comprehensive stress testing including liquidity
- 22 + frameworks, plans, policies, procedures, strategies, charters, delegations, appointments ...