



Standing out from the crowd for members

Recent Government and APRA proposals have put an unprecedented focus on superannuation trustees to demonstrate and be accountable for the value their funds are delivering to members. If the bar lifts across the board how can trustees stand out from the crowd and demonstrate they deliver member outcomes that are fair and value for money?

Prashanti Ravindra, Deloitte Governance, Regulation and Conduct Advisory Director, explores the impact of the recent reform proposals, and how trustees can stand out from the crowd.

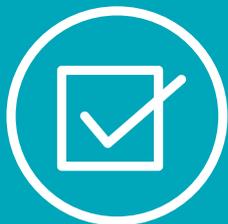
The changes

The new member outcomes test

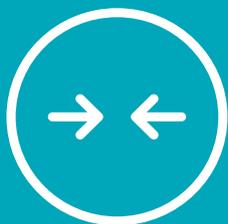
On 14 September 2017, the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2017 was introduced into Parliament. Once law, it will require trustees to annually publish on their websites how they have promoted the financial interests of their MySuper

members. This new 'outcomes test' will replace the current scale test in the Superannuation Industry (Supervision) Act 1993. The first annual outcomes tests must be published within a year of the changes coming into effect. The Bill could be passed by the end of 2017. ➔

Trustees will have to do two important things when conducting their outcomes test:



Conduct an **assessment** of certain matters



Compare the features of their products to other MySuper products.

When assessing how appropriate their MySuper products are for members, trustees will need to examine their products':

- Options, benefits and facilities
- Investment strategy
- Insurance strategy.

Trustees will also need to compare their metrics against other MySuper products':

- Fees and costs that affect the return to members
- Return target
- Return
- Level of investment risk for the MySuper products.

In addition to the member outcome's test before Parliament, APRA has said it plans to require each trustee to regularly assess whether it has provided, and is likely to continue to provide, quality, value for money outcomes for members in **all of its products**.

This is not surprising given APRA's stated expectations of trustees' to assess the outcomes they have achieved for members over the last couple of years. APRA has also examined the outcomes achieved by all trustees using data reported to it, and has engaged with the boards of trustees with low performing products.

APRA's proposals also mean that a member outcome assessment is likely to be introduced regardless of what happens to the legislation before Parliament.

Operational governance standards

As a result of continuing weaknesses in the operational governance practices of some trustees, APRA plans to introduce prudential standards in this area. The regulator uses the term 'operational governance' to refer to how an RSE licensee determines its strategic objectives, undertakes business planning, and runs its business operations on a day-to-day basis.

The proposed and proactive encroachment of the prudential regulator into strategy and business planning is a telling sign of APRA's belief that standards need to lift for some trustees.

The impact

These proposals will require many trustees to make even more changes to their operations. However, since these requirements reflect good practice, some trustees will find they are already doing many of the proposed requirements.

Value for money

The focus on value for money means trustees will also have to be efficient in their implementation and administration of these changes, as well as other regulatory or prudential changes.

While the proposed changes have not yet been made, APRA expects trustees will already be reviewing the quality of the outcomes they are delivering to members, and consider whether enhancements are needed to maintain the future sustainability of the super fund.

Seizing the opportunity

These changes provide trustees with the opportunity to challenge themselves on how to improve their policies and practices to keep up with evolving member and regulator expectations, and their commitment to them.

Constant change has also lead to more information being presented to board members and the C-suite. With the focus now firmly on member outcomes, it is good timing to review the actual management information and best practice reporting.

Is the right information being provided at the right time to help make the right decisions?

For example, is current data and predictive analytics used to proactively identify improvements to member outcomes and prevent/ quickly identify potential issues?

APRA's proposals also mean that a member outcome assessment is likely to be introduced regardless of what happens to the legislation before Parliament.

Areas to change are likely to cover operating model, policy, process and systems. To assist you do this you need to:

-  Articulate your member value proposition
-  Provide independent challenge to the effectiveness of governance structures, policies, process and systems from a member outcomes point of view
-  Assess value for money
-  Determine what changes should be implemented
-  Identify metrics to measure and monitor the quality of member outcomes, including predictive analytics to facilitate the early identification of issues.

Key questions for trustees

To help stay ahead of the changes, and heightened expectations they create for trustees, there are five key questions trustees should ask themselves:

1

Balancing the costs and benefits of change

What is your strategy for managing upcoming regulatory and prudential changes to avoid unnecessary cost to members, while maximising the strategic benefit of these changes?

4

The right information

When was the last time you checked with your board members and C-suite if they felt they were receiving the right management information, and data driven insights from a member perspective?

2

Identifying leakage and efficiencies

When was the last time you took a critical look at your operations and operating model to identify if there are areas of leakage and opportunities to make the fund more efficient?

5

Measuring value from expenditure

Do you measure and monitor the return on investment on trustee expenditure, such as marketing or developing new product features?

3

Outcomes for member cohorts

Do you measure and monitor outcomes for different classes of members (e.g. those approaching retirement, younger people, those on extended leave or working part-time), or your member group as a whole?



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