

APRA and ASIC host Superannuation CEO Roundtables – June and July 2024

APRA and ASIC held Superannuation CEO Roundtables on Tuesday, 18 June and Tuesday, 16 July 2024. The theme of these discussions was superannuation funds as investors of members' money.

Hosted by APRA and ASIC, the Roundtables were attended by 12 superannuation Chief Executive Officers (CEOs) representing a broad cross-section of the industry across two separate roundtables (see Appendix I for the full list of attendees).

Investments

APRA and ASIC agree that investment governance is an area of ongoing importance for superannuation industry attention. Since the enhanced *SPS 530 Investment Governance (SPS 530)* became effective on 1 January 2023, and *SPG 530 Investment Governance (SPG 530)* on 20 July 2023, APRA has undertaken thematic work on investment governance including comprehensive deep dives into liquidity, exploring the interactions between superannuation and other industries, and the internalisation of investment management in superannuation funds.

ASIC is looking at superannuation funds as participants in financial markets to understand how they interact with the market and meet market integrity obligations. This forms part of ASIC's more general focus on integrity across public and private markets as dynamics continue to evolve.

The CEOs noted that superannuation funds have been on a journey to uplift investment governance and develop a mature industry with a strong risk focus. Regulatory reforms such as the Performance Test and mandatory ESG and climate reporting are viewed as tools that assist funds in integrating investment risk into their investment strategy and driving improved member outcomes through performance. Funds have focused on uplifting their controls through segregation of duties, enhancing delegations, and ensuring they have the right technical expertise and leadership skills to support strong Line One risk management. They acknowledged the value of APRA's work to develop clear links between prudential standards and encourage further work in this space.

The CEOs agreed on the importance of a robust risk culture for funds looking to insource their investment functions, given an asset manager's transition from profit-focused funds management to member-centric superannuation can be culturally confronting. Each fund must adopt an individualised approach to internalisation, which balances the key person risk, cost, and timeframes associated with establishing and maintaining internal investment functions against the members' best interest. Opportunities to learn from investment managers in structuring and operating their business were identified (e.g. implementing technical standards). Benchmarking fund practices against good external practices was discussed.

COVID-19 early releases have highlighted the need for a focus on liquidity risk. The CEOs discussed how liquidity stress testing needs to be more substantive, with consideration for extreme scenarios. Historically, some funds have used their MySuper portfolio to manage liquidity. Discussion points included the potential impact of that practise on MySuper returns and the need for careful management of member equity under SPS 530. The CEOs stressed it is important for funds to understand the relationship between public and private assets, as well as how changes in valuations of one asset can have a significant impact on the overall balance of asset allocations and the funds liquidity levels. They asked APRA and ASIC to consider what work they can undertake to assist the industry in ensuring there is a more consistent approach to private market valuations.

The CEOs agreed that as investment opportunities in private markets continue to open, it is essential that funds have prudent valuation practices and investment governance. ASIC reminded trustees investing in private markets to be mindful of their conduct obligations and to foster market integrity. It was noted that private markets are not naturally as transparent as public markets and trustees need to be focused on providing transparency. Trustees using external fund managers need to ensure they are holding their providers to account, and clearly understand what information is held and who acts on their behalf while maintaining robust controls.

APRA and ASIC urged the CEOs to reflect on what the regulators have noted, and to apply superannuation and other industry learnings to their own operations.

Appendix I – Attendees 18 June 2024

CEOs

Superannuation executives	
Paul Schroder	Chief Executive Officer, AustralianSuper Pty Ltd
Scott Hartley	Chief Executive Officer, I.O.O.F. Investment Management Ltd
David Anderson	Chief Executive Officer, Australian Retirement Trust Pty Ltd
Debby Blakey	Chief Executive Officer, H.E.S.T. Australia Ltd
Peter Chun	Chief Executive Officer, UniSuper Ltd
Gemma Kyle	Chief Risk Officer, Retail Employees Superannuation Pty Ltd

APRA attendees

Name	Role
Carmen Beverley-Smith	Executive Director, Superannuation
Adrian Rees	General Manager, Superannuation
Sarah Burley	General Manager, Superannuation
Peter Kohlhagen	General Manager, Superannuation
Geoff Stewart	Head of Investment Risk

ASIC attendees

Name	Role
Simone Constant	Commissioner
Jane Eccleston	Senior Executive Leader, Superannuation and Life Insurance
Jessica Spence	Senior Specialist, Superannuation
Calissa Aldridge	Executive Director, Markets
Susan Wieczkiewicz	Senior Manager, Superannuation and Life Insurance

Attendees 16 July 2024

CEOs

Name	RSE licensee
Jarrold Coysh	Chief Executive Officer, Rei Superannuation Fund Pty Ltd
Daniel Shrimski	Chief Executive Officer, Vanguard Super Pty Ltd
Kate Farrar	Chief Executive Officer, LGIAsuper Trustee
Michael Dundon	Chief Executive Officer, CARE Super Pty Ltd
Ms Kelly Power	Chief Executive Officer, Avanteos Investments Ltd
Mr Vasyli Nair	Chief Executive Officer, AUSCOAL Superannuation Pty Ltd

APRA attendees

Name	Role
Carmen Beverley-Smith	Executive Director, Superannuation
Adrian Rees	General Manager, Superannuation
Sarah Burley	General Manager, Superannuation
Geoff Stewart	Head of Investment Risk

ASIC attendees

Name	Role
Jane Eccleston	Senior Executive Leader, Superannuation and Life Insurance
Jessica Spence	Senior Specialist, Superannuation
Calissa Aldridge	Executive Director, Markets
Susan Wieczkiewicz	Senior Manager, Superannuation and Life Insurance

Signed

Carmen Beverley-Smith

Executive Director,
Superannuation

Australian Prudential Regulation
Authority

www.apra.gov.au

Jane Eccleston

Senior Executive Leader

Australian Securities
and Investments Commission

www.asic.gov.au