



30 April 2019

TO: ALL RSE LICENSEES

CONSULTATION: PROPOSED REVISIONS TO PRUDENTIAL STANDARD SPS 515 STRATEGIC PLANNING AND MEMBER OUTCOMES

APRA is releasing for consultation proposed revisions to *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515) following the passage of the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1 Bill 2019)* (the Bill) on 4 April 2019.

APRA issued the final SPS 515 as part of its Strengthening Member Outcomes package¹, in December 2018. The package included strengthened requirements for strategic and business planning, including undertaking a holistic assessment of the performance of the RSE licensee in executing its strategy and sustainably delivering enhanced outcomes for members.

The Bill introduces a legislated outcomes assessment. At the time of release of its package, APRA indicated that it would review SPS 515 and accompanying guidance to ensure alignment with the legislated outcomes assessment and to avoid any industry uncertainty in complying with both the legislation and APRA's requirements.

APRA is proposing revisions to SPS 515 to clarify how the legislated outcomes assessment interacts with APRA's requirements, and to specify additional factors to be addressed in the assessment as provided for in the legislation. The overall substance of the requirements for RSE licensees in revised SPS 515 are unchanged, however they are expressed differently to more clearly delineate APRA's requirements from those imposed by the Bill.

Proposed changes to SPS 515

The revised SPS 515 requires a Business Performance Review (BPR) to be undertaken as part of an RSE licensee's strategic and business planning process. The BPR reflects the same underlying objective as the requirements set out in the version of SPS 515 released in December 2018. That is, it requires an RSE licensee to be both reflective and forward-looking in identifying improvements that can be made to enhance the sound and prudent management of its business operations, and drive the sustainable delivery of better outcomes for members. RSE licensees will be required to take into account the results of the legislated outcomes assessment as part of their BPR.

The BPR requires an RSE licensee to analyse its performance in achieving its strategic objectives, having regard to:

- its monitoring of its business plan;

¹ The member outcomes package included *Prudential Standard SPS 515 Strategic and Business Planning*, *Prudential Standard SPS 220 Risk Management*, *Prudential Practice Guide SPG 515 Strategic and Business Planning* (SPG 515) and *Prudential Practice Guide SPG 516 Outcomes Assessment* (SPG 516).

- the outcomes achieved for different cohorts of members; and
- the results from the legislated outcomes assessment.

SPS 515 is also being amended to include requirements for the purposes of the legislated outcomes assessment, as provided for under the Bill. RSE licensees will be required to:

- document the methodology applied in undertaking the legislated outcomes assessment, including how the RSE licensee has determined 'comparable choice products'; and
- under section 52(11) of the SIS Act, separately consider the impact of scale and the operating costs of its business operations on the financial interests of members that hold the product.

Commencement

APRA proposes to maintain the commencement date of SPS 515 as 1 January 2020. This means that the first BPR is required to be undertaken by 31 December 2020.

Consultation

APRA welcomes feedback on its proposed revisions to SPS 515, available at: <https://www.apra.gov.au/strengthening-superannuation-member-outcomes>.

Following consideration of submissions on the proposed revisions to SPS 515, APRA will review SPG 515 and SPG 516 and consider whether guidance on the legislated outcomes assessment would be beneficial.

Written submissions should be emailed to superannuation.policy@apra.gov.au by 29 May 2019.

Submissions may also be addressed to:

Ms Heidi Richards
General Manager, Policy Development
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Yours sincerely,


Helen Rowell
Deputy Chairman

Important disclosure notice – publication of submissions

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and will therefore be exempt from production under the FOIA.