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General Manager  
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APRA

## **RE: Strategic and transfer planning: enhancing member outcomes**

Members need to be at the heart of every decision a trustee makes. History shows that clear, enforceable benchmarks are the best way to ensure super funds take accountability for delivering good member outcomes.

We support APRA's proposal to lift the bar on funds' expenditure decision-making, management of financial resources including member fees, and transferral of members through enhancing SPS515. Draft SPS 515 incorporates much needed reforms that, as long as they are enforced, should drastically lift funds' capability across many important areas of service delivery.

The purpose of APRA's prudential standards, including SP515, is to promote the soundness of superannuation businesses, and the broader financial system, thereby providing better outcomes for members. Our feedback focuses on how SPS515 can more clearly and directly promote better outcomes for members, reflecting changes in members' needs and expectations, thereby contributing to improved consumer protection as well as prudential objectives.

Our feedback suggests improvements to the draft of SPS515 to ensure that core consumer protection standards deliver on APRA's intent—to drive better outcomes for members, and reflect changes in members' needs and expectations.

## Summary of recommendations

- **Recommendation 1.** That APRA provides greater clarity on how funds should prepare for member transfers.
- **Recommendation 2.** Amend Section 26(b) of SPS515 to the following: ... outcomes achieved for beneficiaries, ~~having regard to~~ *with specific reference to* (i) different cohorts of beneficiaries ...
- **Recommendation 3.** That SPS515 directs trustees, in their member outcomes assessments (MOAs), to consider cohorts of beneficiaries articulated in 17.31 of the Retirement Income Covenant Explanatory Memorandum.

- **Recommendation 4.** That SPS515 requires funds to undertake a member services and complaints handling capability review to inform their business plan. Findings should be published in the annual member assessment summary.
- **Recommendation 5.** That SPS515 requires funds to include insurance claims handling metrics in their MOAs and public summaries.
- **Recommendation 6.** That APRA undertakes a bold compliance and enforcement program to ensure funds are meeting the intent of SPS515.

## The need for change

Super funds' expenditure directly impacts their members' fees and retirement savings. The Productivity Commission discovered that even a modest fee increase of 0.5 percentage points could cost a typical full-time worker \$100,000 in retirement savings.<sup>1</sup> APRA's 2021 thematic review highlights issues in funds' expenditure decision-making, such as a lack of rigorous assessment of marketing campaign benefits, inappropriate metrics, and failure to demonstrate sponsorship benefits.<sup>2</sup> Super Consumers' review of the 15 largest funds' 2021-22 annual member meeting (AMM) notices revealed similarly concerning practices, including funds reporting multimillion-dollar spends on promotion despite losing members, or reporting \$0 on promotion despite clearly running marketing campaigns.<sup>3</sup> Starting in 2023, funds must publish a detailed expenditure list, but a Super Consumers desktop review found that some hide this information behind member portals,<sup>4</sup> delay publication until just before their annual member meetings,<sup>5</sup> or use vague descriptions to categorise expenditure items.<sup>6</sup>

Disclosure and reporting will not solve the super expenditure problem. Funds will continue to find ways to obscure the nature of their spending, making it hard for the members to identify how their fees are being spent, and whether this is leading to better member outcomes. It is therefore essential for APRA to lift funds' core financial management obligations.

Draft SPS515 requires members' fees to be set prudently and transparently. It requires funds to be able to demonstrate the purpose of their expenditure, how it relates to beneficiary outcomes,

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<sup>1</sup> Productivity Commission, Superannuation: Assessing Efficiency and Competitiveness, <https://www.pc.gov.au/inquiries/completed/superannuation/assessment/report/superannuation-assessment-overview.pdf>, p. 14

<sup>2</sup> APRA 2021, Findings from APRA's superannuation thematic reviews, p. 6, [https://www.apra.gov.au/sites/default/files/2021-10/Findings%20from%20APRA%E2%80%99s%20superannuation%20thematic%20reviews\\_1.pdf](https://www.apra.gov.au/sites/default/files/2021-10/Findings%20from%20APRA%E2%80%99s%20superannuation%20thematic%20reviews_1.pdf)

<sup>3</sup> Upcoming Super Consumers publication

<sup>4</sup> Australian Retirement Trust, <https://www.australianretirementtrust.com.au/advice/events-and-seminars/annual-member-meeting>

<sup>5</sup> REST's AMM was 27 November 2023 and Hostplus' AMM is on 30 November 2023. As of 14 November, their promotion, marketing and sponsorship expenditure lists were not published.

<https://rest.com.au/why-rest/about-rest/corporate-governance/annual-report> and

<https://hostplus.com.au/amm>

<sup>6</sup> AustralianSuper, <https://www.australiansuper.com/-/media/home/tools-and-advice/events-and-seminars/annual-member-meeting/amm-additional-disclosures-2023.pdf>. This expenditure disclosure uses payment categories like 'alliance partnership' or 'industry strategic partnership' without defining these terms.

and whether that type of expenditure has achieved its intended purpose in the past. We welcome these important reforms which set a new standard for funds' strategic planning.

## Transfer planning

Our response to APRA's 2022 consultation on superannuation transfer planning provided numerous examples of how funds' lack of transfer planning can eventuate in serious service outages, poor member experiences, and mismanagement of insurance cover.<sup>7</sup> We are pleased to see Draft SPS515 expand requirements for how funds initiate member transfers. However, requiring funds to identify triggers and 'prepare for circumstances that may necessitate a transfer of beneficiaries' will not address the extent and severity of poorly managed member transfers we have seen as the super industry has consolidated in recent years. Further, transfer planning guidance in SPG515 does not provide much detail on how members should be supported through a transfer. To protect members from bungled mergers and poor service delivery, we encourage APRA to update SPS515 with a list of objectives funds must set and be accountable for when transfer planning, including ensuring that:

- Service outages are prevented to the greatest extent possible
- A member communication strategy is in place and includes a detailed plan for communicating with members transparently and in plain English
- Members are able to contact the relevant fund at any time
- Members' personal data and documentation is managed and transferred.

**Recommendation 1. That APRA provides greater clarity on how funds should prepare for member transfers.**

## Use of cohorts

In our 2022 submission, we argued that it is essential for funds to adopt a cohort-based view to determining and delivering member outcomes.<sup>8</sup> This is because funds' approaches to delivering good member outcomes should differ depending on individual members' needs and circumstances, for example, their Age Pension eligibility and homeowner status. Super funds are not delivering better member outcomes if they are not always taking the needs of different member cohorts into consideration.

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<sup>7</sup> Super Consumers Australia 2023, *Discussion Paper - Superannuation Transfer Planning: Proposed enhancements*, [https://static1.squarespace.com/static/5d2828f4ce1ef00001f592bb/t/641a783dcfa25f4e99405d54/1679456317621/SCA+Submission+on+superannuation+transfer+planning\\_+Proposed+enhancements+-+March+10.pdf](https://static1.squarespace.com/static/5d2828f4ce1ef00001f592bb/t/641a783dcfa25f4e99405d54/1679456317621/SCA+Submission+on+superannuation+transfer+planning_+Proposed+enhancements+-+March+10.pdf)

<sup>8</sup> Super Consumers Australia 2022, *Strategic planning and member outcomes: Proposed enhancements*, [https://static1.squarespace.com/static/5d2828f4ce1ef00001f592bb/t/63a25695c1ed204856ad85c5/1671583381755/Strategic+planning+and+member+outcomes\\_+Proposed+enhancements+-+SCA+submission.pdf](https://static1.squarespace.com/static/5d2828f4ce1ef00001f592bb/t/63a25695c1ed204856ad85c5/1671583381755/Strategic+planning+and+member+outcomes_+Proposed+enhancements+-+SCA+submission.pdf)

Draft SPS515 requires business performance reviews (BPR) to assess and demonstrate outcomes achieved for beneficiaries, 'having regard' to different member cohorts.<sup>9</sup> This is a significant improvement from the current requirements, but provides too little clarity on how cohorts should be developed and addressed. Rather than simply 'having regard', all trustees should be making specific reference to the outcomes achieved across beneficiary cohorts, and these beneficiary cohorts should be developed using evidence. The Explanatory Memorandum accompanying the Retirement Income Covenant explicitly states different cohorts trustees could consider.<sup>10</sup> These are:

- superannuation balance amount,
- expected eligibility for the Age Pension at retirement,
- partner status,
- home ownership status,
- gender,
- expected retirement age,
- expected drawdown age, and
- Aboriginal and/or Torres Strait Islander status.

Again, we call on APRA to amend SPS 515 to explicitly require funds to consider these in their member outcomes assessments, to the extent that trustees have access to this member data.

**Recommendation 2. Amend Section 26(b) of SPS515 to the following: ... outcomes achieved for beneficiaries, ~~having regard to~~ with specific reference to (i) different cohorts of beneficiaries ...**

**Recommendation 3. That SPS515 directs trustees, in their member outcomes assessments, to consider cohorts of beneficiaries articulated in 17.31 of the Retirement Income Covenant Explanatory Memorandum.**

## Member services

Poor member services and account administration is a growing issue for super consumers. With AFCA complaints increasing exponentially and a recent string of ASIC enforcement in response

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<sup>9</sup> APRA 2023, *Draft SPS 515*, Section 26(b)(i)  
<https://www.apra.gov.au/sites/default/files/2023-09/Prudential%20Standard%20SPS%20515%20Strategic%20Planning%20and%20Member%20Outcomes.pdf>

<sup>10</sup> Explanatory Memorandum – Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021, s17.31  
[https://parliinfo.aph.gov.au/parlInfo/download/legislation/ems/r6817\\_ems\\_5cff4b6c-34e7-4092-807d-4cc20bac5e27/upload\\_pdf/JC004201.pdf;fileType=application%2Fpdf#search=%22legislation/ems/r6817\\_ems\\_5cff4b6c-34e7-4092-807d-4cc20bac5e27%22](https://parliinfo.aph.gov.au/parlInfo/download/legislation/ems/r6817_ems_5cff4b6c-34e7-4092-807d-4cc20bac5e27/upload_pdf/JC004201.pdf;fileType=application%2Fpdf#search=%22legislation/ems/r6817_ems_5cff4b6c-34e7-4092-807d-4cc20bac5e27%22)

fund administration issues,<sup>11 12</sup> the super industry is now under significant pressure to address member services.<sup>13</sup> SPS 515 can play an important role in supporting improvement.

Section 12 of Draft SPS515 requires funds' business plans to be informed by an annual review of the appropriateness of its retirement income strategy.<sup>14</sup> To support funds to identify and address necessary improvements to the delivery of member services, APRA should additionally require business plans to be informed by an annual review of member services and complaints handling capabilities. This could include things like:

- Number of internal disputes received,
- Proportion of complaints referred to AFCA,
- Average response times to member complaints and enquiries,
- Preparedness to identify and respond to consumer vulnerability,
- Number of 'reportable situations' identified that relate to member services and complaints handling, and the fund's responses to these.

A requirement to undertake an annual review of member services and complaints handling capabilities will support funds to lift their member services capabilities, support compliance, and adapt to the changing needs of their membership. Furthermore, integrating customer service and complaint management into their business plans is essential for super funds to uphold their fiduciary duty, maintain regulatory compliance, protect their reputation, and remain competitive in the industry.

**Recommendation 4: That SPS515 requires funds to undertake a member services and complaints handling capability review to inform their business plan. Findings should be published in the annual member assessment summary.**

## Include insurance metrics in member outcomes assessments

The SIS Act requires funds to conduct an annual Member Outcomes Assessment (MOA) documenting the appropriateness and cost effectiveness of insurance products within super. Draft SPS 515 does not require funds to publish specific insurance metrics in their public MOA summaries, despite guidance in SPG 516 which speaks to the importance of publishing claims handling metrics.

Transparency and accountability in funds' and insurers' claims handling practices is essential to hold the industry to account for the quality of the services they provide. Regrettably, there is a

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<sup>11</sup> AFCA 2023, *Record 97,000 complaints taken to AFCA in 2022-23*, <https://www.afca.org.au/news/media-releases/record-97000-complaints-taken-to-afca-in-2022-23>

<sup>12</sup> Investment Magazine 2023, *Super complaints continue to rise, fuelling customer service crackdown*, <https://www.investmentmagazine.com.au/2023/11/super-complaints-continue-to-rise-fuelling-member-experience-crackdown/>

<sup>13</sup> Australian Financial Review 2023, *'Lift your game' to help Boomers into retirement, super funds told*, <https://www.afr.com/policy/tax-and-super/lift-your-game-to-help-boomers-into-retirement-super-funds-told-20231030-p5eg2y>

<sup>14</sup> APRA 2023 op. cit.

lack of comprehensive and accessible trustee-level data on insurance claims handling which produces little accountability for how super funds support their members with insurance claims. To support benchmarking, informed member decision-making, and accountability, SPS515 should require funds to publish insurance claims handling metrics in their MOAs and public summaries. This should include:

- claim denial rates,
- claim withdrawal rates,
- average claim duration,
- open dispute rates,
- successful claims ratios.

**Recommendation 5: That SPS515 requires funds to include insurance claims handling metrics in their MOAs and public summaries.**

## Enforcement

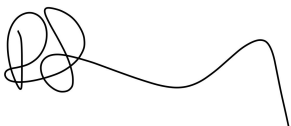
Super funds are entrusted with managing the retirement savings of millions of Australians. Strict enforcement of rules by APRA is not only necessary, but absolutely paramount, to safeguarding the interests of members. Given the role of SPS515 and the importance of new proposed obligations, we strongly urge APRA to undertake a bold compliance and enforcement program alongside the introduction of the updated SPS515.

Super funds have had ample time, encouragement, flexibility, and support to understand and meet the needs of their membership. There are many good examples of funds identifying and meeting diverse members' needs. It is important now for APRA to use the tools it has available to take decisive action against those who are lagging behind.

Enforcement of prudential standards in superannuation serves as a vital safeguard, ensuring that funds adhere to prudent business management practices, thereby promoting compliance and securing the financial well-being of fund members. Active enforcement also helps maintain the industry's stability and fosters trust among stakeholders.

**Recommendation 6: That APRA undertakes a bold compliance and enforcement program to ensure funds are meeting the intent of SPS515.**

Sincerely,



**Rebekah Sarkoezy**  
Policy Manager, Super Consumers Australia