Super Insights 2019

Significant changes ahead after a year of industry reviews.

April 2019

KPMG.com/au/superinsights2019

Foreword

Paul Howes
Partner
National Sector Leader,
Asset & Wealth Management

2018 is likely to be remembered as a year that set the longer term agenda for the superannuation industry, with the potential for structural change materially evident.

Most would not have believed the superannuation industry would have been more at the forefront of media discussion and attention in 2018 than it was the year prior, yet it was a watershed year for both the superannuation, and financial services industries.

The raft of regulatory reviews, legislative changes and political gamesmanship will result in some of the most significant changes to the structure of the superannuation industry for years to come.

In particular, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry shone a light on poor practices by some, and illustrated how members' best interests had been forgotten in the decision-making processes of a number of superannuation trustees, while also recommending the extension of a Banking Executive Accountability Regime (BEAR) to superannuation.

The Productivity Commission undertook a review of the efficiency and competitiveness of the Australian superannuation system and recommended a stronger stance by regulators in relation to the removal of habitual underperforming funds.

The Productivity Commission also suggested a material change to the default system by recommending a best-in-show selection process for default contributions.

In addition to this, regulatory changes such as the *Protecting Your Super package* (PYSP), which force the removal of small, inactive accounts from the superannuation system as well placing fee caps on small accounts will have a significant impact on not only some smaller superannuation funds, but also some of the largest funds in the industry.

We also saw the finalisation of superannuation *Prudential Standard 515* member outcomes, which will have a material impact on the manner in which trustees assess the success of the performance of their fund, from a member lens. There is no doubt that this will provide additional power for the Australian Prudential Regulation Authority (APRA) to drive fund consolidation.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

In addition to the regulatory changes noted above, trustees were forced to deal with the everyday challenges of superannuation, including volatile investment markets, increased competition for new members, account consolidation, rising operating costs, as well as the ongoing difficulties associated with retaining members.

In spite of the increased volatility in the market and greater competitive pressures, the superannuation industry continued to deliver strong outcomes for members overall. The APRA regulated sector of the industry grew by 10.3 percent over the year, with closing assets nearing $1.8 trillion, suggesting the size and scale of the system continues to grow unabated. The Self Managed Superannuation Funds (SMSFs) sector experienced slower growth, with assets increasing by 6.4 percent over the year, to close at almost $750 billion. In total, the assets supporting the superannuation sector closed 2018 at almost $2.72 trillion, some 39 percent higher than the market capitalisation of the Australian share market.

That said, KPMG recognises that significant market shifts are occurring within sections of the industry that are likely to reshape the structure of the market in the coming years. Even before the impact of the Royal Commission, the industry fund sector enjoyed an uplift in new membership, with this sector actually increasing total membership over the year by 1.39 percent. This was largely at the expense of the retail fund sector, where membership declined 5.2 percent during 2018.

This has also resulted in a substantially faster Assets Under Management (AUM) growth rate within the industry fund sector, which grew by 16.3 percent, compared to the retail fund sector growth of 5.9 percent. The public sector showed reasonable AUM growth of 11.2 percent, whilst corporate funds continued to struggle over the year, with assets declining by 4.5 percent, mainly due to a number of mergers out of the sector during the year. With the *Final Report* by the Royal Commission released in the current financial year, it is likely that these trends, particularly between the retail and industry fund sectors, will be exacerbated, driving materially different growth rates across these sectors.

Other trends evident within the industry in 2018 included a continued increase in operating costs, placing further pressure on many funds' business models, an ongoing uplift in churn out of funds, with fund outflows also increasing during the year, as well as greater discussion of fund mergers and a range of potential operating models in relation to these. We consider each of these in greater detail within this report.

While all participants within the industry recognised 2018 was a frenetic year, it will be a brave person who suggests that 2019 is likely to be a year of rest for any fund or trustee.

The raft of regulatory reviews, legislative changes and political gamesmanship will result in some of the most significant changes to the structure of the superannuation industry for years to come.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Methodology

Our analysis, as presented in this report and the accompanying KPMG Super Insights Dashboard, is a combination of leading analytics applied to a proprietary dataset including 10 years of APRA and Australian Tax Office (ATO) published statistics, supported by insights gained from our team of asset and wealth management specialists.

At a macro level, we have defined the market along APRA guidelines of retail, corporate, public sector and industry funds and included SMSFs to complete the landscape. KPMG has applied a sizing segmentation to group funds into those with greater than $25 billion AUM, between $1 billion and $25 billion AUM, and those funds with less than $1 billion AUM.

KPMG has relied on published statistics as the foundation of this report and, as such, acknowledges that the data contained within is wholly reliant on the accuracy of the underlying sources. KPMG has included all data contained within the APRA[1] and ATO[2] published statistics inclusive of null values.

We continue to note that there remain challenges associated with reporting across the superannuation industry and the data presented within APRA's published statistics. To this end, KPMG still believes that there needs to be broad industry agreement surrounding the manner in which superannuation statistics, performance reporting and comparative analysis is undertaken, which was highlighted within the Productivity Commission's review during 2018.

APRA data explanatory notes

Superannuation funds included in this report represent the vast majority of superannuation assets regulated by APRA. Pooled Superannuation Trusts (PSTs) have been excluded as their assets are captured in other superannuation funds.

Exempt public sector superannuation schemes (EPSSS) have also been excluded. The number of funds in the Super Insights Dashboard represents RSE licensees, not the total number of individual APRA regulated superannuation funds in the system, and thus provides a lower number of 101 in 2018 as opposed to total APRA regulated superannuation funds in 2018.

Superannuation funds that wound up during their year of income in a given reference period are not included in that year or subsequent years. Superannuation funds that wound up after the reporting period but before the release of the publication are included for that reporting period, and their wind-up date is noted in the report.

Superannuation funds that did not submit an annual return for a given reporting period are not included in that year.

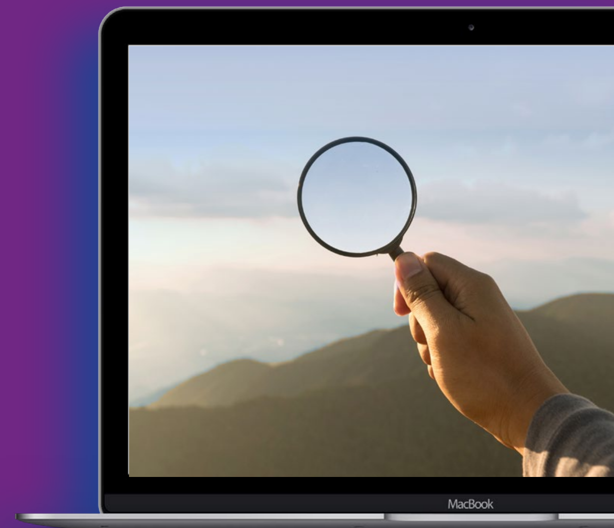
To protect the privacy of individual members, APRA has masked certain items in the data. Some items were not reported, indicating that either nothing was reported for the relevant period, or that the data cannot be calculated. In circumstances where either of these events happened, KPMG has removed the fund from the analysis.

1. https://www.apra.gov.au/sites/default/files/annual_fund_level_superannuation_statistics_june_2018.xlsx
2. https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/Statistics/Quarterly-reports/Self-managed-super-fund-quarterly-statistical-report---June-2018/

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

KPMG Super Insights Dashboard

The KPMG Super Insights Dashboard contains interactive versions of the charts and graphs included in this report, as well as additional information. The dashboard enables you to filter the data based on your own preferences. You can view industry and fund metrics for a particular year or segment of the industry, as well as view metrics for an individual fund in comparison to a peer group.



The dashboard can be accessed via our website at KPMG.com/au/superinsights2019

Additional analysis or information

For any funds seeking additional information or further analysis of the data contained within the ***KPMG Super Insights Dashboard***, KPMG's data analytics and insights team would be more than happy to discuss your requirements. This can include analysis of the performance of your fund against peer or competitor funds, or a tailored member outcomes test, taking into account the relevant data that APRA has suggested funds should include in their own analysis against these relevant metrics. Feel free to get in touch with one of the KPMG contacts in this report.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Synopsis

Click on each theme to read our insights

Superannuation funds are preparing for a range of changes to their governance and operations following recommendations from recent reviews and inquiries. While the superannuation industry has been highly scrutinised and reviewed, recommendations for improvement must be seen in the context of refining an already globally leading retirement system. Australia's retirement system has been independently ranked as one of the best in the world, so the challenge is continual improvement as the system matures.

From our discussions with funds, KPMG believes the following areas will be among the key focuses of attention in 2019.

Risk and regulation

Ensuring a holistic, integrated approach to managing risk, complemented by a strengthening of core governance frameworks are key priorities for funds.

Legal and regulatory implications from commission recommendations

Trustees and management face a challenging environment as we enter an era of greater regulatory intrusion and enforcement set against a background of heightened expectations from the public and government.

APRA inquiry into CBA and BEAR

As funds focus on culture and accountability self-assessments, they must now also prepare for greater individual executive accountability as BEAR is extended to superannuation.

Member outcomes and legislative changes

As funds prepare for the introduction of the member outcomes assessment in 2020, legislative changes impacting accounts with low balances and insurance in superannuation will impact funds in 2019.

Financial advice

Recommendations from the Royal Commission and Productivity Commission have the potential to significantly impact the provision and cost of financial advice in the years ahead.

Mergers and industry consolidation

There will likely be a rise in merger announcements over the next year as increased numbers of funds enter into merger discussions seeking to deliver improved member outcomes through increased scale.

Tax

Increased scrutiny from the ATO in the form of streamlined assurance reviews come as many funds update systems and processes due to legislative changes.

Technology and data

Increased investment in technology and data to support strategies and differentiation comes at a time that mandatory technology spending demands increase. These competing forces are leading to a sharp focus on prioritisation and effectiveness assessments of technology investments.

Trust and social licence

Funds cannot comply their way to trust. A focus on reputation and engagement while communicating values and purpose to members and stakeholders is vital for all financial services organisations.

Member experience and engagement

Member retention and acquisition is being achieved by funds that deliver services with integrity, which are personalised, and meet the expectations of members.

Responsible investment

Stronger corporate engagement, a broader uptake of environmental, social and governance (ESG) screening practices, and a focus on stewardship obligations will continue as members and stakeholders engage with funds in relation to their investments.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

The super industry in 10 years

As a result of the extensive changes to come for the super industry, KPMG believes that the level of industry consolidation may occur sooner than expected.

With policy and regulatory changes due to take effect over the coming year, we believe that this will further accelerate the pace of consolidation in the industry, as funds look to establish long-term sustainability.

The PYSP passed by both Houses in February 2019, is likely to be a motivator for funds to consider their strategic options to ensure they remain viable into the future. The collective impact of the removal of low balance inactive accounts, the ban on exit fees and the capping of administration and investment fees, together with the continued downward trend in membership and the unyielding growth in outflows, is expected to put upward pressure on fund operating costs (particularly for funds operating on a member-fee only basis). A review of the potential impact has already prompted trustees to consider revising their operating models and, in some instances, considering an exit from the system through a fund merger.

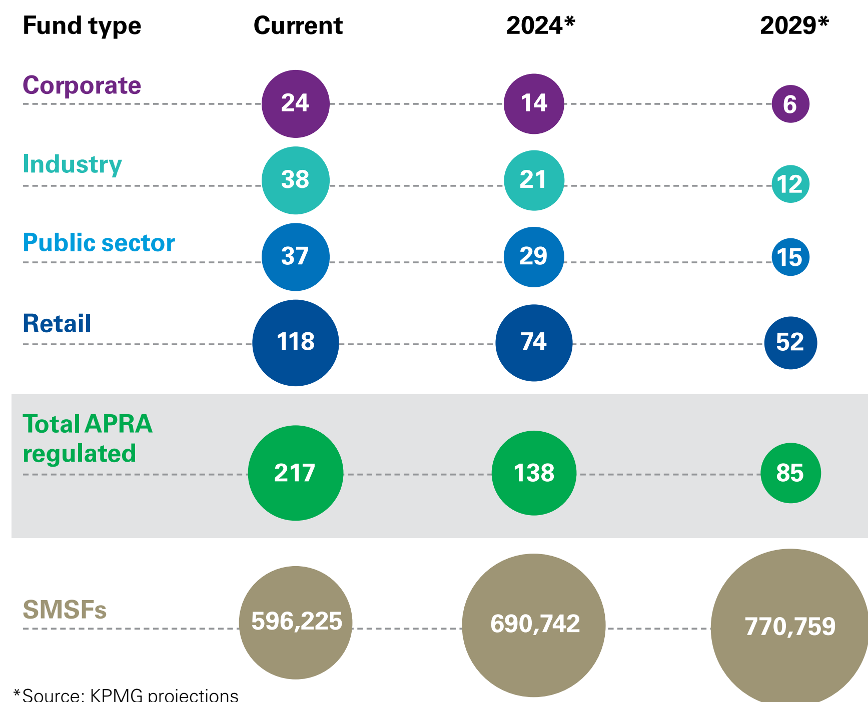
The member outcomes assessment introduced by APRA and coming into effect in January next year has also put a spotlight on strategic planning practices, holding trustees more accountable to delivering value to members. We expect that as funds review their positioning relative to the industry, based on comparable metrics, many will be challenged to consider merging due to underperformance in the delivery of outcomes to members.

Within last year's Super Insights Dashboard, KPMG projections indicated that the industry will constrict significantly over the next decade, however, subsequent to the raft of legislative amendments in 2018/19, we believe that we may have been too conservative in our merger expectations.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

We have reviewed our analysis in light of the legislative amendments and structural trends in the industry and believe that the industry will more than halve over the next decade, with an acceleration of industry consolidation in the short-to-medium term. The following graph summarises our analysis:

Number of funds



*Source: KPMG projections

As evident in the above graphic, our view is that the material consolidation forecasted in the 2018 Super Insights Report will occur sooner than anticipated. KPMG still maintains the position that the corporate fund sector is likely to experience the greatest level of consolidation due to smaller membership bases and lower levels of operational efficiency, impairing their ability to deliver strong outcomes to members without increasing fees. For the remaining APRA-regulated funds, we expect to see a greater degree of consolidation relative to previous estimates, with the number of funds in the industry, retail and public sectors likely to more than halve by 2029.

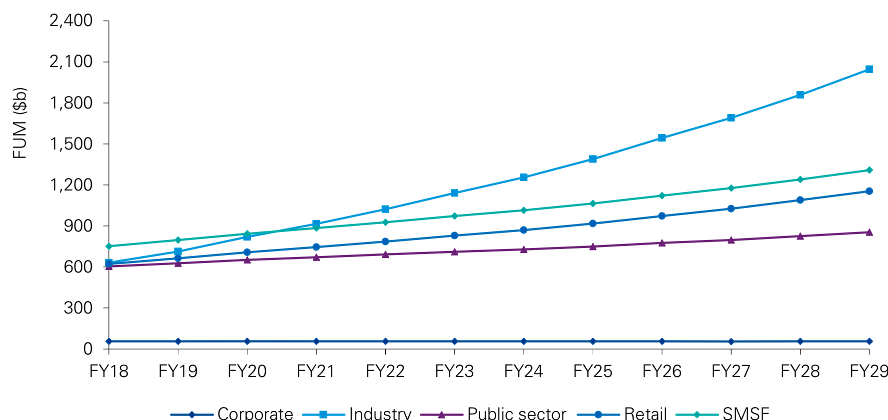
Given the recent Royal Commission and resulting reputational implications for APRA-regulated funds, we still expect the SMSF sector to grow as members seek alternative options for their retirement savings. However, should the new Financial Adviser Standards and Ethics Authority (FASEA) regime be implemented, the growth in SMSFs is expected to be at a lower rate than previously projected due to a possible decline in the number of financial advisers compliant with the higher standards.

In terms of AUM growth, assets across the superannuation industry are expected to grow, although at a slower rate than prior years, and in spite of the increasing outflows due to the ageing population and recent policy changes. By 2029, KPMG predicts the total superannuation asset pool is projected to reach $5.4 trillion. Growth in industry fund assets is likely to accelerate relative to other sectors, with employers and members leaving the retail fund sector and transferring their assets to industry funds post the Royal Commission.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

KPMG maintains the expectation that industry funds will overtake SMSFs in FY20, holding the largest share of the market at just over $2 trillion in assets by June 2029. We expect both the retail and public fund sector assets to experience growth at half the rate of industry funds, with these sectors projected to reach $1.2 trillion and $0.9 trillion respectively in 10 years. Lagging well behind the other segments, the corporate fund sector is expected to experience the slowest growth rates, maintaining assets at around $56 billion by 2029. The chart below summarises the outcomes of our modelling:

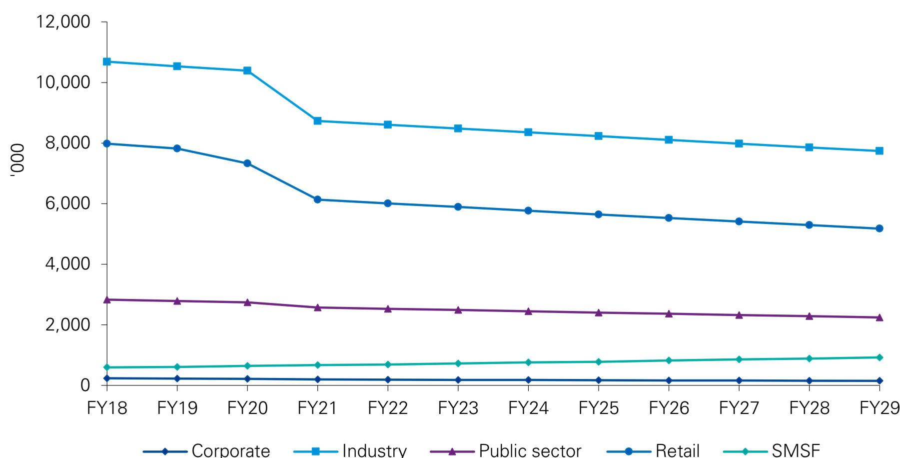
AUM projection by segment



Source: KPMG projections

The number of accumulation accounts is expected to drop noticeably for industry and retail funds in the year to June 2020 as a result of account consolidation, with a more tapered decline across all segments (except SMSFs) in the years to follow, contracting from 22.3 million to 16.2 million accounts by 2029. The outcomes of our modelling are shown in the chart below:

Total accounts – Accumulation only



Source: KPMG projections

To attract new members and retain existing members, all funds are looking for new ways to deliver value. In order to differentiate, in what is becoming a more homogenised industry, funds are prioritising technology investments and reviewing their operating models and service provider relationships to enhance the overall experience delivered to members. KPMG believes that by 2029, as the scale of funds continues to increase, fund operating models will undergo a significant shift, as funds seek greater control and flexibility over their delivery methods in order to respond to member demands and differentiate against their peers.

Super Merger Insights Report can be accessed via our website

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Superannuation funds in 2019

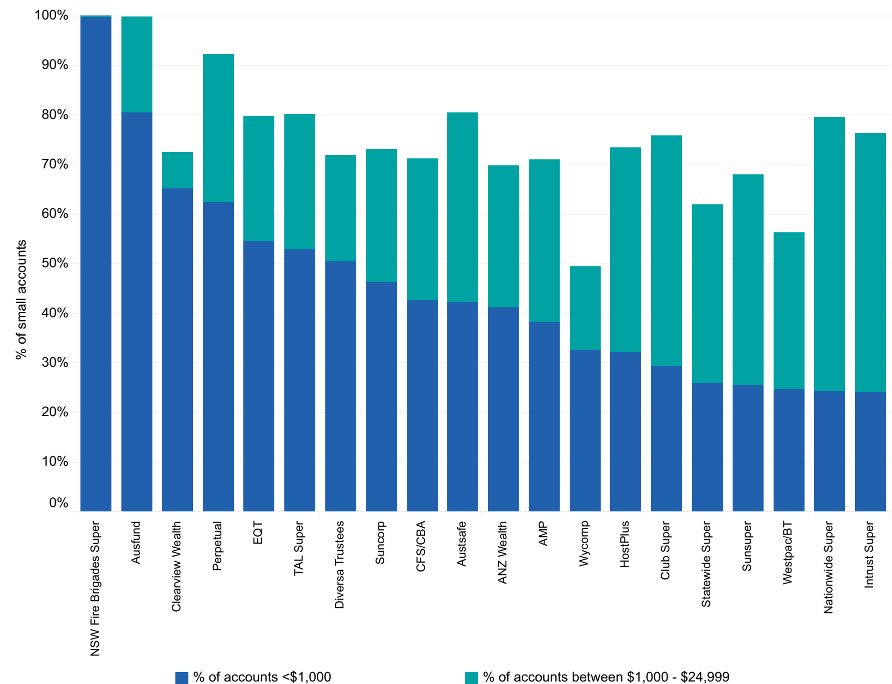
In addition to the significant amount of legislative changes announced within 2018 and in the early part of 2019, other pressures on many superannuation funds continued to mount. Operating expenses continue to rise in 2019, churn between funds remains evident through further increases in funds' net outflow ratios, and membership has declined for the seventh year in a row, predominantly as a result of account consolidation.

In addition to these factors, legislative change and, in particular, the passage of the PYSP through Parliament in late February, will have a material impact on many funds' operating models and ongoing sustainability. The key amendments including removal of small, inactive accounts from the system through ATO consolidation, as well as the fee-capping requirements for small accounts, will place never before seen pressure on the operating models of many funds, particularly those with a large proportion of their membership bases that sit within these categories.

Notwithstanding that it is not a perfect metric, KPMG has analysed the impact of these changes through the best available data, which shows the number of members and the value of their account balances contained within each fund. Specifically, balances have been split between the number of members with balances under $1,000 and the number of members with balances between $1,001 and $24,999. Whilst this does not necessarily show which of these members may fall within the definition of inactive and thus requiring transfer to the ATO, the graph below does highlight the potential impact of the PYSP changes in relation to fee capping.

As can be seen from the chart below, the PYSP changes is likely to spell the death knell for Eligible Rollover Funds (ERFs) within the superannuation industry. These funds were specifically designed to provide low fee products for members who were inactive within the superannuation system, however, subsequent to these changes, it is likely that most of these will no longer be sustainable, given a number maintain more than 60 percent of their members with balances below $1,000, which will be susceptible to transfer to the ATO, or alternatively, fee capping.

Small accounts



© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Whilst the ERFs are the most heavily impacted by the changes, there are also a number of large retail and industry superannuation funds, which maintain in excess of 30 percent of their membership bases with balances less than $1,000. Either the loss of these members to the ATO or the requirement to cap fees on these accounts will have a material upward impact on these funds' fee structures and may challenge future operating models, given the revenue from the fees charged to these members will no longer be available to offset the funds' operating costs.

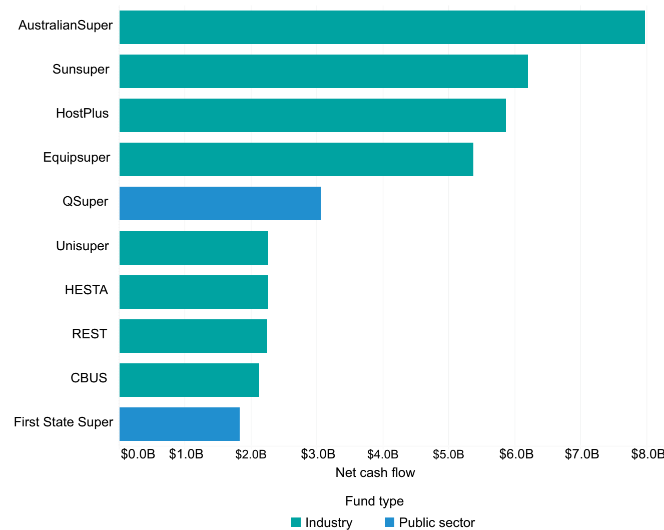
As has been broadly discussed post the Royal Commission, there remains a large division in terms of net cash flows between the industry fund and retail fund sectors. This has been particularly evident in 2018, with the majority of the top performing funds with regard to net cash flow being industry funds. Conversely, funds with the largest negative net cash flow sit within the retail fund sector, suggesting some ongoing challenges with the sentiment and trust associated with many of these funds. The following graphs below show the Top 10 and Bottom 10 funds on a net cash flow basis.

The majority of the Top 10 funds from a net cash flow perspective are large funds from the industry fund sector. AustralianSuper maintained the strongest net cash flow position, with $8.0 billion in net flows, followed closely by Sunsuper, HostPlus and Equipsuper, with both Sunsuper and Equipsuper achieving large inflows through merger activity during the year.

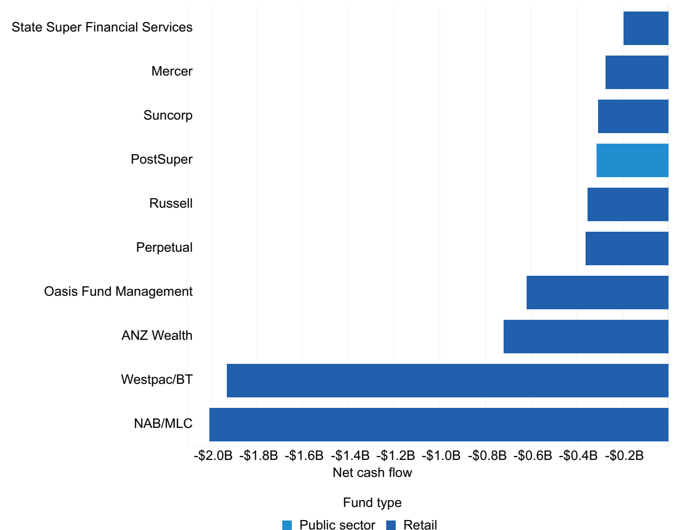
The bottom performing funds show a very different story, however, with nine of the 10 funds in terms of net cash flow emanating from the retail fund sector.

Net cash flow

Top 10 funds



Bottom 10 funds



© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Another key challenge being faced by many superannuation funds is the continued rise in benefit payments, while contribution flows slow as a result of low wage growth, the reduction in contributions caps, as well as a lack of trust in financial services post the fallout from the Royal Commission. The result of this has been a continued rise in most funds' net outflow ratios, which effectively measures the level of AUM that is retained by superannuation funds. Where a fund's net outflow ratio is above 100 percent, this means that the fund has paid out more money in benefit and pension payments than it has received in contributions and rollovers in. Where the net outflow ratio is less than 100 percent, this means that the fund has retained more in inflows than it has paid in outflows, representing a more sustainable position.

Similar to last year, one-third of the funds in the industry currently sit in an outflow position, while the median fund retained approximately 17 cents in every dollar received, representing a further reduction since 2017.

The graphs below show the funds with the highest and lowest net outflow ratios in 2018.

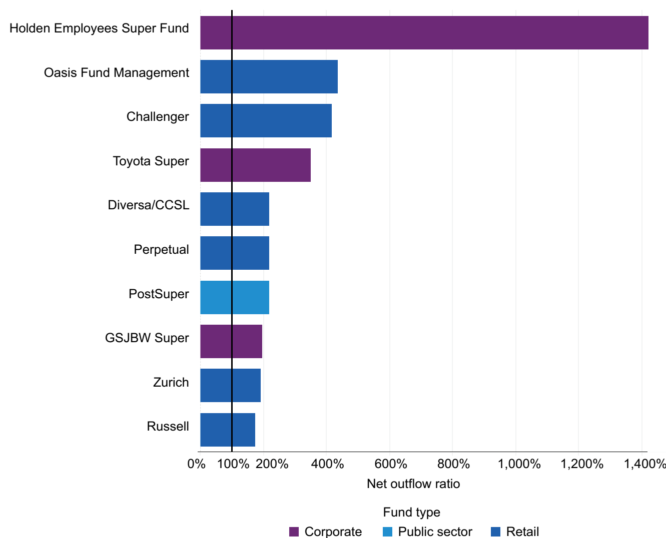
Many of the funds that remain in outflow are retail funds and corporate funds, whereas the funds from the industry fund sector comprise the vast majority of funds that maintain the most competitive net outflow ratios. It is also interesting to note that many of the funds with the lowest net outflow ratio have recently completed mergers, or are newer retail funds that have maintained strong inflows during the year.

As noted within APRA's initial guidance in relation to member outcomes, the net outflow ratio remains a strong forward-looking measure in relation to the ongoing sustainability of a superannuation fund. For those funds in material outflow, the ability to retain scale becomes increasingly difficult unless they can attract new inflows or slow outflows in the form of benefit payments.

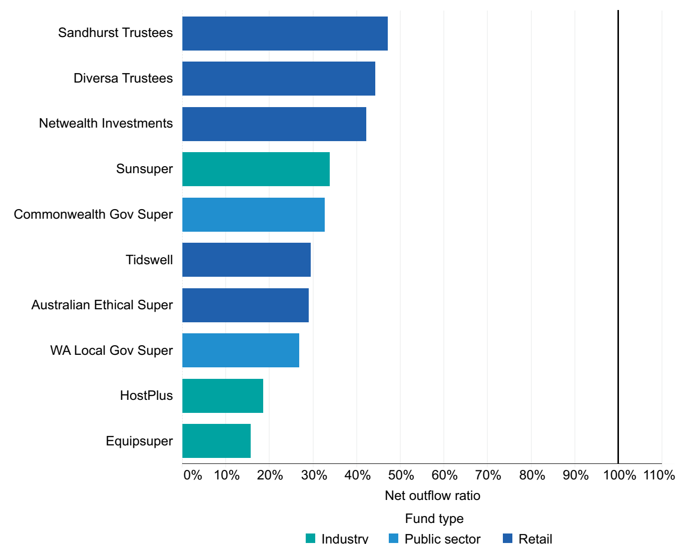
The divide between the sectors has also been more evident in 2018 than in previous years with the industry fund sector growing materially faster than any of the other sectors within the superannuation industry. Based on the market share statistics across the industry, the following chart demonstrates the movement in sectors over 2018.

Net outflow ratio

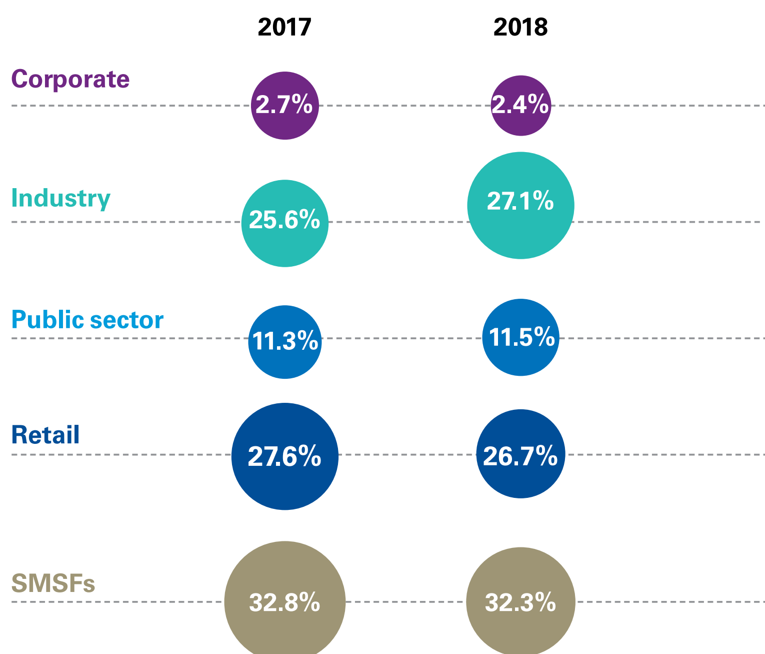
Top 10 funds



Bottom 10 funds



© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.



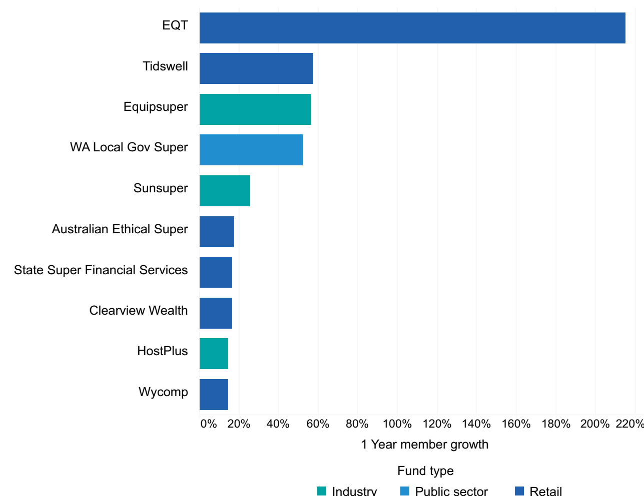
For the first time in history, we note that assets within the industry fund sector are now higher than the retail fund sector, while assets within the SMSF sector continued to fall in comparison.

Based upon our expectations of movements between sectors in the coming years, KPMG predicts that the industry fund sector will overtake the SMSF sector as the largest sector in terms of AUM in FY20, while the retail sector will continue to lag in terms of growth.

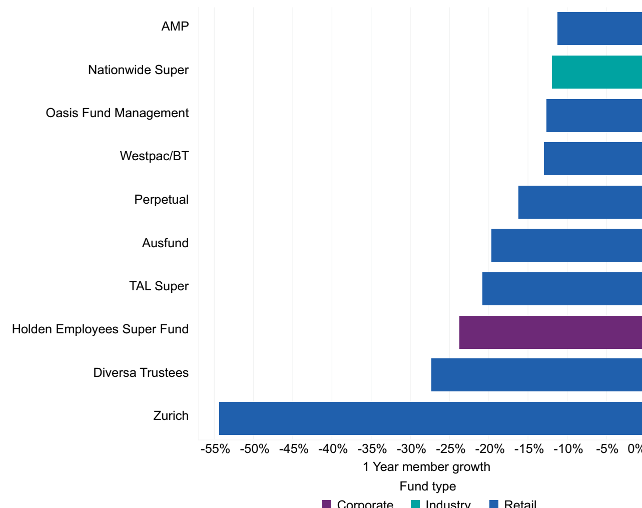
Similar to a fund's net outflow ratio, the ability to attract and retain members is also a strong forward-looking measure of a fund's ongoing sustainability. As noted previously, the industry experienced its seventh straight year of membership decline, with the average fund losing one percent of its membership. What is becoming clearer every year is the disparity between the best and worst performers in relation to membership growth, with the fastest growing funds in Australia increasing membership due to one or a number of mergers. Conversely, funds that experienced the largest declines were generally within the retail fund sector. The following charts illustrate the divergence between the fastest growing and reducing funds on a membership basis for 2018:

Membership movements

Top 10 membership movements



Bottom 10 membership movements



© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

As mentioned, the impact of the PYSP is likely to result in significant declines in membership numbers across a range of funds with effect from 30 June 2019. Based upon our analysis, some funds will lose in excess of 40 percent of their membership base to the ATO, placing significant pressure on their ongoing operating revenues and testing their ongoing viability as a standalone fund.

Whilst membership in the accumulation divisions of superannuation funds continues to reduce, due to unreliable APRA data this year, we have had to rely on anecdotal evidence, which suggests that growth in pension membership remains strong. Also, unlike the accumulation divisions of superannuation funds, the retail sector continues to dominate the pension product landscape in terms of membership and AUM, with four of the top five funds emanating from the retail fund sector.

KPMG continues to believe that significant opportunities exist for funds to develop innovative retirement products to suit the needs of a variety of members. Whilst there has been much conjecture across the industry in terms of the need for a Retirement Income Covenant as well as continued consultation papers in relation to the requirements for a Comprehensive Income Product for Retirement (CIPR), we believe that funds must push forward in spite of some uncertainty to ensure that a variety of retirement products are available for members.

We are concerned that the potential changes to the advice landscape, including the additional educational requirements proposed by FASEA, the removal of commissions, and banning of advice fees being charged on MySuper products, will potentially impact the number of members that receive advice and move into the retirement phase. It will reduce the demand for pension products going forward and may result in more individuals taking lump sums out of the superannuation system, which is unlikely to be a sustainable position for the Federal Government.

As such, KPMG believes funds will have to review their advice models to ensure that they can continue to deliver advice to members in an efficient, affordable and compliant manner to facilitate the continued growth of the retirement income product market.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Key challenges and opportunities

Risk and regulation

Sean Hill & Ian Tracey

Regulatory change and uncertainty

The issues identified through the Royal Commission and the APRA inquiry into the Commonwealth Bank of Australia go to the heart of governance. Thus, during 2019 regulators clearly will continue to expect an overall strengthening of core governance frameworks, as well as controls, practices and reporting, particularly in the areas of risk management, culture and accountability.

However, following a perfect storm of inquiries and commissions, it is also clear that regulatory change and uncertainty is now a top challenge facing the industry. KPMG has, in the past, voiced a concern that regulatory uncertainty adds complexity, imposes unnecessary costs, creates obstacles for innovation, and undermines member confidence. Whilst the reforms to be implemented from the Royal Commission will largely serve members' interests well, they will need to be balanced with ensuring that funds are operating in a stable and sustainable environment as there is a real risk that trustees will react to this current feeling of regulatory unease by simply digging their heels in, taking a zero tolerance approach to risk, and putting a halt on development and innovation.

Three lines of defence

Given the increasing uncertainty and complexity of the external environment, the need to continue to embed risk and controls at the first line, including the ownership and accountability of them, will remain paramount. Trustees will need to continue to enhance risk maturity and seek consistency in risk maturity across their organisations.

The superannuation industry has come a long way since the inception of the Prudential Standard requirements in 2013. Risk management has evolved, from compliance monitoring and problem prevention to value enhancement, with concepts such as risk appetite and tolerance now well ingrained, with leading organisations embracing risk management as a strategic tool as well as allowing it to inform their appetite for innovation.

Further, the expectations of the regulator in respect of risk management continue to increase, particularly for those funds of greater size and complexity. APRA has encouraged all funds to strengthen risk governance and effectively embed the risk management framework, across all levels and functions of the organisation.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

As funds navigate volatile conditions, they will be well advised to adopt or maintain a more holistic, integrated approach to managing risk and uncertainty. This should include ongoing emphasis on the three lines of defence. Properly implemented, the three lines of defence will create dialogue and analysis aimed at preventing funds from overlooking emerging risk, while also prompting trustees to effectively manage ongoing risk across the organisation. Nonetheless, it appears that funds will continue to go through a process of centralising and decentralising risk management. However, from a maturity perspective, the hope is that the tide sets higher each cycle, effectively uplifting capability at the first line.

Seeking to lift the maturity and sophistication of their risk management practices, leading organisations have also undertaken self-assessments against APRA's CBA inquiry report to better understand how effective their risk mitigating strategies are, in the context of protecting the value drivers and enhancing the overall performance of the organisation. **We should expect insights from APRA regarding industry themes arising from these self-assessments as well as an expectation for funds that are yet to conduct an assessment, to do so post-haste.**

Supervisory priorities

Whilst not formally making it into APRA's Policy Priorities for 2019, conduct and culture will also remain a key supervisory priority, as instances of misconduct throughout the Royal Commission have shaken public trust in the financial services industry. APRA and the Australian Securities Investment Commission (ASIC) will start to address this misconduct with public enforcement actions and promises of continued prioritisation; no doubt these public enforcement activities will act as a key driver of brand and reputation risk for funds and trustees. The Royal Commission recommendations also support APRA being charged with the supervision of culture and governance and, in undertaking its supervision, to focus on cultural drivers and reducing the risk of misconduct. APRA will thus focus on institutions' efforts to establish and operationalise a framework that identifies and prevents misconduct at its root, as evidenced in its approach to the CBA inquiry.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Legal and regulatory implications from commission recommendations

Zein El Hassan

Uncertainty is in the air and understandably so. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry precipitated the demise of a number of chairs, chief executives and general counsels of major organisations. It has marshalled both sides of politics to push through legislation that will impose penalties for breach of obligations such as failing to promote the financial interests of members and failing to act efficiently, honestly and fairly.

Author of the *Final Report*, Commissioner Hayne, has encouraged APRA and ASIC to become more aggressive, recommending that they litigate breaches of the law to deter misconduct. He has cajoled them to be more intrusive in supervising compliance with the law – to go beyond the desktop audit and test how trustees and other financial services entities operate in practice – to determine whether they are delivering better member outcomes. Under new legislation, failure to do so can attract civil penalties and banning orders.

Hayne emphatically encouraged boards to not only ask whether they "can do it" (equating to baseline compliance with the law) but to go further and ask whether they "should do it".

How are boards and their management teams expected to make decisions against this backdrop of community standards and expectations? This framework was used to identify misconduct in the hearings, and it will no doubt be drawn upon as regulators push through their regulatory agendas.

It is a challenging environment for directors and their management teams. The *Final Report* reminds trustees and their directors of their fundamental obligations to act in the best interests of their fund members.

It expressed a strong preference towards the avoidance of conflicts (rather than managing conflicts), and for decision makers to focus on the unequivocal objective of delivering better member outcomes.

Under the recommendations, a superannuation trustee company would be prohibited from acting in any role other than as the trustee of one or more superannuation funds. This recommendation (3.1) has caused some confusion as to whether it extends to directors of a superannuation trustee company, and the simple answer is that it does not extend to directors.

However, directors are also subject to obligations to give priority to the interests of fund members if they place themselves in a position of conflict between their duties to the members, and to their own interests or the interests of someone else. So, the existing law already imposes this obligation on directors. If you are feeling uncomfortable as a director because you are wearing more than one hat, now is the time to revisit those positions, as the regulators are going to be less accommodating of multiple roles that are not aligned with acting in the best interests of fund members.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

While Commissioner Hayne made no recommendations prohibiting, restricting or regulating vertically integrated groups (except for related party insurers), the case studies contain many examples of where superannuation fund trustees within those groups were criticised because of their related party dealings. Again, this is a time to revisit the governance around those arrangements and ensure that they are designed, and operate in practice, to serve the interests of members in priority to those of the corporate group.

The *Final Report* was supportive of the new APRA Prudential Standard SPS515 and the new laws that will impose civil and criminal penalties on trustees and directors who fail to promote the financial interests of members. Under those reforms, trustees will be required to undertake an annual comparison of their MySuper and choice products against other comparable products using benchmarks and factors set by APRA in prudential standards or in regulations. Trustees will be required to compare fees and costs, net investment returns, investment strategy and risk profile, as well as their insurance offering. The results of these annual assessments will have to be made publicly available and will provide funds with the comparison data of their peers and competitors.

Once this data is available, it will mean that the regulators (and class action lawyers) will also be able to compare performance. In that environment, questions will be asked as to why underperforming funds (large or small) continue to exist, or raise questions about the governance of those funds – a question that was explored through an economic lens by the Productivity Commission.

In scrutinising the fund comparison data, APRA and ASIC may also be asking an additional question – why does this fund still exist and what is standing in the way of a fund merger? In this regard, Commissioner Hayne reminds trustees that matters of board composition, and who nominates board and management positions, should be determined by reference to serving the best interests of members rather than retaining control by internal and external stakeholders who are serving their own interests. Again, the prospect of such intensified scrutiny, may put pressure on board decision making as funds go through their annual strategy cycles.

These are examples of some of the questions that are front of mind for trustee directors and their management in the wake of the Royal Commission. No doubt, there will be many more as the full implications of the Royal Commission unfold over the next Parliamentary cycle and the resulting reforms that come to light.

There is a danger that some in the financial services industry will form the view that the recommendations and commentary in the final report are only relevant to the organisations that became the subjects of the case studies. In KPMG's view, the issues, conflicts, cultural, governance and remuneration concerns that were aired in the Royal Commission in relation to some organisations are common (in some form or another) across many of their peers, and also exist in different forms across different sectors. There is a message for everyone in the *Final Report*, including retail, corporate, industry and public sector funds as well as their service providers.

One thing is clear, what may have worked in the past will need to be revisited as we enter an era of greater regulatory intrusion and enforcement which will be played out against the backdrop of heightened awareness, and greater expectations, of politicians, the regulators and the community.

Planning is critical to stay ahead of regulation, and will help organisations to better manage the regulatory risks that have emerged in the wake of the Royal Commission.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

APRA inquiry into CBA and BEAR

Matt Tottenham & Steve Clark

APRA inquiry into CBA

The Prudential Inquiry into CBA was released in May 2018, with APRA asking all regulated financial entities to conduct a self-assessment.

The increasing expectations on board members, the extension of compliance to ask the 'should we' questions tying risk to remuneration, ensuring clear accountabilities across the organisation, and of course, the criticality of culture, are some of the most important themes from the inquiry.

The Royal Commission also reinforced these topics. Whilst acknowledging and supporting the Prudential Inquiry, the commission particularly emphasised governance, accountability and culture in its own recommendations.

How does this report into a large bank apply to the superannuation industry?

As the industry's largest funds have found in their early assessments, many of the themes apply just as equally to superannuation as they do to either banking or insurance, and there are some interesting themes that have emerged.

Particularly in the not-for-profit sector, there has been a resounding confirmation of the member-oriented culture from top to bottom of the organisation. Decisions are evaluated on the basis of whether the outcome benefits members, and when done well will also challenge whether they are in members' best interests.

In addition, relative size of the fund organisations has provided for strong communication, and relatively timely escalation of issues. Allocating issues to owners has also been quite efficient. Having members represented directly on the board has provided strong challenge, and has helped to keep the industry largely out of the Royal Commission spotlight.

However, while the industry has performed well – and stayed out of trouble – there are still challenges and room for further maturation.

The formal risk frameworks and structures that support larger organisations are less developed in the fund space, relying more on the culture and the close proximity of staff than more formalised processes. Risk and compliance functions are developing, but are less established and generally quite lean.

One of the industry's biggest challenges in managing risk on behalf of members is their significant dependencies on outsourced service providers. As the Royal Commission has quickly pointed out, reputations can be significantly damaged by those who may service, sell or otherwise support your product. Extending risk oversight to funds' broader ecosystems will prove challenging for some.

These strengths – and weaknesses – will put the model under pressure in a period of intense growth and change. The exciting opportunities – and threats – of significant inter-fund flows, industry consolidation, a move to insourcing and extension of product set brings an increase in risk profile. Lots of new staff may dilute culture, and stretch the tightknit management structure. The extra staff being employed to cater for growth in members and functions, and the increasing complexity, will stress immature risk frameworks unless they are strengthened.

The sector challenge is to protect its multiple strengths in a deliberate and focused way, while increasing formal structures without adding unnecessary bureaucracy. As a leading CEO articulated well: with all of the awards and financial success, the biggest issue for many in the industry is simply complacency.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

BEAR in superannuation

Commissioner Hayne's *Final Report* on the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry recommended the extension of the BEAR to all APRA-regulated financial services institutions in Australia. This is unsurprising and mirrors the direction of travel observed in other jurisdictions such as the United Kingdom where the Senior Managers and Certification Regime (SMCR) was initially applied to banking entities and then extended to financial services more broadly. What is currently missing is the timeline for implementing the necessary legislative changes and rolling out the regime.

Commissioner Hayne also recommended the co-regulation of the regime by APRA (for prudential matters) and ASIC (for consumer protection and market conduct matters). Greater co-operation between APRA and ASIC seems inevitable in the post-Hayne world. Both regulators' strategic priority statements[3,4], emphasise closer co-operation and ASIC has tasked Commissioner Sean Hughes with strengthening regulatory collaboration.

The *Final Report* also recommended the addition to the BEAR of a specific product provision covering "design, delivery and maintenance of all products… and any necessary remediation of customers". APRA will consult in the first half of 2019 on the addition of this product responsibility and expects to implement this change before year end.

Implications for superannuation

A greater focus on individual accountability is coming to superannuation. Members of trustee boards and senior executives will be individually held to account for specific outcomes. Failings may have significant implications for individuals including forfeiture of deferred remuneration and being prohibited from holding senior roles in the industry. This may cause some individuals to consider their future. For leaders who become 'Accountable Persons' under the extended regime, the importance of good governance and record keeping will only increase.

Establishing discrete individual accountabilities will involve unbundling and clarifying the responsibilities of trustee board members and the executive team. BEAR allows joint accountabilities, but in the event of an issue, APRA will hold all jointly accountable people responsible (regardless of individual actions or omissions). In our experience working with ADIs, accountability definition will resurface known issues that remain unresolved. The extension of the BEAR provides an opportunity to drive simplification and improve transparency.

Outsourcing is another key issue for superannuation funds. Many funds rely on third parties for significant elements of their operations. BEAR in its current form does not specifically address outsourcing. However, APRA's guidance on outsourcing is clear: while a process may be outsourced, the risks and responsibility for the business activity is borne by the RSE.[5] Superannuation funds will need to test whether they currently have sufficient oversight and transparency of outsourced activities.

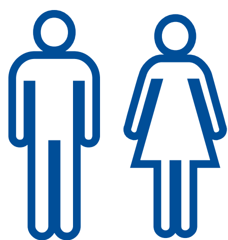
Moving forward in uncertainty

In the absence of firm timing for the extension of individual accountability some superannuation funds will be tempted to wait. In our view, this is a risky mistake. When timelines are revealed they are likely to be tight and there is practical work that funds can and should be doing now:

- **Review existing governance structures and roles.** Identify those areas where there are shared responsibilities (e.g. risk management, product manufacturing and distribution, etc.) and disaggregate shared responsibilities into discrete complementary accountabilities.
- **Consider third party relationships, including service providers and product manufacturers.** Identify ownership of these relationships internally and examine whether existing agreements provide for the necessary level of transparency and oversight – they may take time to change.
- **Educate your trustee board and executive team on the likely components of the regime.** Develop an understanding of its impact based on ADI experience. Develop a basis of understanding in preparation for a consultation process.

3. https://download.asic.gov.au/media/4855947/asic-corporate-plan-2018-22-focus-2018-19-published-31-august-2018.pdf
4. https://www.apra.gov.au/sites/default/files/apras_policy_priorities_-_february_2019.pdf
5. https://www.apra.gov.au/sites/default/files/prudential-practice-guide-spg-231-outsourcing-july-2013_0.pdf

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.



Member Outcomes and legislative changes

Wendy Tse & Platon Chris

Member Outcomes and legislative changes

To address a fund's long term sustainability and in an effort to hold trustees and funds more accountable in the decision-making process, APRA released a new *Prudential Standard SPS 515* Strategic Planning and Outcomes Assessment in December 2018, with the key focus of shifting member outcomes to the centre of discussions.

SPS 515 introduces the requirement for fund trustees to conduct an outcomes assessment as part of the annual review of their business plan, and to incorporate any leading and laggard key performance indicators to guide trigger actions arising from the assessment, which is not a universal practice amongst the industry.

Though SPS 515 does not come into effect until January 2020, funds have begun to review their strategic planning frameworks to ensure that strategic objectives and supporting business initiatives are in members' best interests and more importantly, the basis of fund expenditure decisions are sound and correlated with value delivered for members.

The continued trend in membership decline and growth in outflows over the year to 30 June 2018 will undoubtedly put upward pressure on fund operating costs (especially funds operating on a member fee only basis). It will challenge trustees to consider alternative operating models or answer the question of whether members will be better off in an alternative fund. This will all add to a stronger requirement for funds to ensure a principle led strategic planning framework is in place when setting out strategic objectives, while being honest and transparent on the anticipated and actual value delivered to members over the medium to long term.

In an increasingly highly regulated environment, coupled with renewed supervisory powers of regulators to enforce and hold accountability, funds are proactively reviewing their strategy (for example considering in/organic growth, white labelling, partnerships) to ensure greater future sustainability. **Based on our industry experience, we would be reticent not to encourage trustees to place member outcomes assessment at the forefront of priorities given the explicitly shared desire of recent reviews to drive fund consolidation.**

Whilst there is a lack of inclusion of key metrics contained in the Prudential Standard compared to the original draft Prudential Standard, causally lessening the impact of direct comparability of key metrics across funds and against industry medians, KPMG encourages fund trustees to not be complacent and treat the Standard as a 'tick a box' exercise.

Instead, we challenge funds to adopt the metrics suggested by APRA when designing their member outcomes assessment, overlayed by considering other metrics (quantitative and qualitative) appropriate to their membership to demonstrate the value delivered to members. Trustees must be able to show sound judgement on business initiative approvals and know when to pivot when success is not achieved, effectively earning their 'licence to remain' and placing members' best interest at the heart of any decision.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Protecting Your Super Package

In February 2019, Parliament passed the Protecting Your Super Package (PYSP) bill with a number of amendments and concessions made to the original proposal (2018), in particular to insurance offered through superannuation.

Fee caps on low balances

The PYSP bill did not make any changes to the fee caps on low balances which were outlined in the original proposal. As of 1 July 2019, trustees must not charge fees and costs to MySuper and Choice members at a level which exceeds three percent of the member's account balance.

KPMG is supportive of the effect that this legislation will have on member outcomes for superannuation fund members with low account balances.

KPMG is of the view that there may be some consequential impact (albeit in the short term) on the ability for some funds to keep pace with fees and drive fee reductions for the remainder of the membership, both in terms of administration and investment fees.

Inactive low balance account consolidation

The objective of this legislation is to facilitate the reduction of unintended multiple superannuation accounts. The PYSP bill extended the period of inactivity for an inactive account and an inactive low-balance account from 13 months to 16 months and prescribed a list of member actions that will mean the account is taken not to be an inactive low-balance account, such as making an investment switch or changes to insurance cover.

These amendments imply that as of 1 July 2019, trustees must transfer inactive account balances under $6,000 to the Australian Taxation Office (ATO) for consolidation. This amendment will significantly impact funds with a high proportion of low account balances and inactive accounts, resulting in loss of revenue, potentially placing upward pressure on fees and impacting ongoing viability.

KPMG is supportive of the amendments in respect of the inactive low balance account consolidation and believes that the extension from 13 months to 16 months provides for a more sensible definition of inactive members, allowing for members who take a break from employment through various circumstances such as parental leave.

Insurance in superannuation

The original proposed PYSP bill presented in 2018, prevented trustees from providing insurance to members with account balances less than $6,000, members who are under the age of 25, or members who have not contributed to their accounts for more than 13 months and are inactive.

These amendments have been replaced with a single change applicable to both MySuper and Choice products. Trustees will no longer be able to provide insurance cover to any member account that has been inactive for a continuous period of 16 months.

KPMG believes this is a balanced outcome for members as it:

- Reduces the impact of premium deductions on member retirement outcomes;
- Lowers the upward pressure on premium rates relative to the original proposal; and
- Allows all members (and in particular working Australians under the age of 25) to access insurance through their default superannuation fund.

It is still expected that at an industry level, a significant number of members will lose insurance cover once the legislation is implemented.

KPMG is broadly supportive of the PYSP legislation and acknowledges that this legislation will pose many challenges for superannuation funds, both operationally and financially. The impact is expected to vary significantly by fund and will require strategic analysis to be undertaken on the short and long term implications.

KPMG is of the view that the key challenge for superannuation funds is being operationally ready by 1 July 2019 and ensuring members have been communicated to in a timely and appropriate manner.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Financial advice

Cecilia Storniolo & Karlie Lytas

Superannuation is complex even for those in a MySuper account and many members regularly seek help from their superannuation funds and other advice providers. Potential regulatory change, as a result of the Royal Commission's *Final Report* and the Productivity Commission Report – Superannuation: Assessing Efficiency and Competitiveness – will impact the economics of providing advice and fee charging mechanisms, which will likely impact the affordability and access to advice.

A number of recommendations will impact financial and remuneration models for those who provide advice such as:

- Removal of grandfathered commissions – noting that draft legislation in consultation currently does not limit the removal of grandfathered commissions to financial advisers only, but may impact arrangements previously grandfathered by Future of Financial Advice (FoFA) in the Corporations Act more broadly;
- Suggestion that ASIC reduce insurance commissions to zero;
- The economics of continuing to use ongoing service fees which are limited to 12 months; and
- Limitation of advice fees from superannuation (Choice accounts) where the advice fee may relate to advice other than superannuation advice.

Operating costs will correspondingly increase as a result of the Commissioner's recommendations, if implemented, and a number of other regulatory initiatives. These include for example:

- Removal of the exemptions from the conflicted remuneration definition in the Corporations Act;
- Potential compensation scheme of last resort – which would likely be funded by levies on those who have a licensee to provide advice;
- Increased cost of compliance (ASIC enforceability recommendation) with industry codes (Ongoing Service Fee – Opt-In and LIF for example);
- A significant uplift in compliance, controls, reporting and monitoring resulting in increased costs;
- Compliance with codes of ethics;
- A review/redesign of remuneration practices; and
- Higher costs training/competency requirements (FASEA requirements).

Funds and entities that provide advice will need to consider and balance the economic impacts of prospective change with the value it may provide members or customers.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Deduction of advice fees from superannuation

Commissioner Hayne raised a number of observations with regards to what type of advice (scope) meets the sole purpose test and the role a trustee plays in permitting these deductions. The Commissioner's view is that trustees most often have taken direction from licensees or authorised representatives, and permitted deductions of advice fees from superannuation accounts which are broader in scope than superannuation (such as how a member should best plan to meet their financial affairs).

He goes on to note that law already exists which limits the deduction of broad financial advice from a superannuation account (the sole purpose test) but steps in to recommend that the trustee not permit any advice fees from a MySuper account, except where the advice is intra-fund advice. Other than the recommendation to impose additional obligations on a trustee with regards to ongoing service fee deductions from a Choice superannuation account, it remains unclear whether prospective legislation and or regulator action will impose other additional obligations on a trustee prior to permitting deduction of transactional advice fees from a non-MySuper account.

Intra-fund advice

Intra-fund advice models are a clear winner from the Royal Commission. Recommendation 3.2 is welcome as it retains current legislated capabilities to offer MySuper members some level of help via intra-fund advice and protects these largely defaulted members from the deduction of any other advice fees. However, the report's anti-hawking of superannuation funds recommendation may impede a fund's ability to assist those members nearing retirement by prohibiting the trustee from offering retirement solutions unless the member asks for this help explicitly.

Commissioner Haynes' position is also based on an understanding that intra-fund advice is the provision of advice that is not personal. Whilst noting that intra-fund advice is personal in nature but limited to the member's interest in the superannuation fund, neither the *Final Report* nor the Government's response currently suggests that any change is needed to permit retirement income advice to be offered within an intra-fund advice model. If this recommendation is implemented without amendments to the intra-fund advice definition, trustees will need to increase their focus on member education, and in particular financial literacy, so that members are better informed to make decisions at key stages such as retirement.

Choice accounts – new obligations to be imposed

With regards to the ability to deduct ongoing services fees – the Corporations Act (as part of FoFA) placed obligations on an advice provider, however, recommendation 3.3 will require a trustee to prohibit the deduction of an ongoing advice fee from a Choice fund unless recommendation 2.1 is met.

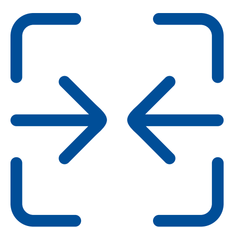
This would likely see the relevant sections of the Corporations Act amended to require:

- The arrangement to be annually renewed by the client (currently required every 2 years);
- That the client be provided written confirmation of the fee and the service that the adviser will provide to the client; and
- The client expressly approves the deduction.

Implied by the recommendation is that the trustee would need to satisfy itself (likely to be a SiS Act or regulation obligation) that the client permits the deduction annually from the Choice account (for example, a trustee may seek to receive the client's express approval). These recommendations (2.1 and 3.3) will require trustees that wish to continue to offer a member the ability to pay for their superannuation advice from their Choice superannuation account, to put in place efficient processes and procedures to ensure they comply with these new obligations.

Whilst some of the *Final Report's* recommendations may take time and much consultation before they become law, changes such as the removal of grandfathered provisions may require swift compliance – as early as 1 January 2020. **Which advice model better suits a fund or provider's client base, and what is economically rational and in the best interest of members, may require more than a simple regulatory change program to turn fees on or off.**

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.



Mergers and industry consolidation

David Bardsley & Peter Bentley

Over the past year merger discussions between superannuation funds have increased to a level not seen in over 10 years. The several mergers announced since the release of Super Insights 2018 are just a portent of things to come, as both the regulatory and political landscape increasingly drives consolidation amongst superannuation funds.

Over the past year the industry has seen:

- The release of the draft and final Productivity Commission report reviewing the efficiency and competitiveness of the superannuation system;
- The public hearings into superannuation and release of the *Final Report* by the Royal Commission;
- The announcement and subsequent passage of legislation forcing inactive account consolidation to the ATO, and
- The release of APRA's new Prudential Standard SPS 515 which becomes effective 1 January 2020.

These events are creating strong tailwinds in favour of more timely industry consolidation.

1. Member outcomes assessment

From 1 January 2020, funds will be required to undertake an annual member outcomes assessment as part of their business planning cycle. The outcomes assessment will focus on net investment returns, fees and operating costs, cost of insurance, net cash flows, outflow ratios, net rollover ratios, member growth or decline, and other benefits or services provided to members.

The assessment, which holistically considers what funds deliver to members, will be a key driver of merger activity in the short-to-medium term. Prior to an initial assessment, many funds have initiated merger discussions with a view to improving their long-term sustainability.

2. Inactive accounts

The PYSP legislation that passed Parliament in February this year and is scheduled to come into effect on 1 July 2019, will have a material impact on a number of funds. The requirement holds that inactive accounts with less than a $6,000 balance are transferred to the ATO and will significantly reduce membership in many funds. Member reductions and associated revenue reductions will provide a strong incentive for many funds to consider inorganic growth/merger strategies.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

3. Changes to superannuation default arrangements

The Productivity Commission and Royal Commission have ignited debate surrounding default arrangements in superannuation with their best-in-show top 10 funds and single default fund through account 'stapling' recommendations.

Proposals for a government fund to become a default provider, the establishment of an elevated MySuper licence reducing the number of funds able to accept default contributions, and the adoption of the KiwiSaver automatic rollover model are some of many proposals that have been put forward to reduce multiple accounts and/or increase the likelihood workers are defaulted into sustainable and well performing funds.

While the best-in-show proposal is unlikely to be adopted, it is clear that significant changes to default arrangements – reducing the number of accounts and funds eligible to receive default contributions – will made be in the near future. Both will lead to further industry consolidation.

Mergers

Changes to default arrangements, inactive accounts, and the member outcomes assessment, combined with a general increase in regulatory and prudential oversight, are driving fund merger discussions, which KPMG expects will continue to increase in the year ahead. This has informed our updated industry consolidation prediction made in this *Super Insights Report*, as we now anticipate a materially faster rate of consolidation than 12 months ago.

To help inform the deliberations of fund trustees and executives, KPMG produced an overview of superannuation fund mergers which can be accessed here.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Tax

Damian Ryan

Increased regulatory scrutiny

One of the key issues faced by all superannuation funds has been increased scrutiny by the ATO. In 2017, the ATO published an updated tax risk management and governance review guide. The guide sets out principles for board-level and management-level controls relating to income tax and what the ATO considers better practice.

Last year, the ATO conducted assurance reviews of two large superannuation funds as part of its Top 100 Justified Trust reviews. The purpose of these reviews was to ensure that superannuation funds are paying the right amount of tax and meeting their income tax obligations.

The ATO has subsequently informed the market that 83 superannuation funds will be subject to Streamlined Assurance Reviews (SARs) over the next 15 months. Currently, 40 funds are in a SAR.

Across the industry, boards are reviewing whether they have the appropriate tax skills within their funds. This has resulted in some funds boosting their tax function. Further, there is greater scrutiny of tax reporting from both administrators and custodians.

Updating systems and processes for change in tax laws

Another key issue faced by superannuation funds has been the requirement to update systems and processes for the significant changes to the taxation settings for superannuation that applied from 30 June 2017.

Changes to contribution caps, the introduction of the transfer balance concept and changes to the treatment of transition to retirement income streams, not to mention the subsequent reporting changes to the Member Account Attribute Service and Member Account Transaction Service, presented significant changes to funds and their administrators.

The requirement to update systems and processes for significant changes in the law, has required funds to better understand what reporting they receive from their administrators currently, and this has generally improved governance around reporting of data.

Division 310 merger relief

For funds that have been contemplating, or have indeed undertaken a merger by way of a Successor Fund Transfer, consideration of the availability of loss rollover relief and asset transfer relief under Division 310 has been a particular issue of focus.

It was pleasing to see in the recent Federal Budget the proposal that Division 320 becomes a permanent provision within the Act, so that tax issues do not become a barrier to industry consolidation.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

The provisions of Division 310 work well when superannuation funds with similar profiles seek to merge, for example, funds that predominantly hold their assets directly. When a retail fund is merged into an industry fund, the relief is less of a relief, as in a retail context the fund typically holds units in feeder funds that own underlying assets, whereas the relief applies at the level of the fund. Thought should be given to how relief could better be provided in the context of merging retail funds. Similarly, state-based stamp duty still remains an issue to navigate.

Taxation consequences of investments in unlisted asset class

With the strong growth in the size of AUM has also come an increased investment in unlisted assets, particularly in foreign assets. Each year the ATO has published its key focus areas for superannuation funds. An area that has seen consistent focus recently is the treatment of investments in offshore limited partnerships and the characterisation of both the investment and the returns for Australian tax purposes. These investments are typically complex and may have limitations in terms of availability of custodian information.

Funds will continue to seek exposure to alternative asset classes, typically through participation as a limited partner in a limited partnership. As such, funds will need to develop better methodologies and processes to ensure that they are dealing appropriately with the inherent tax risk of these investments.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Technology and data

Matt O'Keefe

Use of technology to progress the strategies of superannuation funds continues almost unabated, with strong emphasis across the industry on well-discussed topics including digital operating models, enhanced data insights and cyber security.

However, with findings from the Royal Commission and subsequent recommendations likely to result in an increase in mandatory spending across funds, this has the potential to diminish discretionary spending on technology and digital at a time when differentiation in the market is of vital importance. This differentiation is fuelled by general customer experience driving member service expectations from their fund. As a result, the use of technology and data has become more prevalent, to support the fund strategy, maintain competitive positioning and enable operational efficiencies.

These competing forces (higher demand for technology enabled solutions, with less resource availability to invest) will drive a sharper focus on both the prioritisation and effectiveness of technology investment. This sharper focus will need to deal with:

Running the business – how do I maintaining my current technology?

Changing the business – how do I effectively invest in new technology?

Run the business

Two areas for funds to focus on are:

1. The focus on regulatory compliance over existing prudential standards (CPS234, 231, etc.) continues to be an important area of APRA attention. This includes the important APRA update in September 2018 that outlined prudential considerations when adopting the use of cloud/ shared computing services.
2. The increasing use of third parties is driving an increased focus on effective vendor management and third party risk management. Whilst activities may have been transferred, the risks remain with the fund, and with increasing reliance and data flows, increased surveillance and monitoring is required.

Change the business

With innovation in emerging technology, and the increasing demand from members to provide a seamless modern experience, funds are challenged with how to embrace new and emerging technology to deliver to their members.

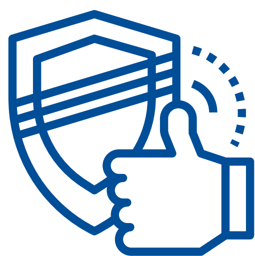
Key focus areas include:

- **Data:** With many superannuation funds making extensive investments to improve digital interactions for their members, the volume and variety of data being collected continues to accelerate, and advancements in technology will continue to make the collection, storage, analysis and sharing of data easier than ever before. Today's game-changing technology like machine learning and Artificial Intelligence is fuelling competitive advantage.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

- Business leaders are increasingly being asked to make major decisions based on the output of an algorithm they did not create, and may not fully understand. As we enter an age of governance by algorithms, funds must think about the governance of their algorithms, just like their people and the decisions they make. For any leader feeling overwhelmed, the single guiding question should be: how can the data I have access to be creating real value for our members?
- **Open Banking:** Open Banking will offer the capacity to deliver access and simplification of financial institution data for the customer, even a potential single point of entry. Therefore, funds will need to assess their appetite, ability to work with other institutions, and the impacts of Consumer Data Rights regimes, to deliver an improved and streamlined experience for members.
- **Blockchain:** While still some way off, cases for its use are now starting to form, with the transparency and symmetry afforded by blockchain ledgers potentially able to address key challenges for the superannuation industry. Blockchain may offer efficiency in processing, with the potential to improve/remove settlement times (and release the associated value of funds), introduce automation of processing and reduce errors, in turn lessening the required spend on risk management resources.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.



Trust and social licence

Mike Kaiser

The Australian Government has signalled that restoring public trust in financial institutions will be one of its guiding principles in responding to the recommendations of the Royal Commission.

With an implosion of trust comes an explosion of scrutiny, and a raft of new compliance measures.

However, it's unlikely that financial services organisations can comply their way to trust. Trust is about more than obeying the law. It's about meeting expectations.

As Commissioner Hayne, observed, "In the longer term, the interests of all stakeholders associated with the entity converge… pursuit of the best interests of an entity is a more complicated task than choosing between the interests of shareholders and the interests of customers."

Getting non-financial risk right starts with listening intently to a wider range of stakeholders, recognising that it's not just members and customers who have recourse to policy makers in a democratic system.

A KPMG/AICD survey of directors showed that 23 percent did not receive information regarding their company's reputation. Organisations that institutionalise listening to the views of a wide range of stakeholders – including their harshest critics – are more likely to pick up the warning signs that reputation is at risk.

In processing this feedback boards need to ensure shareholders are not prioritised over the value that is shared with other stakeholders, and in the case of superannuation funds, never prioritised over fund members. Seeing the board's role as being a parliament of stakeholders helps here. It's about balancing interests and demands and sharing value with members, customers, employees, the broader community and unrepresented stakeholders like the environment and the economy.

Identifying the root cause of a poor reputation amongst stakeholders is management's obligation. Often, a poor external reputation has its root cause in internal culture. More may need to be done to ensure that incentives don't get in the way of every employee making a decision as though the customer is in the room and the outcome could be reported in the media.

This requires nothing short of fundamental cultural change, led from the top. If a front line member or customer-facing staff see the executive and the board constantly referring to profit and shareholder return to the exclusion of broader purpose, what are they likely to prioritise in the moment of truth when deciding a member or customer outcome?

Boards and executives need to develop and deliver a clear narrative that emphasises values beyond profit and recognises the interests of a broad range of stakeholders. This needs to go beyond philanthropy to a focus on how value is created for a range of stakeholders as a basis for describing the fundamental purpose of the organisation.

Controls and compliance will get financial institutions only so far in the battle to restore trust and social licence. Leadership is also required to listen to the legitimate concerns of a wide range of stakeholders, deal with the root causes of reputational issues, and engage society with a narrative that emphasises values and purpose beyond profit.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Member experience and engagement

Amanda Hicks & Mark Hassell

The age of the member

KPMG's recent *Keeping Us Up at Night* report highlighted customer centricity as a core priority across all industries. This is truly the age of the customer, or in the case of superannuation, the member. Expectations are higher than ever and continue to increase as digital technologies, new service models, and disruptors in other sectors re-set expectations of what should be achieved within the superannuation industry.

Service excellence drives engagement

Progressive funds recognise that focusing on customer service excellence drives member retention and acquisition, and delivers tangible commercial and other benefits. This is particularly important for superannuation, where the core product offering is increasingly commoditised, new products can be readily replicated, regulation can mandate customer outcomes, and the expected fund mergers will reduce consumer choice. Service excellence is the battleground to differentiate and win.

The engagement challenges for funds

Success in driving engagement is a clear articulation of a unique member promise, building products and a service culture that amplifies that promise, and consistently delivering it at every touch point every time.

That said, there are challenges to getting there:

- Many funds have limited member interactions, and/or 'moments of truth';
- Regulation impacts product offerings, communications, service delivery and can lead to member confusion;
- Superannuation can be perceived as complex, making it difficult to understand communications, interact with the fund and/or make effective decisions; and
- Superannuation is often seen as a lower priority by members, resulting in a lack of urgency to engage and act with their fund.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

A more proactive approach

To overcome these challenges, funds might consider becoming more proactive in interacting, educating and supporting their members in relevant and meaningful ways.

More funds are turning to an 'always on' listening approach. Utilising data analytics, segmentation models and deep dive qualitative research, they seek to gain a strong empathetic understanding of members, their behaviours and underlying needs from which they apply human centred design to unlock service delivery design and innovation advantage. It is however only those funds that can effectively operationalise such innovations, and embed continuous improvement, that will be the ultimate winners.

The pillars of service excellence design and engagement strategy

Too often, organisations, including funds, approach their customer led strategies through a channel-led lens, that is, digital or human delivered. However, this ignores the reality that members today want their funds to offer both. In KPMG's 2018 Customer Needs Survey, the great majority of members – 89 percent – said it was important for their fund to prioritise greater digital tools; a similarly strong majority – 92 percent – said it was important that their fund prioritise better customer service.

Regardless of channel, KPMG has identified six key principles that are the building blocks for customer experience excellence, each answering to core customer needs. We strongly encourage funds to use these as a framework for service design and member engagement strategies:

1. **Personalisation:** This is tailoring experiences to members' unique needs and preferences, and is achieved through strong knowledge of your member.
2. **Integrity:** Members must believe your fund is trustworthy and, most importantly, likely to act in their best interests. This issue has been heightened in the wake of the Royal Commission.
3. **Expectations:** This is the level to which funds are seen to meet or exceed member expectations. Funds must resist the urge to over-promise and under-deliver on service, value or satisfaction.
4. **Resolution:** This is the ability of the fund to resolve issues quickly and reliably. This is key to long lasting member relationships.
5. **Time and effort:** Funds must be vigilant in identifying pain points and reduce member cost, time and effort.
6. **Empathy:** The hallmark of a truly customer (or member) centred culture, where everyone within the fund can put themselves in the members' shoes and demonstrate that they can genuinely see the world from their perspective.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Responsible investment

Mark Spicer

Increasing focus on ESG and responsible investments

Responsible investing across the financial sector has been adopted as business as usual with over 55 percent of total AUM in Australia invested under a Responsible Investment (RI) strategy[6] and 81 percent of superannuation funds having some form of RI commitment in place[7].

The fiduciary duty of funds, shareholder activism, and members demanding more alignment of their investments with their values has stirred increased media attention and fuelled the impetus for funds to seriously consider how they invest in terms of environment and social factors. **We are seeing a marked increase in a desire of funds to report the performance of investment portfolios in terms of social and environmental impact as well as economic performance.**

Globally, RI momentum has seen the European Union (EU) engage the High-Level Expert Group (HLEG) to support coordinated action and steer capital markets towards sustainable investment approaches in order to protect the financial system from environmental and social risk, and support the achievement of the emissions reductions to meet the commitments of the 2016 Paris Agreement. The HLEG's final report and recommendations are presented as the EUs Action Plan on *Sustainable Finance*[8] (sustainable finance roadmap) and were adopted by the European Commission (EC) in March 2018 and provide a clear list of 10 actions for progressing towards sustainable finance.

In Australasia, a sustainable finance roadmap process has commenced which has seen the engagement of the finance industry to determine the approach to be adopted locally. Relevant action points for consideration include:

- the creation of standards and labels for green financial products;
- establishing a taxonomy for sustainable products;
- incorporating sustainability in prudential requirements;
- strengthening sustainability disclosures and accounting rule-making; and
- fostering sustainable corporate governance and attenuating short-termism in capital markets.

6. RIAA Benchmark Report 2018
7. RIAA Super Fund Responsible Investment Benchmark Report 2018
8. https://ec.europa.eu/info/publications/180131-sustainable-finance-report_en

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

There are considerable opportunities for the superannuation industry in Australia to proactively anticipate the changing political and regulatory climate concerning adoption of sustainable finance initiatives.

Staying ahead of the curve has seen superannuation funds that have a strong focus on RI, such as Australian Ethical Investment perform consistently well over the past 5 years in terms of both member acquisition and financial performance. We've also seen a broader uptake of ESG screening practices by some of the larger funds, such as AMP, and an increasing maturity in ethical fund options across the industry.

Additionally we see a deepening commitment by major superannuation funds to enacting their stewardship obligations, particularly through stronger corporate engagement to influence the environmental and social risk management of major listed companies, and voting patterns at AGMs. One of the most prominent ESG issues for super funds in 2019 is climate change, due to the impacts of climate across all sectors of the economy.

APRA has stressed that failure to address the foreseeable, material, and distinctly financial risks of climate change could be considered a breach of section 180 of the Corporations Act.[9]

The Task Force on Climate-related Financial Disclosures (TCFD) is increasingly the cornerstone framework for addressing and reporting organisations' exposure to climate-related risks and opportunities. The recent announcement by the UN Principles for Responsible Investment mandating TCFD-based reporting for signatories in 2020 supports the global shift towards a more prudent and strategic integration of sustainable financial practice across the industry more broadly.

9. https://www.apra.gov.au/media-centre/speeches/australias-new-horizon-climate-change-challenges-and-prudential-risk

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Conclusion

2018 is likely to be remembered as a year that set the scene for material structural change within the superannuation industry. The plethora of reviews, which contained a raft of recommendations pertaining to changes to the default fund system, the manner in which superannuation is distributed, and how financial advice should be provided, are likely to see many funds considering a change to their operating models.

Further to this, recommendations in relation to the stapling of accounts to individuals, as well as the requirement for funds to transfer low, inactive balances to the ATO, will challenge the ongoing viability of many funds within the industry, given the impact this will have on many funds' revenue models and their ability to continue to invest in new products and services in order to remain competitive.

Additional governance arrangements proposed to ensure that trustees act solely in the best interest of fund members will ensure that potential conflicts of interest may, in many instances, require complete avoidance of some conflicts rather than the attempted management of these, to ensure there can be no question as to a trustee's governance obligations.

2018 also saw the start of a material shift in terms of key industry metrics away from the retail fund sector across to the industry fund sector, with growth both in terms of AUM and membership substantially higher for industry funds. With the potential divestment of many wealth arms away from their banking owners, this may present the opportunity for them to reset their business structures in coming years, however, the manner in which this will occur is yet to be clear.

There is no doubt 2018 was a watershed year for the superannuation industry and we expect that 2019 will see continual change, which will present opportunities for well-managed, efficient funds – but may see the end of funds that are perennial underperformers across key member outcome metrics.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

Contact us

Paul Howes
Partner
National Sector Leader, Asset & Wealth Management
T: +61 2 9346 6073
E: paulhowes@kpmg.com.au

Karlie Lytas
Partner
Risk Consulting
T: +61 2 9335 8750
E: klytas@kpmg.com.au

Damian Ryan
Partner
Tax National Sector Lead, Asset & Wealth Management
T: +61 2 9335 7998
E: dryan@kpmg.com.au

Matt O'Keefe
Partner
Technology
T: +61 3 9288 5430
E: mokeefe@kpmg.com.au

David Bardsley
Partner
Wealth Advisory
T: +61 3 9233 6079
E: dbardsley@kpmg.com.au

Zein El Hassan
Partner
KPMG Law
T: +61 2 9335 8046
E: zeinelhassan@kpmg.com.au

Amanda Hicks
Partner
Customer Brand & Marketing Advisory
T: +61 2 9458 1501
E: ahicks@kpmg.com.au

Mike Kaiser
Partner
Corporate Affairs Advisory
T: +61 418 727 888
E: mkaiser2@kpmg.com.au

Ian Tracey
Partner
Audit, Assurance & Risk Consulting
T: +61 3 9288 5272
E: itracey@kpmg.com.au

Mark Hassell
Partner
Customer, Brand & Marketing Advisory
T: +61 2 9335 7776
E: markhassell@kpmg.com.au

Wendy Tse
Director
Superannuation Advisory
T: +61 2 9335 7676
E: wtse1@kpmg.com.au

Platon Chris
Director
Superannuation Advisory
T: +61 2 9346 6333
E: pchris1@kpmg.com.au

Cecilia Storniolo
Director
Superannuation Advisory
T: +61 2 9335 8274
E: cstorniolo@kpmg.com.au

Peter Bentley
Sector Director
Asset & Wealth Management
T: +61 2 9455 9654
E: pbentley1@kpmg.com.au

Matt Tottenham
Director
Risk Strategy & Technology
T: +61 2 9335 8516
E: mtottenham@kpmg.com.au

Steve Clark
Director
People & Change
T: +61 2 9455 9403
E: sjclark@kpmg.com.au

Mark Spicer
Director
Climate Change & Sustainability
T: +61 2 9335 8020
E: markspicer@kpmg.com.au

KPMG.com/au/superinsights2019

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo and are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation. April 2019. 321308255FS