



Prudential Standard SPS 515

Strategic Planning and Member Outcomes

Objectives and key requirements of this Prudential Standard

This Prudential Standard sets out requirements for an RSE licensee to regularly assess the outcomes provided to members and identify opportunities for improving these outcomes, supported by sound strategic and business planning. Its objective is to ensure that strengthening member outcomes is central to an RSE licensee's business operations.

The key requirements of this Prudential Standard are that an RSE licensee must:

- have strategic objectives that support it in achieving the outcomes it seeks for beneficiaries and the sound and prudent management of the RSE licensee's business operations;
- maintain a Board-approved business plan that sets out the approach for implementation of the RSE licensee's strategic objectives;
- ensure that decisions to incur significant fund expenditure support the RSE licensee achieving its strategic objectives and that those decisions are monitored against their expected outcomes; and
- as part of the annual review of its business plan, conduct an outcomes assessment and incorporate, where appropriate, any actions arising from that assessment.

Authority

1. This Prudential Standard is made under section 34C of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

Application

2. This Prudential Standard applies to all registrable superannuation entity (RSE) licensees (RSE licensees).¹
3. All RSE licensees must comply with this Prudential Standard in its entirety, unless otherwise indicated.
4. An RSE licensee is not required to comply with paragraphs 7 (only in relation to the Board being required to approve strategic objectives that support achieving outcomes for beneficiaries), 8(a), 8(e) and 16 to 19 inclusive in relation to a pooled superannuation trust.²
5. For the purposes of this Prudential Standard, a reference to the ‘Board’ is to be read as a reference to the Board of directors (Board) or group of individual trustees of an RSE licensee.³
6. This Prudential Standard commences on 1 January 2020.

Strategic objectives

7. The Board must approve strategic objectives for an RSE licensee’s business operations that support achieving the outcomes the RSE licensee seeks for beneficiaries and the sound and prudent management of the RSE licensee’s business operations.⁴
8. The strategic objectives must be specific and measurable and based on an RSE licensee’s consideration of:
 - (a) the outcomes that the RSE licensee seeks to achieve for beneficiaries;
 - (b) the RSE licensee’s risk appetite statement;

¹ For the purposes of this Prudential Standard, ‘RSE licensee’ has the meaning given in section 10(1) of the SIS Act.

² For the purposes of this Prudential Standard, pooled superannuation trust has the meaning given in section 10(1) of the SIS Act.

³ For the purposes of this Prudential Standard, a reference to ‘a director’ is a reference to a director of an RSE licensee which has a Board of directors or, in the case of a group of individual trustees, an individual trustee and ‘group of individual trustees’ has the meaning given in section 10(1) of the SIS Act.

⁴ For the purposes of this Prudential Standard, an ‘RSE licensee’s business operations’ includes all activities as an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on its activities as an RSE licensee.

- (c) the strategies formulated pursuant to sections 52(2)(i), 52(6)(a), 52(7)(a) and 52(8)(a) of the SIS Act;
- (d) the financial resources determined necessary to cover the operational risk that relates to the RSE under section 52(8)(b) of the SIS Act;
- (e) the results of the prior and current outcomes assessments⁵; and
- (f) section 62 of the SIS Act ('the sole purpose test').

Business plan

9. An RSE licensee must maintain a written plan for its business operations that sets out its approach for the implementation of its strategic objectives (business plan).
10. The business plan must be a rolling plan of at least three years' duration that is reviewed at least annually, with the results of the review reported to the Board. The business plan must cover the entirety of an RSE licensee's business operations and be approved by the Board.
11. An RSE licensee's business plan must, at a minimum, specify:
 - (a) the key initiatives it will undertake to achieve the RSE licensee's strategic objectives, including the expected results of each initiative;
 - (b) the financial projections over at least the next three years that demonstrate the ongoing financial soundness of the RSE licensee's business operations;
 - (c) the key assumptions that inform the RSE licensee's financial projections under paragraph (b) and how these assumptions take into account the material risks that have been identified under the risk management framework; and
 - (d) the key performance indicators that the RSE licensee will use to monitor its performance against the business plan and the triggers that will prompt action by the RSE licensee where expected outcomes are not being achieved.
12. An RSE licensee must monitor performance of the business plan against the key performance indicators under paragraph 11(d).

Expenditure management

13. An RSE licensee must ensure that its expenditure decisions are for the purposes of the sound and prudent management of its business operations and consistent with the best interests of beneficiaries.
14. When making decisions relating to its business operations that will result in significant expenditure, an RSE licensee must be able to demonstrate:

⁵ Refer to paragraphs 16 to 19 for details of the outcomes assessment.

- (a) the purpose of the expenditure, including how the expenditure will contribute to the RSE licensee meeting its strategic objectives;
 - (b) how it will assess whether the expenditure is achieving its intended purpose, including any metrics used;
 - (c) the circumstances that would trigger a review of the expenditure decision, including whether any further related expenditure should take place; and
 - (d) how the expenditure will be funded and, where relevant, how the use of reserves as the source of funding for the expenditure accords with the strategy formulated pursuant to section 52(2)(i) of the SIS Act.
15. For the purposes of this Prudential Standard, ‘expenditure’ means a payment or expected future payment from the assets of an RSE or RSE licensee, including payments to and from reserves, not otherwise allocated to members’ accounts; ‘significant’ relates to the size or extraordinary nature of the expenditure.

Outcomes assessment

16. As part of the annual review of its business plan, an RSE licensee must assess whether the outcomes it seeks to provide beneficiaries have been, and will be, provided, and whether and how those outcomes could be improved (outcomes assessment).
17. An RSE licensee’s outcomes assessment must, at a minimum, include:
- (a) the outcomes that the RSE licensee seeks to provide to beneficiaries;
 - (b) an explanation of how the RSE licensee has designed its assessment, and in particular how it has decided to segment its business into cohorts such that:
 - (i) all beneficiaries are covered; and
 - (ii) the outcomes provided to different cohorts are able to be appropriately assessed;
 - (c) the metrics that the RSE licensee uses in undertaking its assessment to measure the outcomes being provided to beneficiaries, including their calculation;
 - (d) a comparison of the calculation of the metrics under paragraph (c) with reference to objective benchmarks and targets in both absolute and relative terms;
 - (e) the key factors identified by the RSE licensee as having affected the results of the calculations under paragraph (d), including at a minimum:

- (i) the investment strategy for each RSE and each investment option offered by the RSE licensee⁶;
 - (ii) the insured benefits available to beneficiaries, relative to the costs of those insured benefits⁷;
 - (iii) the options, benefits and facilities offered;
 - (iv) the basis for the setting of fees;
 - (v) the scale of, and within, the RSE licensee's business operations⁸;
 - (vi) the operating costs relating to the business operations of the RSE licensee; and
 - (vii) any other relevant factors;
- (f) analysis of the RSE licensee's ability to continue to provide the outcomes it seeks to provide to beneficiaries having regard to its performance against its business plan; and
- (g) the RSE licensee's conclusions as to whether the outcomes it seeks to provide to beneficiaries have been provided over the period covered by the assessment and are expected to be provided over subsequent periods.
18. If, when undertaking the outcomes assessment, an RSE licensee determines that changes to its operations would likely improve outcomes for beneficiaries, the RSE licensee must consider how those changes will be reflected in its business plan.
19. APRA may require an RSE licensee, by notice in writing, to appoint an appropriate independent expert to provide to APRA a report on a particular aspect of an RSE licensee's outcomes assessment, within a timeframe agreed to by APRA. An RSE licensee must bear the costs of such an appointment.

Adjustments and exclusions

20. APRA may, by notice in writing to an RSE licensee, adjust or exclude a specific requirement in this Prudential Standard in relation to that RSE licensee.⁹

⁶ Refer to section 52(6) of the SIS Act and *Prudential Standard SPS 530 Investment Governance*.

⁷ Refer to section 52(7) of the SIS Act and *Prudential Standard SPS 250 Insurance in Superannuation* for requirements relating to the insurance strategy and the requirement to only offer or acquire insurance of a particular kind, or at a particular level, if the cost of the insurance does not inappropriately erode the retirement income of beneficiaries.

⁸ Where an RSE licensee holds an authority to offer a MySuper product, the assessment required under section 29VN may be used to satisfy the requirements of paragraph 17(e)(v) of this Prudential Standard in relation to that MySuper product.

⁹ Refer to section 34C(5) of the SIS Act.