



OECD/IOPS Global Forum on Private Pensions Victoria Falls, Zimbabwe

Strengthening trustees' skills and capacities

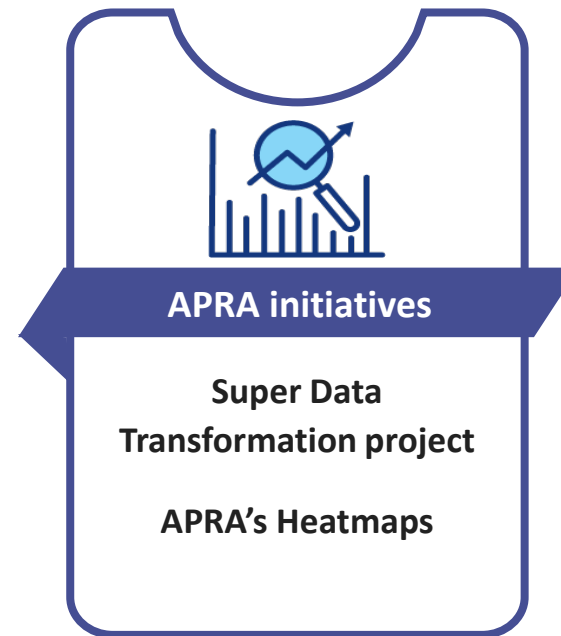
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Ongoing changes to the operating environment

- Member outcomes has been the key driver for improving the skills and capability of trustees
- Since 2020, there has been significant changes to the operating environment:



- There has also been a shift in focus to members approaching the retirement, and the considerations for trustees to meet these members' needs

Strategic planning and member outcomes

- APRA is responding to these developments by making our Strategic Planning and Member Outcomes standard the centrepiece of our prudential framework
 - ❖ The core objective is for a trustee to manage its business operations in a sound and prudent manner, to achieve the outcomes it seeks for its beneficiaries
- Strategic Planning and Member Outcomes standard will look to:



Member transfers

Improve the management of risks to members being transferred across funds



Expenditure

Ensure expenditure requirements align with legislation (BFID), and support the objectives of the Retirement Income Covenant



Reflect observations

Incorporate supervisor feedback on areas where industry needs to lift the bar
A focus on the management of financial resources



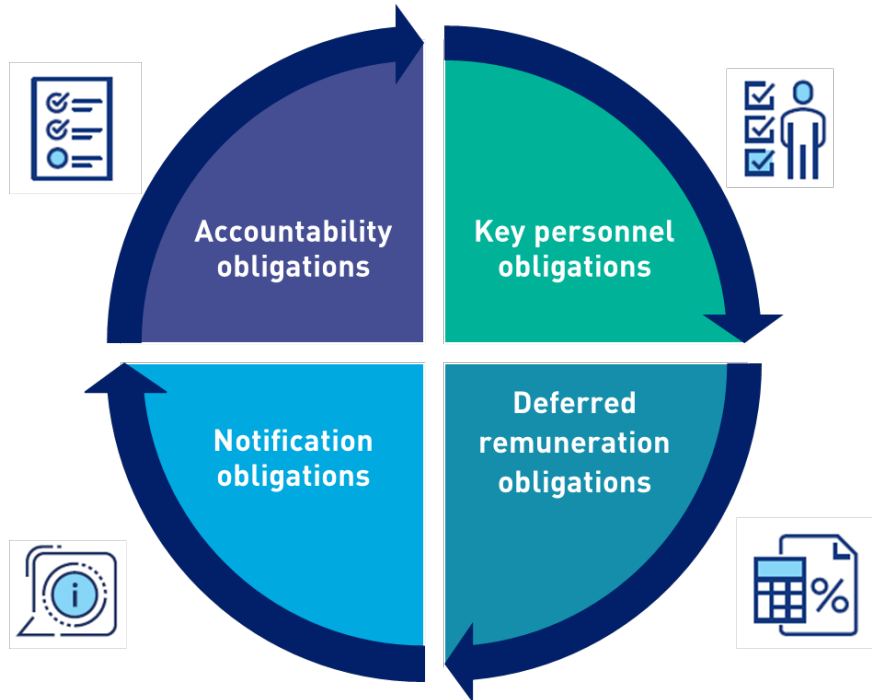
Strategic planning and member outcomes





- APRA recently finalised a new “cross-industry” standard relating to Operational Risk Management
 - ❖ Aimed at ensuring banks, insurers and superannuation trustees can “get ahead” and better manage operational risks and respond to business disruptions
- The standard provides a foundation for trustees to:
 - ❖ strengthen operational risk management through new requirements to address identified weaknesses in existing controls
 - ❖ improve business continuity planning to ensure they are positioned to respond to severe disruptions
 - ❖ enhance third-party risk management by ensuring risks from material service providers are appropriately managed

Financial accountability regime (FAR)



- The FAR sets out conduct standards and financial consequences for 'accountable persons' in the event of failure of accountability and responsibility
- Trustees subject to FAR will be required to apply to APRA and ASIC to register someone as an accountable person
- All directors and most senior executives will be identified as accountable persons and be subject to broad obligations
 - ❖ act with honesty and integrity and with due skill
 - ❖ care and diligence
- They will also be obliged to take reasonable steps to prevent material contraventions of specified financial services laws

Financial accountability regime (FAR) - remuneration

- FAR bolsters existing REM requirements in the “cross-industry” remuneration standard
- A review of the standard’s implementation was conducted in 2021/2022, and found early signs improvement in remuneration practices. However, some gaps were observed. These included:



Limited progress
implementing controls
to manage potential
conflicts



Inadequate
understanding of how
non-financial
measures will drive
behaviour, risk
outcomes and
performance



Insufficient rigour to
ensure remuneration
consequences result
from poor risk
management
outcomes

- FAR further embeds the changes APRA is working towards, with additional steps on variable remuneration and transparency around remuneration frameworks

Governance, Culture, Remuneration and Accountability (GCRA)



- Governance and risk management has always been a significant focus area for APRA, with previous work being done on board tenure, board independence and board capability
- GCRA components are critical determinants of success or failure
- APRA recently revamped its supervisory risk assessment framework to address areas of cross-industry or non-financial risk more explicitly
- APRA's SRI Model specifically assesses "GCRA", thereby applying a sharper supervisory focus on GCRA and better enabling APRA to share insights with industry



Thank you

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