Standing out from the crowd for members

The unprecedented focus on superannuation trustees to be accountable for the value their funds are delivering to members, also demands that they demonstrate they deliver member outcomes that are fair and value for money. **Prashanti Ravindra**, Governance, Regulation & Conduct Advisory Director, explores the impact of APRA's recent proposals on how trustees can stand out from the crowd for members.

The changes

The new member outcomes test
While the Government's bill on improving accountability and member outcomes was withdrawn late last year, APRA has proceeded, as anticipated, with its consultation on draft prudential standards on strengthening member outcomes. Unlike the Government's bill, the APRA proposal applies to both MySuper and Choice products.

Broadly, the proposed changes will require trustees to review and, where required, improve their:

Strategic and business planning practices by having a Board approved rolling three year business plan, with annual reviews of the plan also reported to the Board.

Decision-making and oversight of fund expenditure, including having a board-approved expenditure policy. The proposed changes also require that a business case is prepared for each significant expenditure, whether planned or not.

Approach to defining, assessing and delivering sound outcomes for members. The proposed new prudential standard requires a trustee to have a Board approved metrics-driven annual assessment of outcomes provided to members, and determine whether future outcomes could be improved through changes to its operations.

Timing

APRA expects to release final standards and guidance in mid-2018, with a commencement date of 1 January 2019. This means that the changes needs to comply with the new prudential outcomes outlined above need to be in place by then.

There is no inconsistency between APRA's proposed new standards – the updated SPS 220 and SPS 225 - and its messaging on member outcomes and strategic and business planning for the past few years. Given the required changes appear well-formed in APRA's mind, this suggests there may not be significant changes to what is proposed in the draft standards.

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, such as the proposed product design and distribution laws.

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.

Question
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 quickly identify or prevent potential issues?

If a tick a box approach to compliance was adopted, the strategic benefit from these reforms would be lost. Trustees would be wise to consider how best they can they embed these reforms into their fund or funds to maximise their strategic benefit. For more on this see the key questions below.

Independent, or outside challenge, can help give trustees comfort that their governance structures, policies, process and systems are 'future fit', and allow member outcomes to be monitored and responded to in a way that meets member, regulator and community expectations.

"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."

Key questions for trustees

To get the most strategic benefit from these changes, the five key questions trustees could pose are:

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?

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?

3 Outcomes for member cohorts

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

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?

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?

Prashanti Ravindra is a Director in Deloitte's Assurance and Advisory practice. She specialises in delivering compliance, conduct, remediation and regulatory projects for clients in the insurance and wealth management sectors. With more than ten years' experience Prashanti has designed frameworks to assist clients assess their compliance and conduct requirements as well as overseeing and assessing remediation programs. Before joining Deloitte, Prashanti worked at ASIC advising the Chairman on implementing novel legislative reforms in the financial services sector. She has a Bachelor and Masters of Law, is a Member of the GRC Institute and a Bachelor of Science in Information Technology.

+61 2 8260 4013 **prravindra@deloitte.com.au**

MCBD_City_11/17_055227