



# PRUDENTIAL PRACTICE GUIDE

## SPG 515 - Strategic and Business Planning

December 2018

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## About this guide

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Prudential practice guides (PPGs) provide guidance on APRA's view of sound practice in particular areas. PPGs frequently discuss legal requirements from legislation, regulations or APRA's prudential standards, but do not themselves create enforceable requirements.

*Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515) sets out APRA's requirements for a registrable superannuation entity (RSE) licensee (RSE licensee) to set strategic objectives for its business operations and to maintain a written business plan that articulates an RSE licensee's approach to achieving these strategic objectives. Additionally, SPS 515 contains prudential requirements to ensure that fund expenditure is in the best interests of members and that there is a comprehensive decision making and monitoring process for expenditure that is determined by its size or nature to be extraordinary.

SPS 515 also requires an RSE licensee to undertake an outcomes assessment as a component of its annual review of the business plan. The guidance in this PPG relates to the business planning and expenditure management requirements in SPS 515. This PPG is also to be read in conjunction with *Prudential Practice Guide SPG 516 Outcomes Assessment* (SPG 516) which provides guidance on APRA's expectations with respect to the outcomes assessment.

*Prudential Standard SPS 220 Risk Management* (SPS 220) sets prudential requirements in respect of the business plan as a risk management tool.

Subject to the requirements of RSE licensee law, an RSE licensee has the flexibility to structure its business operations in the way most suited to achieving its strategic objectives.<sup>1</sup> Not all practices outlined in this PPG will be relevant for every RSE licensee and some aspects may vary depending upon the size, business mix and complexity of the RSE licensee's business operations.

For the purposes of this guide and consistent with the application of SPS 515, 'RSE licensee' has the same meaning given in section 10 of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

<sup>1</sup> Refer to section 10 of the SIS Act for the definition of 'RSE licensee law'.

## Introduction

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1. Sound strategic and business planning supported by robust processes enables RSE licensees to respond to strategic challenges and ensure their business operations are well positioned for the current and future provision of quality outcomes to members. Rigorous decision-making in relation to fund expenditure positions an RSE licensee to meet member best interest obligations and provide quality outcomes for members.
2. *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515) sets requirements intended to ensure that an RSE licensee's strategic objectives and business planning processes support the RSE licensee achieving the outcomes it seeks for members and ensure the sound and prudent management of its business operations. SPS 515 also sets out requirements in relation to expenditure management and decisions that will result in significant expenditure. Ensuring that expenditure decisions are in the best interests of members is an integral component of the provision of quality member outcomes.
3. An RSE licensee's business plan will reflect decisions as to how it proposes to organise and manage its business operations. The impact that these decisions have on the outcomes being provided to members is assessed through the annual outcomes assessment required under SPS 515. The findings of this assessment are required to be considered as part of the RSE licensee's annual review of its business plan and ultimately considered in the setting and review of strategic objectives. RSE licensees are expected to ensure that there is a clear connection between the outcomes assessment, the strategic objectives and the business plan.

## Strategic objectives

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An RSE licensee and its Board are responsible for approving strategic objectives for the licensee's business operations. The setting of strategic objectives guides an RSE licensee to determine, through its business planning process, the key activities it will undertake to provide quality outcomes for members.

4. SPS 515 requires an RSE licensee to develop strategic objectives that must be approved by the Board. Under SPS 515 the strategic objectives must support an RSE licensee to provide the outcomes it seeks for members and the sound and prudent management of the RSE licensee's business operations.
5. SPS 515 makes clear that there must be a strong link between the outcomes the RSE licensee seeks to provide to members and the strategic objectives set by the Board. It is therefore a requirement under SPS 515 that the outcomes that are sought for members and the current and prior outcomes assessments are considered by the Board when it sets or reviews its objectives and develops or revises its business plan.
6. APRA recognises that terminology used to describe strategic and business planning activities varies across the industry. For the purposes of the prudential framework, APRA

views the strategic objectives of the RSE licensee as separate to and supportive of, concepts such as the RSE licensee's mission and values, which will generally be more aspirational in nature.

## Sound and prudent management

7. SPS 515 requires an RSE licensee to approve strategic objectives that support the sound and prudent management of the RSE licensee's business operations. Effective governance, risk management, compliance systems and having the resources to support these functions are critical to the sound and prudent management of an RSE licensee. Robust governance, risk management and financial management practices are inherently linked to the operational efficiency and sustainability of an RSE licensee's business operations as they are central to sound decision-making and resilience to unexpected events.
8. Rigorous strategic and business planning processes are a key aspect of sound and prudent management, supporting improved resilience and positions an RSE licensee to respond to a rapidly changing external environment. Additionally, APRA expects that an RSE licensee in developing and approving strategic objectives would assess whether enhancements are required to the necessary systems, processes and supporting infrastructure to support the core components of sound and prudent management.

## Adequacy of resources

9. As part of the process of setting strategic objectives and managing its business operations in a sound and prudent management manner, APRA expects an RSE licensee would form a view of its current and required level of financial resources. APRA expects that in determining the required level of financial resources, an RSE licensee would consider all relevant information and factors, including at a minimum:
  - a) the financial interdependency of the RSE(s) with other entities, such as promoters, or where the RSE licensee is part of a broader group, related entities;
  - b) its ongoing and forecasted financial position and performance, including cash flow forecasts to meet the RSE licensee's liquidity, liability and operational requirements;
  - c) membership projections, including the active member ratio, member demographics, operating costs and fees charged to members;
  - d) changes in strategy, business plans, operating environment and other factors that might affect the operations or risk profile of the RSE licensee and its underlying RSE(s);
  - e) access to shareholder capital and ongoing employer sponsor financial support where relevant;
  - f) the sustainability of and potential for innovation in the products and services available within the RSE(s); and
  - g) current and potential sources of competition.
10. In addition to assessing the current and required level of financial resources, APRA expects an RSE licensee would have an accurate understanding of existing human and technical resources. Whether this level of resourcing is adequate will be fundamental to an RSE licensee effectively executing and achieving its strategic objectives and the

underlying business plan. Conducting analysis of resourcing for the purposes of setting strategic objectives would enable an RSE licensee to meet the adequacy of resources requirement under SPS 220.

## Determining strategic objectives

11. SPS 515 requires strategic objectives to be specific, measurable and informed by the outcomes the RSE licensee seeks for members, the RSE licensee's risk appetite statement, the RSE licensee's legislative obligations under the SIS Act relating to insurance, investments and financial resources, the results of the outcomes assessments undertaken over time and the sole purpose test.
12. When setting strategic objectives, APRA expects an RSE licensee would consider its performance and achievements relative to previous business plans and its expectations for the future, including the strategic challenges that may arise from expected changes in the operating environment. For example, if membership has been declining for the last five years, the strategic objectives that are set would be expected to take this trend into account.
13. APRA expects that an RSE licensee that is part of a conglomerate group would set strategic objectives independently of the group to ensure that priority is given to the duties to and interests of members.<sup>2</sup>
14. APRA recognises that an RSE licensee may seek to align its strategic objectives with those of third parties that are integral to the provision of outcomes for members, such as promoters or other associated entities.<sup>3</sup> In such circumstances, however, APRA expects that the RSE licensee would ensure that it is not bound by the objectives of third parties when setting its strategic objectives.
15. It is important that an RSE licensee is aware of the strategic objectives of its material service providers, including those that are associated or related through a group structure, especially where the activities of these entities have the potential to affect the products and services that the RSE licensee provides to members, as well as any matters affecting business continuity arising from that provider. APRA therefore expects an RSE licensee would consider the extent to which the current and future activities of outsourced service providers need to inform the RSE licensee's strategic objectives.
16. SPS 515 requires an RSE licensee to develop and implement a process to monitor its performance relative to the business plan, including whether it is likely to achieve its strategic objectives. An RSE licensee would also be expected to develop a contingency plan where the monitoring process identifies that strategic objectives are unlikely to be achieved.

<sup>2</sup> Refer to section 52(2)(d)(i) of the SIS Act.

<sup>3</sup> A reference to an 'associated entity' is a reference to an associate within the meaning of section 12 of the SIS Act; refer also to *Prudential Standard SPS 231 Outsourcing* (SPS 231) for requirements relating to outsourcing to associated entities.

17. In developing a contingency plan, APRA expects that an RSE licensee would consider the circumstances in which a transfer of members to another RSE licensee would be consistent with its duty to act in the best interests of members.
18. APRA does not expect an RSE licensee would amend a strategic objective solely in response to the failure, or likely failure, to meet the objective, without undertaking analysis to determine the factors that may have caused the failure. APRA expects that the result of the most recent outcomes assessment would be a key input into the review of strategic objectives and assessment of factors that have contributed to not meeting an objective. Where an RSE licensee decides to amend a strategic objective this must be approved by the Board consistent with SPS 515.

## Linking strategic objectives and risk management

19. SPS 515 requires an RSE licensee to consider its risk appetite statement when determining its strategic objectives. APRA expects that an RSE licensee's risk appetite statement would identify the strategic and business risks of its business operations and clearly set out risk tolerances. The risk appetite statement would then inform the setting of objectives and the business planning process by focusing on the risks associated with new business initiatives and planned business activities.
20. APRA expects that an RSE licensee would, as part of its risk management framework, establish, maintain and document an effective Management Information System (MIS) as required under SPS 220. The MIS would be commensurate with the size, business mix and complexity of its business operations and would be utilised to monitor and report on material risks, including strategic risks relevant to the business plan. An effective MIS would provide appropriate information at each level of management and decision-making within the RSE licensee's business operations. APRA expects the MIS would be sufficiently flexible to support an RSE licensee's business operations when there are material changes in its strategic objectives, and as a consequence, the RSE licensee's risk profile. An effective MIS would be a key component in demonstrating the sound and prudent management of an RSE licensee.

## Business planning

A business plan documents how an RSE licensee will achieve its Board-approved strategic objectives. A robust plan is formed from a comprehensive understanding of the environment in which the RSE licensee operates and considers the impact of differing assumptions and scenarios on the RSE licensee's business operations. Poor business planning may impede an RSE licensee's capacity to properly carry out its duties and its ability to provide quality outcomes for members.

21. SPS 515 requires an RSE licensee to have a rolling business plan of at least three years duration that is reviewed annually. The business plan must set out details on how the strategic objectives will be achieved. APRA expects that the business planning process would be the responsibility of the Board and senior management and any decision-making delegations relating to the business plan would be clearly articulated.



22. The business plan must cover the entirety of an RSE licensee's business operations, and reflect the size, nature and complexity of those operations. It is open to an RSE licensee to develop a business plan that best suits the structure of its business operations. A business plan need not be a single document but can instead be a suite of appropriate planning documents, for example a strategic plan and a business plan, as determined by the RSE licensee.

## Developing the business plan

23. SPS 515 requires an RSE licensee to include in its business plan the initiatives it will undertake to achieve the strategic objectives, its financial projections over at least the next three years, the key assumptions that underpin these projections, and the key performance indicators the RSE licensee will utilise to monitor performance of the plan.

24. Initiatives or projects detailed in the business plan will vary in size, complexity, duration and associated budget or expenditure. APRA expects that the detail provided in the business plan will reflect the complexity and size or budget of each initiative. More complex initiatives would have a separately documented decision making process distinct from the broader business plan, where the initiative, results sought and its budget are assessed, including the use of a business case where appropriate.

25. APRA expects that for all initiatives there will be predetermined metrics to enable tracking of the initiative and an assessment of whether the initiative has achieved the expected results documented in the business plan.

26. As part of its business planning processes, an RSE licensee would typically prepare budgets for the coming period(s). APRA expects these budgets and associated forecasts of income and expenditure will form the basis of the financial projections contained in the business plan.

27. SPS 515 requires the RSE licensee to detail the key assumptions that inform the financial projections. APRA expects that such assumptions would typically include membership and/or account growth, members in retirement phase, membership demographics, asset growth, operating cost base and fee level forecasts.

28. Fees charged to members are a primary source of revenue for an RSE licensee's business operations and are therefore central to the projections and assumptions that underpin an RSE licensee's level of financial resources. APRA therefore expects that an RSE licensee would adopt an informed and rigorous process that not only ensures compliance with the general fee rules where relevant (including approaches to setting fees on a cost recovery basis) but also considers the impact of fees on the outcomes for members and the ongoing viability of its operations.<sup>4</sup>

## Implementing the business plan

29. Once the business plan is approved by the Board, an RSE licensee would ensure that responsibilities are assigned to senior managers to ensure that detailed plans for

<sup>4</sup> Refer to Part 11A of the SIS Act and Division 5 of the SIS Act (in respect of MySuper products).

relevant initiatives, including budgets, are developed and incorporated into the operational plans of the RSE licensee. It would be prudent practice for an RSE licensee to clearly articulate and regularly review the resources allocated to the ongoing implementation of the business plan.

30. APRA expects that a component of the performance based remuneration set for senior management would be linked to successful implementation of key business plan initiatives, achieving both business plan targets and the strategic objectives. However, incentives linked to the business plan should be one component of an overall performance scorecard which is appropriately aligned to the RSE licensee's risk management frameworks and long-term financial soundness.

## Monitoring performance

31. SPS 515 requires an RSE licensee to specify key performance indicators that will be utilised to monitor performance against its business plan and trigger action where necessary. Monitoring implementation of its business plan enables an RSE licensee to identify when its initiatives are not achieving their expected outcomes, or when the assumptions on which strategic objectives are based are no longer appropriate.
32. Monitoring also assists an RSE licensee to quickly identify and respond to emerging issues. APRA expects an RSE licensee to have a monitoring process which clearly specifies the triggers that will require reporting to the Board and to consider any necessary action to respond to, or to address, the underlying issues. Importantly, trigger levels or tolerances would not be set at unrealistic levels, such that it is unlikely they would ever be breached.
33. The use of appropriate metrics would be a core feature of tracking performance against the business plan. When deciding these metrics, a prudent RSE licensee would consider:
  - a) whether the metrics can be meaningfully measured and monitored;
  - b) the balance between qualitative and quantitative data underpinning the metrics; and
  - c) the balance between leading and lagging metrics.
34. A non-exhaustive list of relevant metrics is provided in Attachment A to serve as a guide for RSE licensees.

## Reviewing the business plan

35. SPS 515 requires an RSE licensee to review its business plan annually (annual review). This review would include an assessment of achievement of the initiatives set out in the business plan based on the pre-determined metrics and indicators.
36. APRA expects the annual review to be conducted by senior management of the RSE licensee. The review would typically assess progress in achieving the strategic objectives and the actions in the business plan.
37. As a component of the annual review of the business plan under SPS 515 an RSE licensee's outcomes assessment may identify certain actions that would improve

outcomes for members. APRA expects the RSE licensee to undertake a comprehensive decision making process to determine the most appropriate action; this process would be supported by a cost-benefit analysis. An RSE licensee would document any planned actions and implementation timeframes in the business plan and appropriate supporting documents. For example, when an RSE licensee's assessment identifies areas of concern in respect of its insurance offering, APRA expects that any action chosen to address the concerns, such as through a re-tendering process, would be reflected in both the business plan and the insurance strategy.<sup>5</sup>

38. APRA also expects that the review process would usually consider the impact on the risk profile of the RSE licensee's business operations and identify the potential emergence of any new material risks. This might include consideration of issues arising from planned material changes to the RSE licensee's business operations and risk profile.

## Expenditure management

The management of expenses is an essential component of business planning. Rigorous expenditure management practices ensure that the expenses incurred by an RSE licensee are in the best interests of members and are for purposes of the sound and prudent management of its business operations.

39. The expenditure management requirements in SPS 515 are intended to ensure that all expenditure by the RSE licensee is in the best interests of members and for the purpose of the sound and prudent management of its business operations. Additionally, SPS 515 places heightened requirements on spending that is determined to be significant. APRA's intent with this requirement is to ensure there is a rigorous decision making process underpinning all expenditure, but in particular items of significant expenditure, and that the outcomes achieved from the spending are monitored and reviewed and consistent with providing quality outcomes for members.

## Expenditure policies and procedures

40. APRA expects that an RSE licensee's expenditure policies and procedures will ensure that all expenditure is in the best interests of members and for the purpose of the sound and prudent management of the business operations. The expenditure policies would set out criteria to assist RSE licensee staff to interpret where expenditure may be inconsistent with this prudential requirement. For example, a policy that covers travel expenses would be expected to detail criteria to ensure travel spending is appropriately being undertaken in the interests of members and in support of an RSE licensee's business operations.
41. APRA expects that controls and approval processes for fund expenditure would be set out in relevant policies and procedures to ensure an appropriate level of oversight, and hence ensure that spending is in the best interests of members and the sound and prudent management of the business operations. While the controls and delegations would differ

<sup>5</sup> Refer to *Prudential Standard SPS 250 Insurance in Superannuation*.

based on the size and nature of the expenditure, the approval of items of spending would be based on the documented policy. For example, travel spending above a certain amount would need to be approved by a senior manager of the RSE licensee based on the set criteria.

## Determining significant expenditure

42. SPS 515 has heightened requirements for the decision making associated with items of significant expenditure. Significance under SPS 515 is determined by the size of the expenditure or whether it is extraordinary in nature.

### Size of expenditure

43. An RSE licensee would be expected to consider past experience with expenditure associated with projects or initiatives to determine a threshold or benchmark that indicates whether the expenditure is large in size. APRA expects the threshold would not be referenced to the size of the RSE licensee's business operations, for example assets under management. Where the size of future expenditure is unknown, APRA expects the RSE licensee to take a conservative approach when estimating future payments in order to assess significance.
44. Projects or initiatives regularly have multiple instances of expenditure that coincide with timeframes, project milestones or discrete project components. For example, different service providers contracted by the RSE licensee may undertake distinct components of a project over an extended period. While the payments may in isolation be relatively small, an RSE licensee would be expected to consider whether a series of smaller payments or ongoing expenditure is significant in total.
45. For the avoidance of doubt, an RSE licensee's spending on material service provision, such as administration and investment services, would generally be considered as significant by virtue of their importance to quality member outcomes. The approach to meeting the requirements for SPS 515 for these services, in conjunction with meeting other prudential requirements, is outlined below.

### Extraordinary expenditure

46. APRA expects that extraordinary instances of expenditure will result from projects or initiatives that are unusual or infrequent. In many cases extraordinary spending will be linked to the pursuit of strategic objectives and the business plan, however it is also intended to capture spending that is connected to events or circumstances that are unexpected and therefore may not be covered in the business plan or associated budgetary process.
47. Items of expenditure that may not necessarily be large in size may still be extraordinary in nature. For example, a specific marketing initiative or product design and implementation project, could be extraordinary due to its connection to the RSE licensee's strategic objectives. APRA expects that expenditure associated with key initiatives under the business plan would be considered to be extraordinary.

48. APRA expects that a payment or series of payments made to a related party or associate, such as a parent entity, that is attributable to a specific one-off project or investment that is provided to the RSE licensee is linked to the pursuit of the RSE licensee's strategic objectives, would be considered extraordinary in nature.
49. An RSE licensee may operate under a business model that enables a return (e.g. dividend) to be paid to a parent company. In such circumstances, APRA expects the RSE licensee would be able to demonstrate that the level of return is consistent with the provision of quality member outcomes.

## Decision making

50. The board of an RSE licensee would be expected to have comprehensive oversight of expenditure decisions that are significant. APRA expects that significant expenditure decisions would be approved by the Board and supported by a business case where necessary. APRA also expects that the RSE licensee would document the circumstances that would trigger a review of the expenditure, including whether it should take place. Where senior management has delegated authority to approve certain expenditure, APRA expects there to be appropriate reporting to the Board regarding the decision taken.
51. An RSE licensee's largest ongoing items of expenditure are in most circumstances associated with investment management, administration, custodial services and the general operations of the RSE licensee. A number of these items may be provided by a service provider and in most cases will be subject to the material business activity requirements under *Prudential Standard SPS 231 Outsourcing* (SPS 231).
52. Where relevant, an RSE licensee may utilise the processes and documentation prepared under SPS 231 to assist it to satisfy the significant expenditure requirements. In particular, an RSE licensee that is able to demonstrate that it has comprehensively met the requirements under SPS 231 for entering into or renewing an outsourcing agreement, including a rigorous approach to assessing outsourcing operations, would be able to utilise this documentation to assist in meeting the significant expenditure requirements.

## Monitoring outcomes

53. As part of demonstrating the rigour of decision making associated with significant expenditure, the RSE licensee must have metrics to monitor whether the expenditure is achieving its stated outcomes. APRA's view is that the metrics to monitor the outcomes as required under SPS 515 do not necessarily have to be distinct for each payment or project milestone; an overarching set of metrics may apply to the entire project or initiative. Further, APRA expects that, where the initiative associated with the significant expenditure is detailed in the business plan, any metrics used to monitor the performance of the initiative in accordance with the business plan are likely to be the same as those utilised to monitor the outcomes of the expenditure.

## Use of reserves<sup>6</sup>

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The reserves of an RSE are typically regarded as monies forming part of the net assets of the RSE that have been set aside for a clearly stated purpose. The use of reserves ultimately affects outcomes for members and therefore they must be managed in a consistent and equitable manner.

54. Reserves are typically held by an RSE licensee to address contingent events and equity issues between different classes of members or over time. It is important for an RSE licensee to be clear on the purpose of reserving funds before the reserve is established.
55. APRA expects that an RSE licensee would develop policies and processes to determine the need for reserves, as well as their size and management in the context of their purpose. The policies and processes would articulate the rationale for the establishment of the reserves and ongoing objectives and measures to manage the reserves.
56. Measures that APRA regards as sound reserve management include, but are not limited to:
  - a) clear definition of the purpose, or purposes, of each reserve;
  - b) setting the conditions for the use of reserve monies and limits on the amounts that may be transferred out of the reserve, which would include consideration of how payments from the reserve into members' accounts are made in a fair and equitable manner;
  - c) determination by the RSE licensee of an appropriate target amount or range for each reserve, including how and over what period the reserves are to be initially established and subsequently replenished after a transfer from the reserve;
  - d) determination by the RSE licensee of how it would respond in circumstances where a reserve has been exhausted or is insufficient to meet the cost of a contingent event, including whether and over what period, other assets of the RSE could be relied upon;
  - e) where a reserve is specific to a particular sub-fund of an RSE, or a particular type of interest within an RSE or sub-fund, effective mechanisms to ensure that the reserve is quarantined to that sub-fund or type of interest;
  - f) periodic review to ascertain that each reserve remains appropriate to the RSE's circumstances and that controls and procedures implemented by the RSE licensee ensure that reserves are used only for the intended purpose or purposes;
  - g) a process by which the RSE licensee would determine that a reserve is in excess to requirements of the relevant policy for the management of the reserve, or no longer required, and the process to be followed to distribute the excess, for example, a cap on the size of the reserve and periodic monitoring as to the ongoing appropriateness of the cap level;
  - h) a process for recording the balance of each reserve, the movements in and out of the reserve and the purpose of the movements; and

<sup>6</sup> This guidance applies generally to all reserves, but does not replace the requirements set in relation to reserves maintained for the purposes of satisfying the operational risk financial requirements in *Prudential Standard SPS 114 Operational Risk Financial Requirement* or associated guidance in *Prudential Practice Guide SPG 114 Operational Risk Financial Requirement*.

- i) reporting of reserves to APRA as required by reporting standards made under the *Financial Sector (Collection of Data) Act 2001*.
57. APRA expects that an RSE licensee's strategy for managing reserves would address how to equitably attribute the accumulation of reserves across different cohorts of members, including consideration of intergenerational issues. Appropriate and prudent management of reserves benefits all members of an RSE, even if the circumstances that would warrant use of the reserve do not eventuate during the membership of a particular cohort of members.
58. Reserves should not be used as a mechanism for transferring value between different cohorts of members. Where a reserve is established, it should be maintained for the collective benefit of all members through the provision of a funding mechanism to address risks or equity issues. For example, an investment reserve should not be used to smooth fluctuating returns that should properly be applied to an individual member or cohort of members.
59. Whilst reserves are monies that have not been allocated to members, not all unallocated monies constitute reserves. Unallocated monies that are not reserves include accounting constructs such as suspense accounts used to record contributions and rollovers pending their allocation to the accounts of specific fund members. Provisions for accrued administration expenses, taxation liabilities or other present costs would not be regarded by APRA as reserves for the purpose of this guidance. APRA's view is that items of this nature would not be classified as reserves for reporting purposes.
60. Where an RSE licensee has an insurance premium adjustment mechanism in place, such that an insurer returns a portion of the premium when the claims experience is better than what was expected at the time the premium was set, the prudent practice would be for such a mechanism to be managed through a specific insurance reserve. The reserve would only be used to meet excessive insurance premium costs in future and should not be used for any other purpose. An RSE licensee's insurance reserve policy would ordinarily ensure appropriate, equitable and timely use of the insurance reserve for this purpose.

## Attachment A - Examples of metrics

Examples of metrics that an RSE licensee may consider using to monitor progress against its business plan, include, but are not limited to:

### Financial performance indicators

- target investment performance, including net returns relative to appropriate benchmarks over the medium and long term
- target net asset growth
- target cost or expense base, including average operating costs per member and average operating costs per active member
- target fee levels
- target liquidity measurements, including net outflow ratio
- target insurance product premiums and claim payment ratios for different cohorts and types of insurance, where appropriate

### Membership indicators

- measures of member switching and the reasons for switching
- target levels of active and inactive members
- target levels of default employers or default members
- membership demographics, including, consideration of age, gender, account balance, employment status, retirement product preferences
- targets for member engagement through various channels, including utilisation by members of different communication channels

### Business initiative indicators

- results of initiatives such as new/enhanced services or changes in benefits/product design and associated member take-up or other targets

### Outsourcing arrangement indicators

- target performance by service providers
- target budget for outsourcing arrangements
- analysis on the availability of alternative service providers in the event of a price increase or service disruption
- analysis on the ability or potential ability of the RSE licensee to in-house functions currently undertaken by third parties





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