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**From:** DAVIES, Michael  
**Sent:** Monday, 27 June 2016 4:38 PM  
**To:** @apra.gov.au  
**Cc:** OSFSFT; LALOPOULOS, Angela  
**Subject:** Proposed appointment of Sunsuper [SEC=UNCLASSIFIED]  
**Attachments:** 1288\_001.pdf; D16 207388 Employer Sponsor - APRA - Note on OSF SFT - 27 June 2016(2).....docx

Dear

Thank you again for speaking with me this morning. As discussed, the RBA executive and OSF Trustees have approved the SFT of the OSF to Sunsuper.

Attached is the official letter from Mr Campbell, the RBA Executive that is leading this project. Also attached is a short paper which outlines the reasons why Sunsuper has been selected, the benefits to employers and OSF members of the SFT, and the next steps required if APRA confirms its participation in the successor fund.

Could APRA please consider the RBA's and OSF Trustees' proposed transfer of the OSF to a sub-plan within Sunsuper and approve the execution of the *Nominated Employer Deed* if it wants its OSF members to retain their benefits in the RBA sub-plan after the SFT takes effect.

If possible, it would be great if you could come back to me on this matter by later this week.

Thank you again for working with the RBA and OSF Trustees on this project. Please feel free to contact me if you need any further information.

Best regards,

Michael



RESERVE BANK OF AUSTRALIA

65 Martin Place  
Sydney NSW 2000

GPO Box 3947  
Sydney NSW 2001  
T: +61 2 9551 8600  
F: +61 2 9551 8057  
campbellf@rba.gov.au  
www.rba.gov.au

27 June 2016

Mr Wayne Byres  
Chairperson  
Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001

Dear Wayne

**PROPOSED SUCCESSOR FUND FOR THE RESERVE BANK OF AUSTRALIA OFFICERS' SUPERANNUATION FUND**

I wish to inform the Australian Prudential Regulation Authority (APRA), as a nominated employer sponsor of the Reserve Bank of Australia Officers' Superannuation Fund (OSF), that the Reserve Bank of Australia (RBA) has selected Sunsuper as the multi-employer fund (MEF) to replace the OSF via a successor fund transfer (SFT). By mid 2017, the OSF will be transferred to a sub-plan within Sunsuper named *RB Super*. The OSF Trustees have completed their equivalent rights analysis and concluded that proceeding with an SFT would be in OSF members' best interests.

\_\_\_\_\_ has been liaising with the RBA project team during the tender to select the successor fund for the OSF and the broader project to ensure that APRA's requirements have been appropriately addressed.

Attached is a short paper which outlines the reasons why Sunsuper has been selected, the benefits to employers and OSF members of the SFT, and the next steps required if APRA confirms its participation in the successor fund.

On behalf of the RBA, I request that APRA considers the RBA's and OSF Trustees' proposed transfer of the OSF to a sub-plan within Sunsuper and agrees to execute the *Nominated Employer Deed* if it agrees to allow its OSF members to retain their benefits in the RBA sub-plan after the SFT takes effect.

The RBA will continue to work with APRA over the coming months to ensure that the transition to Sunsuper is as smooth as possible for members and employer sponsors.

I thank APRA for their very constructive involvement in this project. Please contact Michael Davies (02 \_\_\_\_\_ [@rba.gov.au](mailto:_____@rba.gov.au)) should you or \_\_\_\_\_ wish to discuss any aspect of this arrangement further.

Yours sincerely

Frank Campbell  
Assistant Governor  
(Corporate Services)

## Appointment of Sunsuper as the Successor Fund for the RBA OSF

After a thorough procurement process, the Reserve Bank of Australia (RBA) has selected Sunsuper as its preferred multi-employer fund to replace the RBA OSF via successor fund transfer (SFT). The OSF Trustees have completed their equivalent rights analysis and concluded that proceeding with an SFT would be in OSF members' best interests. The RBA now seeks the agreement of APRA to participate as a sponsoring employer in the successor fund. All parties (OSF Trustees, RBA, APRA, NPA and Sunsuper) could then proceed with the execution of the legal agreements relevant to each, and the transition process could commence.

The RBA requests APRA review the proposed transfer, and approve its participation in the successor fund, for the reasons detailed below.

### Selection of Sunsuper

Sunsuper is a large industry fund which has over 1 million members and \$34 billion of assets. It is sponsored by the Chamber of Commerce and Industry Queensland, Queensland Council of Unions and the Australian Workers' Union. Sunsuper has a large retail membership, but also has corporate clients with members and in assets. The Board is comprised of three union-appointed directors, three employer-appointed directors, and three independent directors. The RBA has carried out additional due diligence on Board functioning.

Of the shortlisted firms, Sunsuper was assessed as offering the best value for money, based on the all-round strength of its offering.

The Australian Government Solicitor has overseen the tender process

Sunsuper's proposal also offers tangible benefits for OSF members and employers.

## Benefits for Members

OSF members will benefit from enhanced services within Sunsuper including:

- Investments - Sunsuper offers 21 investment options compared to the 10 options provided by the OSF, and allows daily rather than quarterly switching. Sunsuper's after-tax, after-fee investment returns have been equal to or better than the OSF's returns for nine of the 10 accumulation options for the periods of 3 years and 10 years to June 2015 (Table 1).
- Investment fees – Sunsuper's investment fees to be paid by members are lower than those currently charged on each of the equivalent OSF options, for some options considerably lower. In aggregate, there are estimated fee savings for the OSF membership in the order of (Table 1). Consistent with the OSF, members will not pay any administration fees in Sunsuper.
- Member services – Sunsuper's website has much more functionality than the OSF's website, including a wider range of calculators, full transaction history, online education, videos and market updates. Sunsuper also offers additional member services such as member education, financial planning, and account-based pensions. Sunsuper's call centre has longer hours than the call centre, providing members with more flexibility to contact the fund outside standard RBA and APRA working hours.
- Insurance – Sunsuper offers better insurance arrangements than the OSF. These arrangements will be confirmed in the transition to Sunsuper as insurance companies' offers are binding only for a few months. However, based on currently available information, accumulation members would get the OSF's standard death and TPD cover at significantly lower premiums than the OSF charges. Accumulation and defined benefit members would also have the additional option of purchasing additional death, TPD and income protection cover.

To help to ensure that OSF members retain equivalent rights, the OSF benefit design has been replicated in the successor fund's Plan Rules for all categories of members. Moreover, fortnightly pension payments will continue to be paid at the normal time; defined benefit entitlements and pensions will continue to be supported by a separate pool of assets and backed by the three employer sponsors; and the RBA will monitor the RBA sub-plan via a Policy Committee as well as ongoing direct interactions with RBA HR and Finance.

**Table 1: Fees and Historic Net Investment Returns**

OSF Option	OSF Fees and Costs <sup>1</sup> (%)	Sunsuper Fees and Costs <sup>2</sup> (%)	3 year returns (% p.a.)		10 year returns (% p.a.)	
			OSF	Sunsuper <sup>3</sup>	OSF	Sunsuper <sup>3</sup>
Option A	0.25	0.09	15.1		6.1	
Option B	0.23	0.09	13.0		6.0	
Option C	0.24	0.09	7.5		5.3	
Option D	0.19	0.08	2.9		4.4	
Option E	0.38	0.33	10.9		6.7	
Australian Equities	0.12	0.08	14.2		6.5	
International Equities	0.28	0.09	24.3		5.4	
Listed Property	0.68	0.11	16.6		1.5	
Fixed Interest	0.24	0.12	4.4		5.7	
Cash	0.12	0.07	2.2		4.1	

<sup>1</sup> OSF investment costs as at 30 June 2015 (excluding the 0.12% temporary levy to fund the Operational Risk Financial Requirement)

<sup>2</sup> Estimated Sunsuper fee for 2016/17.

<sup>3</sup> Sunsuper's asset class returns are indexed option returns.

## Benefits for Employers

Employers will benefit from lower costs in Sunsuper.

- Administration costs are expected to reduce by around 80 per cent after the transfer.
- APRA's share of the investment costs for the assets supporting defined benefits (which is taken into account in setting unit prices rather than being paid directly by employers) will vary based on the asset allocation for the defined benefit reserves and Sunsuper's standard investment fees. Based on current estimates, APRA's share of the investment costs is estimated to reduce by about 10 per cent per annum in Sunsuper.

In addition, Sunsuper will provide a range of benefits and improved services for employers, including:

- an experienced client relationship team, including qualified actuaries;
- an improved employer website with excellent payroll functionality and access to an Online Services Team<sup>1</sup>;
- on-site seminars and presentations about the RBA sub-plan and broader superannuation matters to employees/members; and
- regular superannuation newsletters for Payroll/HR.

## Name of RBA sub-plan in Sunsuper

The RBA sub-plan in Sunsuper will be called RB Super.

## Contractual Agreements

The SFT arrangements are set out in a package of contractual documents: the SFT Deed between the OSF Trustees and Sunsuper; the RBA Plan Participation Agreement; two Nominated Employer Deeds; and the RBA Plan Rules. The business terms offered by Sunsuper have been documented in the RBA Plan Participation Agreement which is effectively the service contract between the RBA and Sunsuper. The key benefit provisions are documented in the Plan Rules (which together with Sunsuper's main Trust Deed, would replace the OSF Trust Deed). The Nominated Employer Deed sets out APRA's responsibilities in the RBA sub-plan.

The RBA's OSF Project Team and its legal advisers, have negotiated the package of legal documents with Sunsuper, incorporating feedback on relevant documents from OSF Trustees' legal adviser and the legal advisers of the Nominated Employers.

All parties have reviewed the legal documents and advised the RBA that they are in order for execution.

### *Allocation of Fees*

Costs for operating the RBA sub-plan continue to be allocated to the three employers in the same way at present. Administration fees will be split proportionally based on membership<sup>2</sup> and investment fees incorporated in unit

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<sup>1</sup> APRA payroll staff attended employer website demonstrations during the tender process.

<sup>2</sup> Sunsuper would send administration fee invoices to each employer directly, rather than have the RBA pay all administration costs and then bill APRA and NPA for their shares as at present.

prices. Employer-funded insurance costs and actuarial costs will be paid from the defined benefit (unallocated) reserves and so taken into account when setting the defined benefit contribution rate.

The RBA may also bill each Nominated Employer (APRA and NPA), from time to time, for its proportional share of additional actuarial, audit, legal, RBA staffing, or other costs which the RBA incurs in relation to the RBA sub-plan. These amounts are not expected to be large relative to Sunsuper’s administration fees.

## Timeline for Transition

The timeline to finalise the SFT and complete the transition to Sunsuper is set out below.

Late June – early July 2016	The OSF Trustees, RBA, APRA, NPA and Sunsuper execute the necessary legal documents with Sunsuper to implement the successor fund transfer.
Mid-July 2016	OSF members receive initial notification about the SFT to Sunsuper from the OSF Trustees, and a welcome letter from Sunsuper.
July 2016	Transition from the RBA and Link Super to Sunsuper will commence, including: <ul style="list-style-type: none"> <li>• liaison with RBA, APRA and NPA staff on redirection of HR and payroll processes from Link Super to Sunsuper;</li> <li>• review of existing and proposed insurance arrangements;</li> <li>• administration system and website development and testing;</li> <li>• transfer and reconciliation of assets and administration data; and</li> <li>• member education sessions and welcome communication packs.</li> </ul>
March-April 2017	All members and assets transferred to Sunsuper, and Sunsuper commences administration of the RBA sub-plan.
April 2017	Policy Committee for the RBA sub-plan established.
Mid-May 2017	New actuarial Benefit Certificate will be issued to all employers to ensure that they meet their superannuation guarantee obligations.
June-July 2017	Final set of OSF financial accounts prepared and final regulatory returns lodged.  OSF is formally wound up.

## Action

We request that APRA consider the RBA’s and OSF Trustees’ proposed transfer of the OSF to a sub-plan within Sunsuper and agree to execute the Nominated Employer Deed if it wants to allow its OSF members to retain their benefits in the RBA sub-plan after the SFT takes effect.

OSF Outsourcing Team, OSF Section  
27 June 2016

**AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY**

Level 12, 1 Martin Place, Sydney, NSW, 2000  
GPO Box 9836, Sydney, NSW, 2001



| W [www.apra.gov.au](http://www.apra.gov.au)

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30 June 2016

Frank Campbell  
Assistant Governor - Corporate Services  
Reserve Bank of Australia  
GPO Box 3947  
SYDNEY NSW 2001

Dear Frank

**PROPOSED SUCCESSOR FUND FOR THE RESERVE BANK OF AUSTRALIA OFFICERS' SUPERANNUATION FUND (OSF)**

I refer to your letter of 27 June addressed to Wayne Byres requesting APRA's consideration of the proposed transfer of the OSF to a sub-plan within Sunsuper.

Please note that, following a review of your background note and a briefing from APRA agrees to execute the proposed Nominated Employer Deed which will allow our OSF members to retain their benefits in the RBA sub-plan.

I take this opportunity to thank the members of the OSF Outsourcing Team for their on-going commitment to ensure APRA remained fully briefed throughout this project.

Yours sincerely

Geoff Summerhayes  
APRA Member