



Reducing complexity and duplication for superannuation members

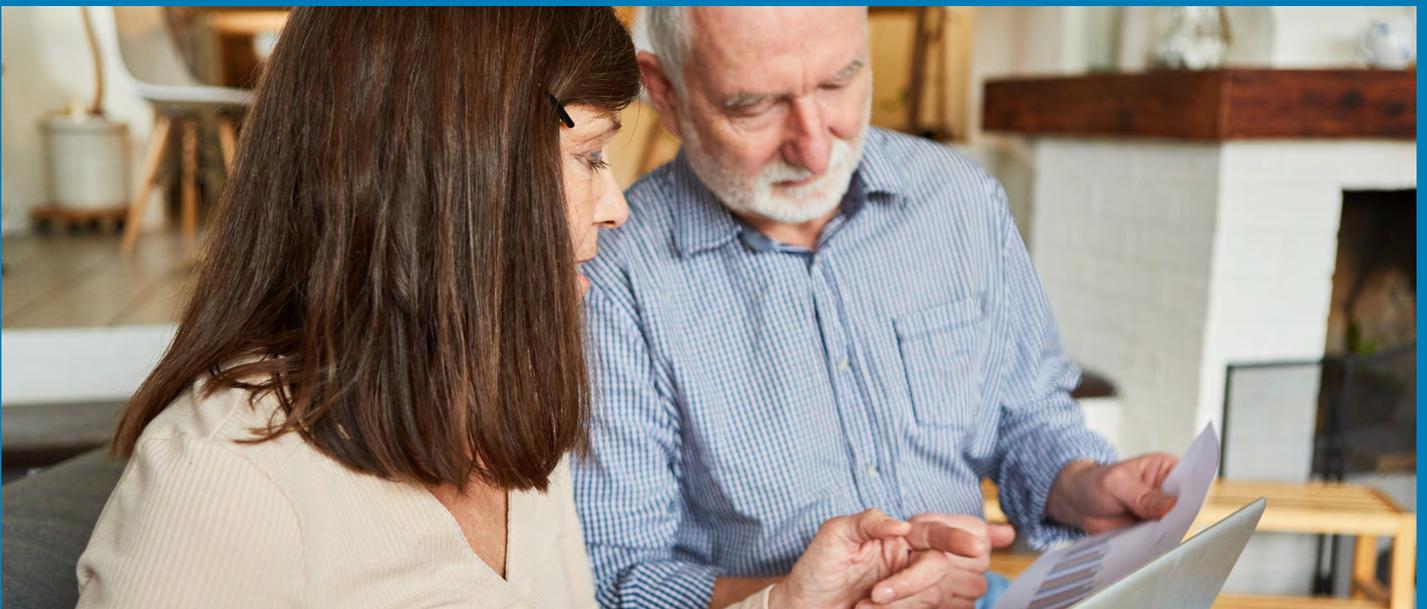
Is it time to revisit the approach to intra-fund consolidation?

It's been a little over a decade since intra-fund consolidation legislation was introduced in 2013, requiring trustees of superannuation (**super**) funds to monitor and consolidate – on at least an annual basis – multiple member accounts.¹

The intent of the legislation was clear – it was designed to help simplify super for millions of Australians, by reducing the number of duplicate accounts held by members and with it, duplicate costs (such as administration or advice fees, and insurance premiums) for services or benefits which they may not be eligible for (such as duplicated insurance cover). The legislation requires super fund trustees (**trustees**) to establish an intra-fund consolidation policy, setting out their principles for assessing and consolidating member accounts, supported by robust and embedded processes.

However, implementation and administration of the legislation is complex – super trustees are required to undertake detailed analysis to identify, and then contact members with multiple accounts to assess whether their accounts should (or should not) be consolidated. Adding to the complexity, since 2018, the super industry has undergone a significant transformation – driven by reviews such as the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, by regulatory change such as the introduction of member outcomes, the best financial interest duty and account stapling, and by significant events, such as the global COVID-19 pandemic and ongoing industry consolidation through fund mergers.

Throughout all this change, one thing has remained true – the challenge to keep members engaged whilst minimising the occurrence of multiple accounts is ongoing. So why the continued push for reduced member accounts? In a nutshell – better outcomes for members, by reducing administrative burden, duplication of costs, and making it easier for members to keep track of their super.



Increasing regulatory scrutiny

Regulators are increasing their focus on funds operations and business practices that negatively impact member outcomes over the long term. Recent, and upcoming regulatory changes (for example, APRA's new prudential standard on operational resilience, *CPS 230: Operational Risk Management*) require trustees to uplift their policies and processes to better manage compliance risk,² and ultimately, deliver better financial outcomes for members over the long term by:

- Reducing the administrative burden of managing multiple super accounts;
- Reducing duplication of fees and costs that may come with holding multiple accounts, and exposure to duplicate costs; and
- Making it easier for members to keep track of their super by streamlining their super into fewer accounts, or a single account where applicable.

Recently, intra-fund consolidation has been under the regulator's spotlight, with ASIC conducting a thematic review into trustees' intra-fund consolidation practices, finding that trustees are *"not doing enough"* to proactively merge duplicate member accounts,³ and taking enforcement action against trustees found to have breached their intra-fund consolidation obligations.⁴

Key findings from ASIC's thematic review into intra-fund consolidation practices⁵

- **Documentation** – several trustees *"did not have documented business rules for identifying and consolidating multiple accounts on an annual basis across some or all of their funds."* In their review, ASIC emphasised that trustees should ensure their policy and procedures covered members across all of their funds, and all cohorts of members, noting that some trustees *"had rules that excluded certain cohorts of members."*
- **Members' best interest** – most trustees engaged in a best interest assessment prior to consolidating member accounts across one or more of their funds. In their review, ASIC reminded trustees of the need to ensure appropriate business rules and processes are implemented (including a best interest assessment), so as not to result in consumer harm.
- **Oversight and accountability** – while some trustees maintained an internal policy on consolidation of duplicate member accounts, for some trustees, there was a level of reliance on the fund administrator to have adequate procedures in place to comply with the intra-fund consolidation obligations, and a lack of ongoing oversight over the process itself, contributing to *"inconsistent or inadequate treatment of duplicate accounts"* and compliance with the obligations.
- **Complacency in compliance** – whilst most trustees got the basics right, several trustees were not proactive in managing their intra-fund consolidation obligations, placing heavy reliance on the performance of annual processes, or the fund administrator to take action. In their review, ASIC reminded trustees that it is good practice to proactively take steps to reduce duplicate accounts, by undertaking activities, such as implementing checks for existing accounts when a new member joins the fund, and *"contact[ing] members when duplicate accounts are identified and to remind them about duplicates on a regular basis because a member's situation or capacity to address the issue is likely to change over time."*
- **Taking action in a timely manner** – following on from above, ASIC noted its concern regarding the speed at which trustees had taken to identify, report and remediate failures to comply with their intra-fund consolidation obligations, stating that *"it shouldn't take an ASIC review for super trustees to comply with the law ... We expect all trustees to closely review their policies and procedures ... and take immediate steps to close the gaps."*



So what can trustees do?

There are a number of activities trustees can undertake to improve compliance with their intra-fund consolidation obligations, and ultimately, to help deliver better financial outcomes for their members over the long-term.

1

Review current intra-fund consolidation approach

Trustees should review their current intra-fund consolidation approach and processes, to ensure they are in line with regulator expectations and better practice. In undertaking such an assessment, trustees should consider whether their current approach to compliance with intra-fund consolidation obligations:

- Includes a clearly documented, Board approved intra-fund consolidation policy (and supporting procedures), which have been communicated to, and understood by, all relevant parties.
- Includes appropriate controls to mitigate identified risks within the processes. If not, why not?
- Includes a members' best financial interest assessment when developing or reviewing the approach. If not, why not?
- Applies consistently to members across your fund(s) and cohorts. If not, why not?
- Includes a review process by the trustee, or is it wholly reliant on the fund administrator to manage end-to-end?
- Is still fit for purpose, and/or includes a regular review of the approach, policies and processes, to take into account potential changes to the operating environment, member demographics and cohorts.

In addition, trustees should review their current member matching approaches, and consider and test whether their current member data and systems are sufficient to support a robust, efficient and

impactful member account consolidation process. In completing this review, trustees should consider and test whether their member data and systems are working as intended, and:

- Are able to create holistic views of member profiles and incorporate broader identification markers beyond traditional 4-point identifiers (name, address, date of birth, TFN), advisers etc?
- Are able to identify potential matches (and mismatches), based on a wide variety of inputs – for example, are systems able to look beyond simple, but frequent data quality issues, such as special characters (e.g. surnames with apostrophes), or missing/different values across multiple data sources (e.g. mismatch/missing middle names)?
- Have the capability to learn and adapt based on user input, such as where a member has indicated their desire to maintain multiple accounts (e.g. due to wanting to maintain insurance cover), reducing the need to manually flag at each review point if requested by a member?
- Are able to ingest, transform and clean multiple unstructured data sets – particularly on an ad-hoc basis (such as in response to a change in operating environment, or member demographics/cohorts as a result of a fund merger), so that the intra-fund consolidation process can be undertaken proactively, or outside of the regular annual cycle?



MemberOne

Deloitte's AI-powered member matching solution

MemberOne overcomes traditional member data matching challenges of missed duplicates, which can result from using finite business rules that are manually created; and false-positive matches, leading to wasted review time. Instead, MemberOne uses a combination of rules-based, machine learning and generative AI techniques, where every available member attribute (including historical changes) are compared against each other based on historical patterns in your verified merged records to give you a more complete and accurate single view of your members.

MemberOne allows you to:

- Clearly see results of matched members from multiple sources and bringing together the member's accounts which are potentially duplicated;
- Prioritise individuals that are flagged as exceptions using confidence scores to prioritise for efficient review;
- Dynamically navigate and drill down to underlying explanatory

details of the matching reason at member level and view your member portfolio through an interactive visual report;

- Turn around results in a matter of hours; and
- Flexibly transport and integrate the **MemberOne** solution into your on-premise or cloud environment if required, meaning you can access our solution while your data remains in your infrastructure.

Using MemberOne, you can:

- Drive informed decisions across member data consolidation from multiple systems and disparate sources;
- Generate a more accurate and holistic single member view;
- More efficiently, and more regularly identify potential matches and mismatches, to enable quicker rectification and downstream actions;
- Readily access reporting and dashboards that provides sufficient details of duplicate member accounts, trends and analysis; and
- Comply with regulatory requirements with rigour and confidence.

2

Have a clear line of sight and accountability

Trustees should ensure they have a clear understanding of their intra-fund consolidation obligations, and clear oversight and ability to monitor the processes and activities performed (both in-house and by the fund administrator) to comply with these obligations. As part of this review, trustees should consider whether:

- The existing governance, and oversight and monitoring framework over the intra-fund consolidation process is still 'fit-for-purpose'. For example, does the trustee set/review the criteria for determining whether or not an account is consolidated, or is there a reliance on the administrator? In our view, a prudent trustee would not only consider, but approve the criteria for identifying and consolidating member accounts within the intra-fund consolidation policy.
- Existing reporting (including the frequency of reporting) provides a sufficient view of duplicate member accounts, and the actions taken to consolidate them. If not, what needs to be uplifted?
- Appropriate controls and review/audit procedures are in place to identify potential issues in relation to duplicate member accounts across the fund and/or member cohorts. For example, are there certain member cohorts who are more vulnerable to duplicate accounts, and should be reviewed more often?
- There are mechanisms in place that allow trustees to take a proactive approach to consolidating duplicate member accounts, particularly outside of the regular annual consolidation process. For example, is there a mechanism for trustees to proactively contact members if there is a significant event that impacts a large number of members (such as a merger, or change in employer fund default)?



3

Address gaps, and uplift your policies and processes if required

ASIC expects trustees to “closely review their policies and procedures against the issues identified and take immediate steps to close the gaps”,⁶ identified as part of any self-review into compliance with the intra-fund consolidation obligations, and has put the industry on notice that they are (alongside APRA), continuing to actively monitor how trustees are consolidating duplicate member accounts, and will take enforcement action where necessary.⁷

Where a trustee has identified gaps in their approach, policy, processes and/or data, they should consider developing a rectification plan to address the identified gaps, as well as (where appropriate), a communication plan to the regulator, administrators and impacted members. In addressing gaps, trustees should consider:

- Whether the current documented policy sufficiently outlines the trustee’s approach to and considerations around determining whether or not a member’s accounts should be consolidated (including any best financial interest/member outcome assessments performed, or determinations relating to when it may be permissible and appropriate for a member to hold duplicate accounts).
- Whether current documented operating procedures adequately capture the end-to-end processes involved in identifying, assessing, and consolidating duplicate member accounts, including communication procedures prior to, and following account consolidation.
- Whether the currently documented policies and processes adequately outline the governance framework relating to member account consolidation between the trustee and associated parties, such as the fund administrator – including oversight and monitoring processes, reporting, and escalation processes as required.
- Whether existing remediation processes sufficiently outline the trustee’s approach and processes to remediating issues in a timely manner, so as not to negatively impact members retirement outcomes.

4

Report and remediate

Regulators are clear in their expectation that trustees report and remediate failures to comply with their obligations in a timely manner, emphasised by ASIC’s recent enforcement action taken against a large super fund over its failures to comply with their intra-fund consolidation obligations. Trustees should ensure that where compliance failures have been identified, they communicate to regulators and impacted members in a timely manner, and initiate appropriate remediation activities as soon as possible, to minimise the potential negative impact to super fund member account balances. In designing and developing a remediation program, trustees should consider *ASIC Regulatory Guide 277: Consumer Remediation (RG 277)*,⁸ which sets out ASIC’s good practice guidance for remediations conducted by Australian Financial Services (AFS) Licensees, such as superannuation fund trustees.⁹

5

Communicate with your members regularly

Engagement is an important part of helping to drive better outcomes for members over the long term, particularly where a lack of engagement may result in super fund members unintentionally paying multiple sets of fees and costs, for services or benefits which are either duplicative, or for which they may not be eligible.

Trustees should review their approach to member communication, including when it is appropriate to proactively reach out to members (beyond the mandated annual review process) about duplicate member accounts, and their options to consolidate or retain these accounts. Scenarios where duplicate accounts may arise, and where trustees may consider proactively reaching out to members may include:

- Where monitoring has identified an increase in duplicate accounts within a particular member cohort; and/or
- Where there has been a significant change in the fund’s member demographics; and/or
- Where member account details have changed (such as following a name change); and/or
- Where a member has set up a new account.

ASIC's recent review highlighted a number of poor trustee practices relating to consolidating duplicate member accounts. Furthermore, ASIC has added two new enforcement priorities in relation to the super industry for 2024, focused on *"member services failures and misconduct relating to the erosion of superannuation balances,"*¹⁰ such as the poor trustee practices relating to consolidating duplicate member accounts identified in ASIC's recent review.

The message is clear – trustees are expected to *"closely review their policies and procedures against the issues identified and take immediate steps to close the gaps";*¹¹ relating to their intra-fund consolidation practices.

Trustees should be proactive and take considered steps to merge duplicate member accounts, as part of fulfilling their trustee obligations and members' best financial interest duty. This will not only help super fund members to avoid duplicate fees and costs, which may significantly erode their super balance over time, but also help to avoid costly remediation in the future.



Endnotes

1. In this publication, members with *multiple* accounts means members with *multiple interests* within a super fund, such as where they have duplicate accounts within the fund, or where fees, costs or insurance premiums are being duplicated.
2. Source: APRA (2022): [How to manage compliance risk and stay out of the headlines](#)
3. Source: ASIC (2023): [ASIC warns super trustees to boost efforts to consolidate duplicate member accounts](#)
4. Ibid
5. Ibid
6. Ibid
7. Ibid
8. Source: ASIC (2022): [Regulatory Guide 277: Consumer Remediation](#)
9. Excluding trustees of self-managed superannuation funds. Source: ASIC (2022): [Regulatory Guide 277: Consumer Remediation](#) at [RG 277.6]
10. Source: ASIC (2023): [ASIC announces 2024 enforcement priorities](#)
11. Source: ASIC (2023): [ASIC warns super trustees to boost efforts to consolidate duplicate member accounts](#)

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