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SUPERANNUATION FUNDS IN 2023

Strategic Priorities and the Path Forward

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As the fifth largest pension system in the world, Australia's superannuation industry now looks after the retirement outcomes of more than 16 million people – and continues to perform strongly when compared to global peers.

According to the Thinking Ahead Institute¹, the Australian market has recorded the greatest asset growth over the last 20 years (of 11.3% per annum in USD terms) compared to all other major markets.

The key theme for the superannuation industry in the last few years however, seems to be change and it is a multi-pronged push – from new regulations to escalating demands for improved customer experience and the impact of uncertain economic conditions.

From a regulatory perspective, while the industry continues to react to the Your Future, Your Super² legislation which provides for greater transparency to members, including the benchmarked performance of their pensions, there are also other major changes that are coming into focus.

Superannuation fund stapling, for example, curbs the flow funds had when people started new jobs and joined a fund associated with their new employer or industry. This makes efforts focussed on retention and increasing customer experience key. An Australian Securities and Investments Commission (ASIC) review of internal dispute resolution data³, however, showed that nearly 20% of funds⁴ are not able to meet their statutory obligations. Further, root cause analysis of complaints to identify systemic issues and improve member treatment is not where it needs to be.

Andrew Groth
Executive Vice President
Regional Head – Australia & New Zealand
Industry Head – Financial Services, AsiaPac

In late February 2023, the Federal government announced plans to legislate the objective of superannuation. Thirty years on from the introduction of the superannuation guarantee in Australia, this review signals an inflection point in the overall narrative. Key questions about the purpose of superannuation will need to be answered. Should it be solely devoted to providing a higher quality of life in retirement, or could Australians use their savings to achieve greater financial wellbeing through their life? For example, should draw downs be allowed to purchase a first home or in times of severe financial hardship? Importantly, having a defined legislative objective for superannuation will deliver transparency and accountability in policy development. This helps ensure successive Governments have clarity to inform future superannuation policy, maintaining fairness and trust in the system. Clearly the decision when taken on the objective of superannuation will have a profound impact on the Australian economy and funds – as any required adjustments are made.

Another significant area of change is the prevailing economic conditions with historic interest rate increases, inflation – and now some global instability in banking. Generating stronger investment returns in this environment poses challenges for funds. In addition, the velocity of mergers is predicted to further soar over the next three years. This wholesale consolidation alters the landscape, creating a smaller number of mega funds who dominate the market and wield the scale to offer enhanced investment opportunities – and the capabilities to deliver more personalised and intuitive experiences that drives member loyalty.

Seizing the opportunity demands readiness

Against this backdrop of change, leaders within the superannuation industry need a strategy for their funds that drives operational agility, sustains the resilience required when responding to rapid fluctuations in market conditions, and takes advantage of new opportunities such as mergers.

Infosys surveyed professionals in the superannuation industry across January 2023 to explore the perceived challenges, gaps and opportunities within the market. The answers revealed that, while **an important objective for funds over the next 24 months was organic (92%) and inorganic (99%) growth**, most aren't set up to handle consolidation at an operational level. Respondents felt that their funds don't have the capacity to easily integrate data systems, IT infrastructure or business models with third party organisations.

Poorly performing technology systems can have a crippling impact on staff engagement, customer experience and trust. Funds need to navigate a way through these operational and technical complexities, harnessing the power of new technologies and leaning on the capabilities and vision of expert teams.

Undeniably, data and analytics strength is essential for funds to manage soaring volumes of member information and to differentiate in the market through more personalised member experiences. Further, having high quality, real-time data and insight

enables funds to better understand member preferences and behaviours and provide the guidance customers need to achieve greater financial well-being. **78% of respondents called out the role of data and analytics in improving accessibility and driving Inclusion** – a key consideration for funds.

Alongside data, the need for funds to accelerate digital transformation and navigate the path to achieving strategic digital goals is clear. **More than half of our survey respondents identified digital transformation as key** to driving member acquisition and retention and meeting heightened customer expectations for seamless, omnichannel experiences.

Whether funds are looking to optimise their use of data and analytics, or to accelerate the speed of digital innovation, they need to address a wide range of operational, budgetary, regulatory and cultural challenges. **76% of respondents in our survey indicated that a significant barrier to success is the skills and ideas required** to drive through change and to implement new ways of working. A major part of transformation will undoubtedly involve the deployment of automation technologies to streamline operations, reduce costs and free up staff from process-driven tasks and engage in high value, strategic work.

Ultimately, funds must develop a sustainable, long-term strategy which sets a clear course into the future, while maintaining the ability to respond to opportunities and react to market pressures. As part of this, leaders need to decide on the administration operating model that best serves the needs of their funds over the coming years. **Almost 50% of respondents to the survey felt that increasingly this will mean moving to a hybrid model** which combines the best elements of in-house and outsourced capabilities. Funds can then retain control where they feel it is necessary, while also benefiting from the capabilities and experience of strategic partners.

The superannuation industry stands on the brink of a period of massive change. The opportunities for those funds that are able to optimise their use of technology and data to drive growth – both organic and inorganic – are immense. Leveraging the wide experience of Infosys in the retirement industry and across financial services, we can predict that leading superannuation funds will be the ones who plan and position themselves to take every advantage.

RESEARCH METHODOLOGY

To explore the challenges and priorities facing the Australian superannuation industry, Infosys has undertaken comprehensive research in January 2023 amongst a range of stakeholders working at superannuation funds.

THIS RESEARCH COMPRISED OF:

INTERVIEWS WITH 76 SUPERANNUATION PROFESSIONALS

all of whom operated at management level – C-suite, senior directors, senior managers and managers.

RESPONDENTS WORKED ACROSS A RANGE OF BUSINESS FUNCTIONS

IT, marketing, customer experience, digital transformation, finance, operations, data and analytics, growth and distribution, product and strategy.

RESPONDENTS WORKED FOR FUNDS OF VARYING SIZES

65% worked for funds with at least 150,000 members, and 52% worked for funds with more than \$10Bn funds under management.

KEY FINDINGS

1

Growth and consolidation are strategic objectives

99%

of superannuation professionals report that inorganic growth – mergers, consolidations and strategic alignments – is an important objective for their fund over the next two years; 92% state that organic growth is an important goal.

63%

believe that fund size – in terms of both number of members and funds under management (FUM) – matters to a great extent. They point to stronger investment opportunities and economies of scale as the main reasons why size matters.

18%

feel that their fund is fully prepared to handle merger and acquisition (M&A) opportunities.

2

Data and analytics are competitive differentiators

73%

of superannuation professionals state that data transformation and analytics are becoming more important in order for their fund to manage large volumes of data and to integrate data effectively.

38%

report that their fund is delivering, to a great extent, personalised interactions to members via technology and data systems.

42%

cite data security and privacy as extremely challenging, making it the biggest barrier to improved use of data and analytics

For all respondents, a lack of skills and expertise is compromising their ability to use data and analytics effectively

3

Digital transformation imperatives

54%

of superannuation professionals report that their fund is looking to expand its digital transformation efforts in order to drive greater automation within its operations.

24%

claim that their fund has reached an advanced stage in its automation journey, but 69% state that their fund is either in the planning phase or has already started some level of process automation.

89%

state that budgetary constraints are a challenge to progressing digital transformation within their fund; 76% point to a lack of skills and new ideas.

4

Administration operating model shifts

49%

of superannuation professionals predict that their fund will operate a hybrid administration model in the future.

19%

report being completely satisfied with their current provider of administration services.

GEARING UP FOR GROWTH AND CONSOLIDATION



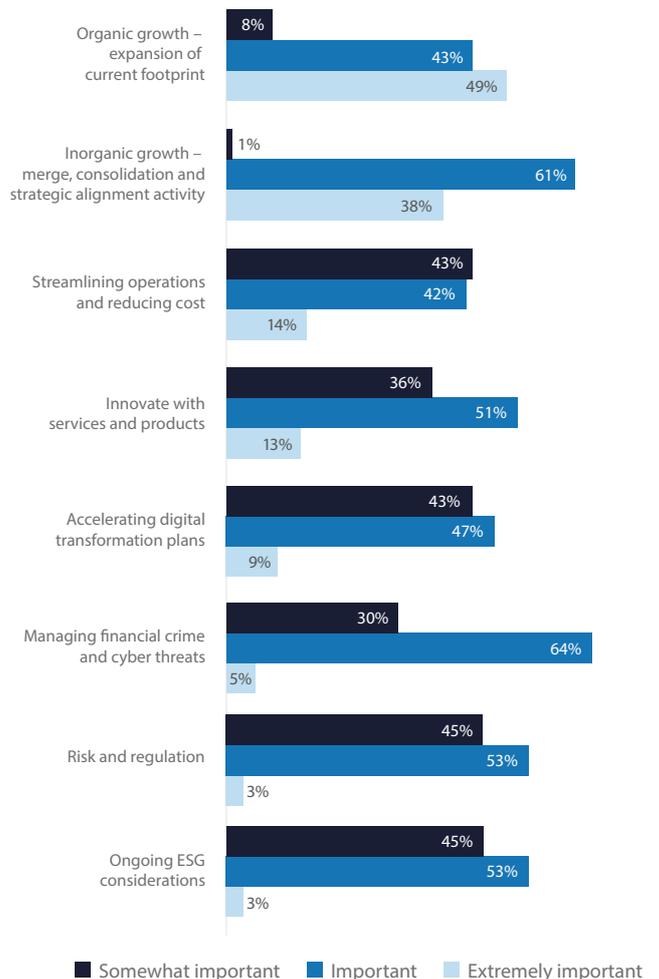
Across the superannuation market, growth is the overriding strategic priority for organisations over the next two years. The research finds that growth – both organic and inorganic – is an important objective for close to 100% of respondents.

Whether expanding their current footprint through organic growth or through mergers and strategic alignment activity, funds want a way to achieve this critical objective. Leaders are acutely aware of the benefits that come with size, not only in terms of better investment opportunities but also the operational advantages brought about by economies of scale. The ability to invest more in data and analytics, digital transformation and skills is essential for funds to compete and thrive within a more consolidated market. Larger funds are better placed to meet changing and increasingly complex regulatory requirements and to manage threats.

Growth, however, is not the only focus. The research also highlights a wide variety of other key objectives for funds during 2023 and 2024. Almost two thirds (64%) of respondents report that it will be important for their funds to innovate with services and products, and 56% cite the need to streamline operations and reduce costs as a goal.

Other priorities include accelerating digital transformation programmes, managing financial crime and cyber threats, and managing risk and regulation, all cited as important objectives by the majority of respondents.

OBJECTIVES FOR FUNDS OVER THE NEXT 24 MONTHS



EXPERT POINT OF VIEW



Martha King

Executive Vice President,
Chief Client Officer, Head of Retirement
Services Centre of Excellence, Infosys

Simplifying and accelerating transformation to support growth

For funds on a path to growth, technology transformation is key to increase productivity, competitiveness and also support smooth merger consolidation. In Australia, like in the U.S, funds are realising that they must activate key enabling technologies and advances enabled by the cloud to alleviate these complications and deliver experiences that delight customers. Modern, cloud-native platform and technology solutions can future-proof the superannuation industry with easy integration, enhanced experiences, and insights for users, –along with simplified and optimised AI-driven operations delivered more securely than ever before. And best of all, these outcomes can be delivered while also lowering costs and remaining in compliance with regulatory obligations.

Decision makers at funds considering technology transformation often find themselves weighing up several paths, with three core options typically emerging: “(1) do we do the modernisation ourselves, (2) find someone to drive it for us, or (3) find the right partner or partners to work with us throughout the journey?”

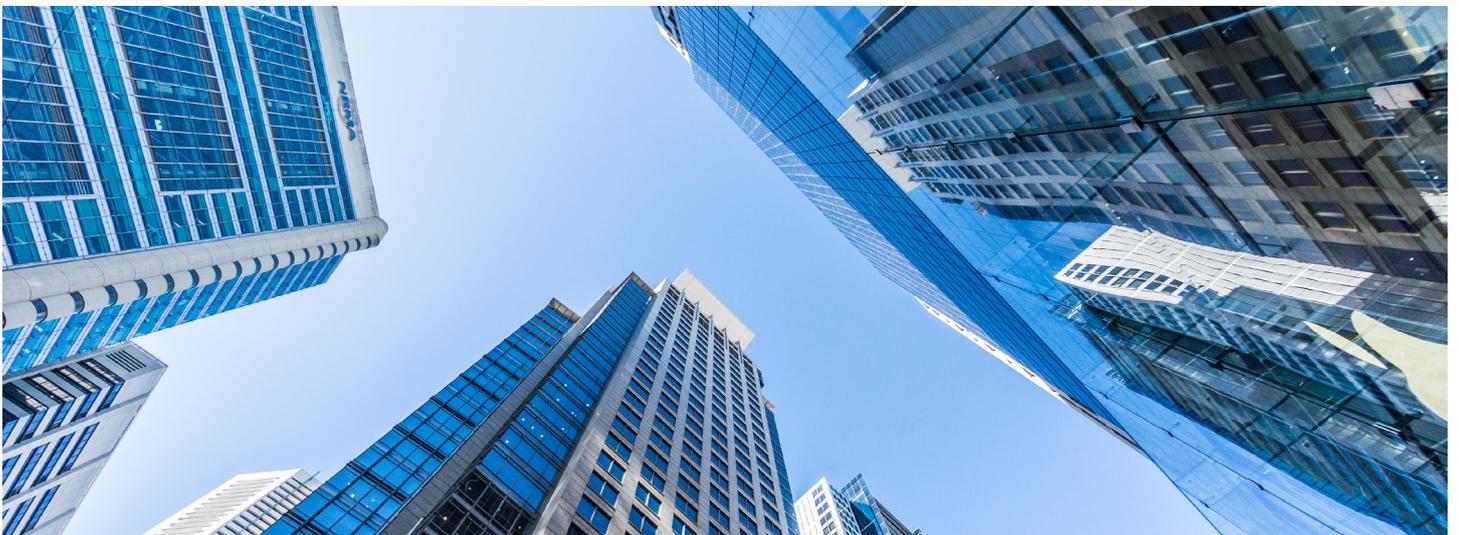
A review of results over many years shows that option 3, the partnership approach, drives the best commitment, helps our clients derive the greatest value from working with us, and delivers the strongest outcomes. Based on this, we have developed a “co-solutioning” approach used to gain alignment with our clients as we solve their biggest technology-centric problems and unlock fresh opportunities. We do not assume we know what is good for a client and how it can be achieved. Infosys strives instead to share our knowledge and experience as consultants, partners and ‘problem finders’ to clearly reveal the possibilities. In doing so, we work together to identify the best next steps and then co-create solutions at speed.

Since July 2020, Infosys’ Retirement Practice has been expanding its portfolio of clients and helping to address large, industry-wide challenges – with the goal of supporting the changes that will allow more individuals to have a financially secure retirement. Infosys is committed to delivering value to retirement services providers and their clients. Our deep retirement and technology expertise enables us to be a guide for each of our clients through their own transformation journey – from realising day-to-day operational excellence to building long-term change and innovation agendas. Infosys is invested in the future of retirement.

Much has been written about the need and appetite for consolidation within the Australian superannuation market. Without doubt, the industry is coming under pressure to accelerate consolidation over the coming years. The Australian Prudential Regulation Authority (APRA) has been pushing hard for several years for more fund mergers, not only to eradicate persistent underperformers and to make the industry more accessible for members. The biggest driver is scale, with evidence

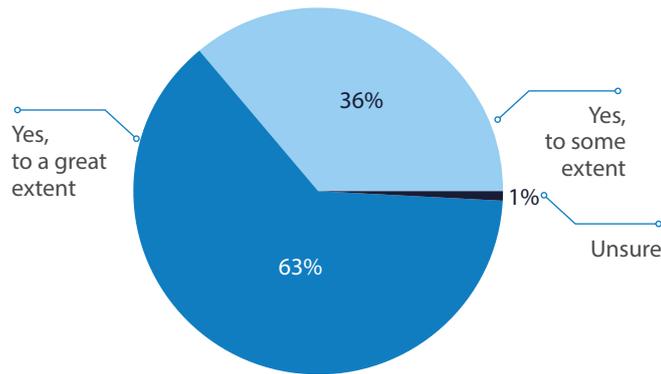
clearly showing that larger funds are better positioned to deliver stronger investment performance and lower fees.

This study certainly backs up the overriding sentiment that scale is critical for funds to succeed in today’s market. More than 60% of respondents believe that size – in terms of both number of members and funds under management (FUM) – matters to a great extent.

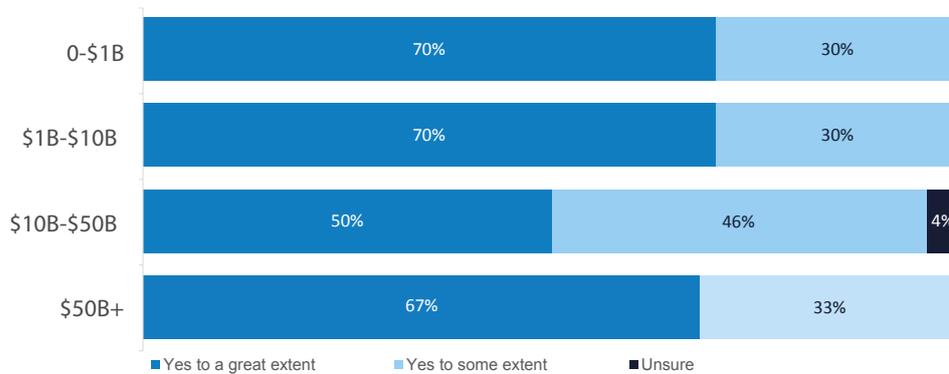


PERCEIVED IMPORTANCE OF FUND SIZE WITHIN THE AUSTRALIAN SUPERANNUATION MARKET

Overall responses



Responses by FUM size



PERCEIVED ADVANTAGES OF SIZE FOR FUNDS WITHIN THE SUPERANNUATION MARKET

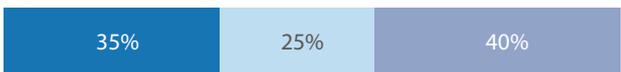
It builds stronger investment opportunities



It increases economies of scale leading to lower operational costs and fee reductions



We can invest more in stronger capability such as digital to improve member experience



Greater market awareness to attract new members



Rank 1 Rank 2 Rank 3 Rank 4

Respondents point to a number of advantages for larger funds that have greater numbers of members and more funds under management. Most of all, increased size is seen as essential to open up improved investment opportunities for funds, as well as delivering economies of scale which lower operational costs and reduce fees for members.

Other perceived benefits of increased fund size include the ability to invest more in areas such as digital which can enhance member experience, and greater market awareness to attract new members.

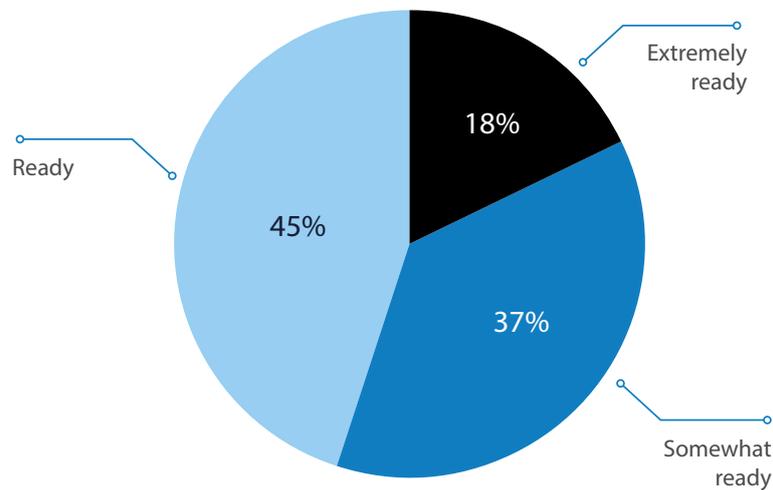
Interestingly, given the importance that respondents attach to inorganic growth over the next two years, less than a fifth (18%) state that their organisation is currently fully prepared to handle merger and acquisition (M&A) opportunities.

The research finds that superannuation professionals are acutely aware of the likelihood of increased fund consolidation, mergers and strategic alignment activities over the coming months. While most respondents claim that their funds are somewhat prepared for this, the vast majority feel that there is still some room to improve their readiness.

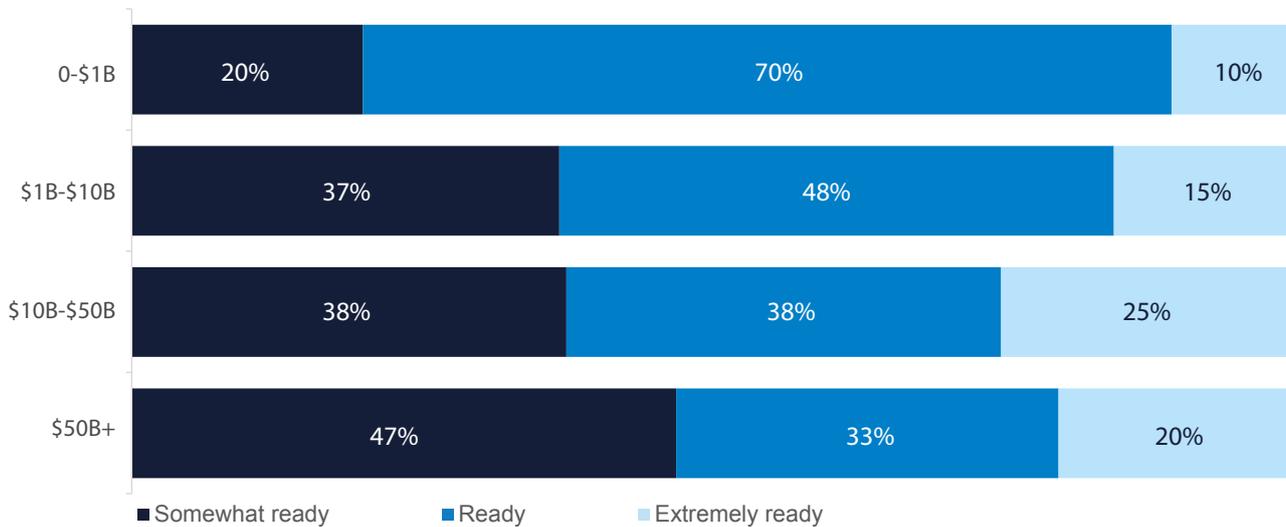
Significantly, respondents working for larger funds, with funds under management of more than \$10BN, express greater confidence in their organisation's preparedness for M&A and fund consolidation. They are almost twice as likely to feel that their funds are fully ready for consolidation during 2023.

CURRENT READINESS FOR CONSOLIDATION AND MERGER AND ACQUISITION ACTIVITY

Overall responses



Responses by FUM size



The research explores in detail the challenges that superannuation professionals must address in order to enable effective M&A and strategic alignment activity.

Respondents point to the integration of data systems as the biggest obstacle to successful consolidation for their funds. This is followed closely by the management of group life insurance arrangements.

Interestingly, workforce skills, structure and culture are also cited as a significant barrier to effective consolidation of funds, ahead of other long-standing challenges such as IT integration, conflicting operating models and governance, risk and compliance.

EXPERT POINT OF VIEW



Martha King

Executive Vice President,
Chief Client Officer, Head of Retirement
Services Centre of Excellence, Infosys

How to balance and mitigate risks

Many business leaders find themselves in a tenuous place when they recognise that their fund needs to act, but that each path forward comes with risks that can bite into confidence.

This is where a partner with the right expertise plays a crucial role, helping a team identify unique priorities and navigate the journey to creating a solution that delivers the required results quickly.

Having a solid understanding of the retirement industry and the technology landscape, and how both impact the fund, is key. The right partner can work on custom designs and solutions for any need – whether that's getting a data and analytics engine up and running, overhauling an entire administration platform, or serving as the strategic integrator to help get the most out of an existing platform.

THE CHALLENGES TO EFFECTIVE CONSOLIDATION, MERGER AND STRATEGIC ALIGNMENT ACTIVITY

Integration of data systems



Group life insurance arrangements



Workforce skills, structure and culture



Technology and administration systems



Contradictory operating models



Governance, risk and compliance



Alignment of investment philosophies



■ Somewhat Challenging ■ Challenging ■ Extremely Challenging

DATA AND ANALYTICS ARE COMPETITIVE DIFFERENTIATORS

Superannuation professionals are in no doubt about the importance of having a clear and forward-looking data strategy for ongoing success in the market.

Almost three quarters (73%) of respondents state that data transformation and analytics are becoming more important as their funds struggle to manage soaring volumes of data and to integrate data from across an increasingly fragmented environment.

Further, as superannuation balances have grown, complexity has entered the system and having a large super balance is not a guarantee of a comfortable retirement lifestyle. Indeed, the Your Future, Your Super (YFYS) reforms fuelled healthy competition, acting as an impetus to strengthen relationships between funds and members – and the Retirement Income Covenant (RIC) created a legislative responsibility to guide members through the journey of retirement.

People need confidence that they can access the support needed to invest better and spend their superannuation judiciously – and personalised omni-channel advice experiences ensure the scale that is needed can be achieved.

While most funds are now using data to provide members with some level of personalised experience, the research shows that there is still a long way to go. Only 38% of respondents claim that their fund is delivering, to a great extent, personalised interactions to members via technology and data systems. The majority recognise that their fund could be doing more with its data to optimise member experience and provide differentiating interactions.

EXPERT POINT OF VIEW



Anmol Jain
Managing Partner,
Infosys Consulting

Enabling a data-centric enterprise

While data is a strategic asset for financial services organisations, confidence in the quality of owned data across the user community remains lower than it should be. There are many factors at play including complex, non-standardised data practices and legacy challenges relating to siloed data and platforms.

Whatever the reasons, this mistrust limits the value of data in helping leaders identify and mitigate risk, drive efficiency and amplify opportunities that deliver growth. Data enablement becomes critical when it allows funds to take advantage of fast-paced technology disruptions such as Blockchain, Artificial Intelligence and Machine learning. Also, the financial services industry in Australia will be changed by the push for open banking

and, increasingly, a future based around open finance, which puts control of financial data in the hands of the customer to ensure greater financial wellbeing.

To achieve the full potential of a data-centric fund that fosters data culture and data-driven decision making, start by:

- building a clear data vision and strategy
- defining core data principles
- creating a robust data governance framework

An unquestionably consistent data-driven culture across funds could propel revenue maximisation, cost optimisation, compliance and improve customer experience – the rewards for the effort are as clear as the path to it.

Root Cause analysis and defined data KPIs

An Australian Securities and Investments Commission (ASIC) review of internal dispute resolution data⁶ showed that root cause analysis of complaints managed by funds to identify systemic issues and improve member treatment is not where it needs to be. When defining a KPI it is essential to tie it on the problem being solved.

In most organisations, one KPI has different definitions as it is used by multiple stakeholders. Typically, each stakeholder is only focused on their goal, creating siloed metrics. This means that it can take far longer to uncover the root cause of an issue, with key information missed during hand-offs between departments.

EXPERT POINT OF VIEW



Paul Beardsell
Managing Director - Australia and
New Zealand,
WONGDOODY (an Infosys Company)

The frontiers of human experience

Providing a customer with a consistently exceptional level of personalised service requires an experience directed by a designer and enabled and amplified through technology.

Personalised service here goes far beyond applying business rules or acting on expressed user preferences for recommendation. Instead, we go a step further, applying AI to emotionally engage and delight individuals. Each customer's behavioural data collected over an extended period is combined with other data and turned into an experiential map to guide the delivery of hyperpersonalised service.

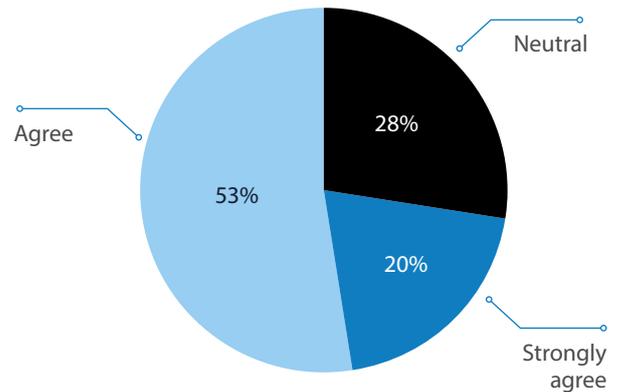
This enables funds, for example, to guide and meet customer needs. Customers can be engaged via what-if scenarios about financial decisions or complete requests without multiple steps and approvals – straight through processing with zero latency. This also enables micro feedback against each action to identify and eliminate friction and refine optimisation.

This can also be extended to engage staff in a style that best suits their development. For example, guided practice that provides the user with a defined pathway to successfully complete an activity and gain confidence with a new system. This would have a huge impact on productivity and levels of motivation which is key for retaining talent.

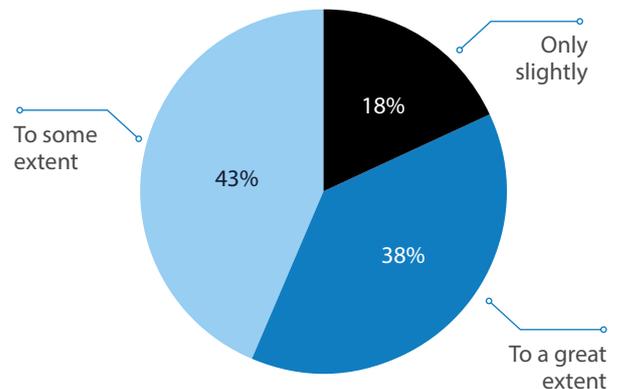
Optimised use of data and analytics is not only seen as essential in order to enhance member experience. Superannuation professionals see wider potential advantages for their organisations.

In particular, respondents point to the benefits of using data to better understand member needs and how this in turn can lead to improved, insight-driven decision-making.

THE GROWING IMPORTANCE OF DATA TRANSFORMATION AND ANALYTICS

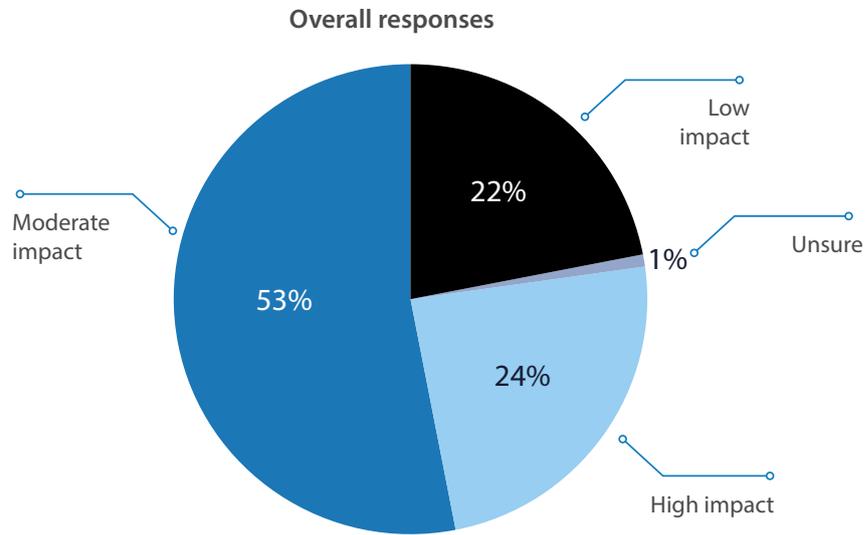


EXTENT TO WHICH FUNDS ARE USING DATA TO DELIVER PERSONALISED MEMBER INTERACTIONS

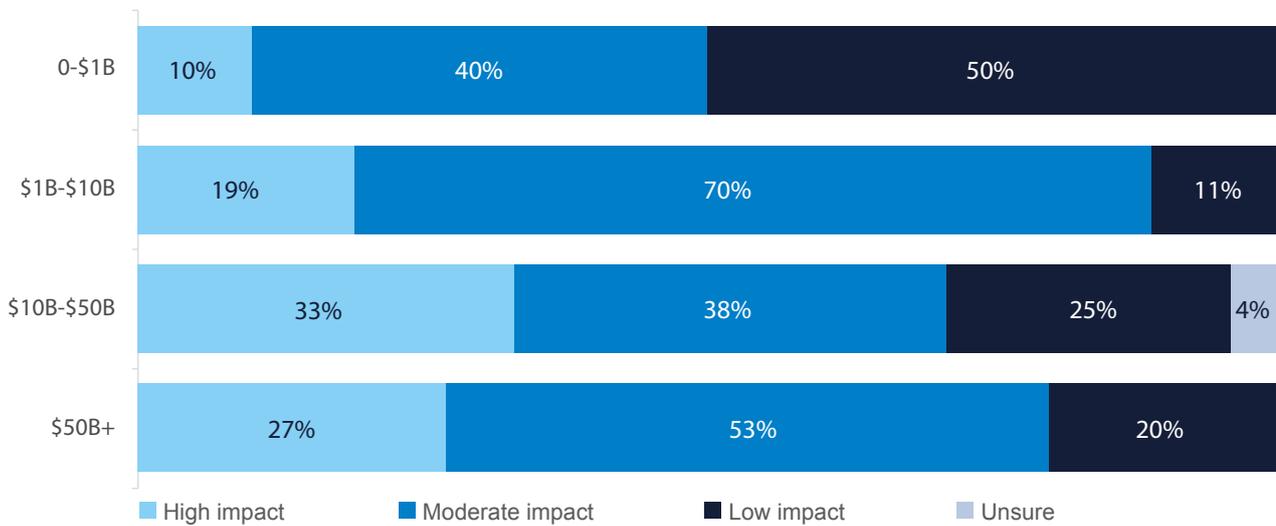


70% of respondents claim that having a more in-depth understanding of member preferences and behaviours would have a positive impact on decision-making for their fund.

HOW IMPROVED UNDERSTANDING OF MEMBER PREFERENCES AND BEHAVIOURS IMPACTS DECISION-MAKING



Responses by FUM size

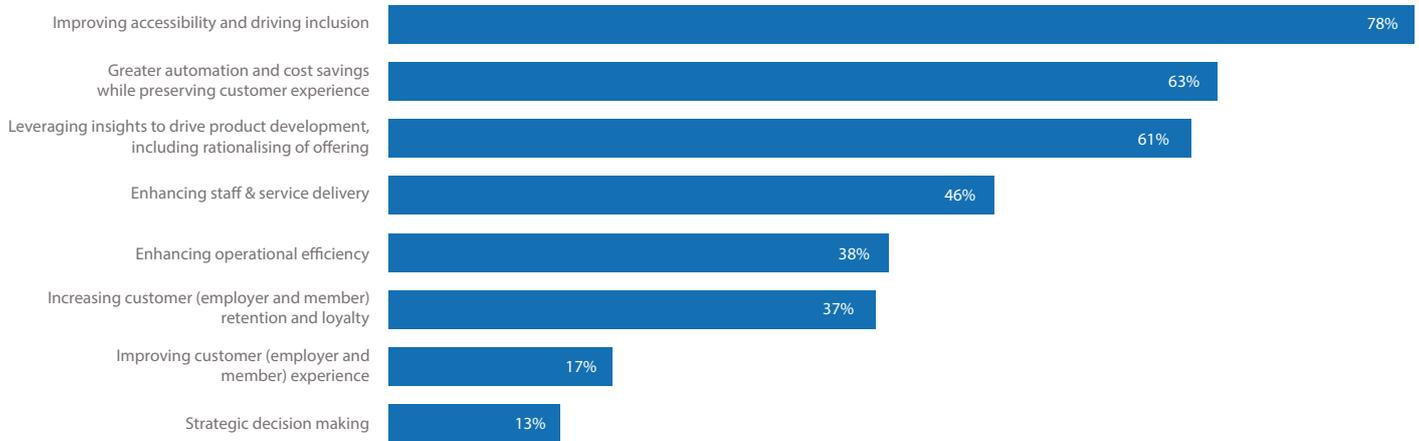


The research highlights a whole host of other perceived benefits and opportunities for funds that are able to enhance their data and analytics capabilities.

These include improved accessibility and greater inclusion, where funds use member data to identify and serve members based on their own unique characteristics and requirements.

Respondents also point to the opportunity for greater automation and cost savings, and for insight-driven product development, brought about by optimised use of data and insight.

PERCEIVED OPPORTUNITIES DERIVED FROM IMPROVED USE OF DATA AND ANALYTICS



However, while there is evidently a growing appetite amongst superannuation professionals to optimise the use of data and analytics within their funds, the research exposes the variety and scale of the challenges that they still need to overcome in order to do so.

Data security and privacy is regarded as the biggest barrier to improved use of data and analytics, with 42% of respondents citing this as extremely challenging. Alongside this, respondents point to legacy technology, regulatory pressures and siloed data as significant obstacles to progress.

The research exposes the extent to which funds are now struggling to execute on their data transformation plans due to a lack of skills and knowledge within their organisation. Remarkably, all respondents admit that a lack of skills and expertise is compromising their fund's ability to use data and analytics effectively (38% claim that the lack of skills is extremely challenging and 62% report that it is challenging).

This is particularly worrying, particularly given the regulatory pressure that funds are now feeling to ensure that they are able to collect and share robust, real-time data. The Australian Prudential Regulation Authority (APRA) Superannuation Data Transformation (SDT) programme⁷ sets out to 'drive better industry practices and improve member outcomes by significantly enhancing the comparability and consistency of reported data.'

Funds need to act quickly and decisively to ensure that they're on the front foot in responding to these new demands around data – but, as the research shows, many simply don't have access to the required skills and technologies.

CHALLENGES IN PROGRESSING USE OF DATA AND ANALYTICS

Data privacy and security



Lack of skills and expertise



Legacy technology



Compliance and regulatory requirements



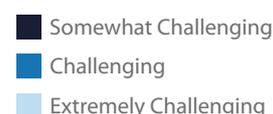
Inability to turn data into actionable insight



Siloed data



Inability to experiment quickly



DIGITAL TRANSFORMATION IMPERATIVES

Digital transformation will continue to be a major focus for superannuation funds of all sizes in 2023, with organisations looking to accelerate their innovation programmes to advance a wide range of key commercial and operational objectives.

The biggest driver for expanded digital transformation initiatives is member retention and acquisition, essential for funds to hit their objectives for organic growth. Respondents also point to the need to deliver omnichannel member experience, increased productivity and improved accessibility and inclusion as reasons to double down on digital transformation plans.

Interestingly, more than half (54%) of respondents report that their funds are looking to ramp up their transformation programmes in order to drive greater automation within their operations. Financial Services organizations across the world are deploying intelligent automation to lessen the load on staff, reduce error, leverage real-time insights and improve customer outcomes. Funds can uncover relatively easy-to-capitalise on opportunities for automation through bots, voice experiences, or AI-driven analysis and tech solutions.

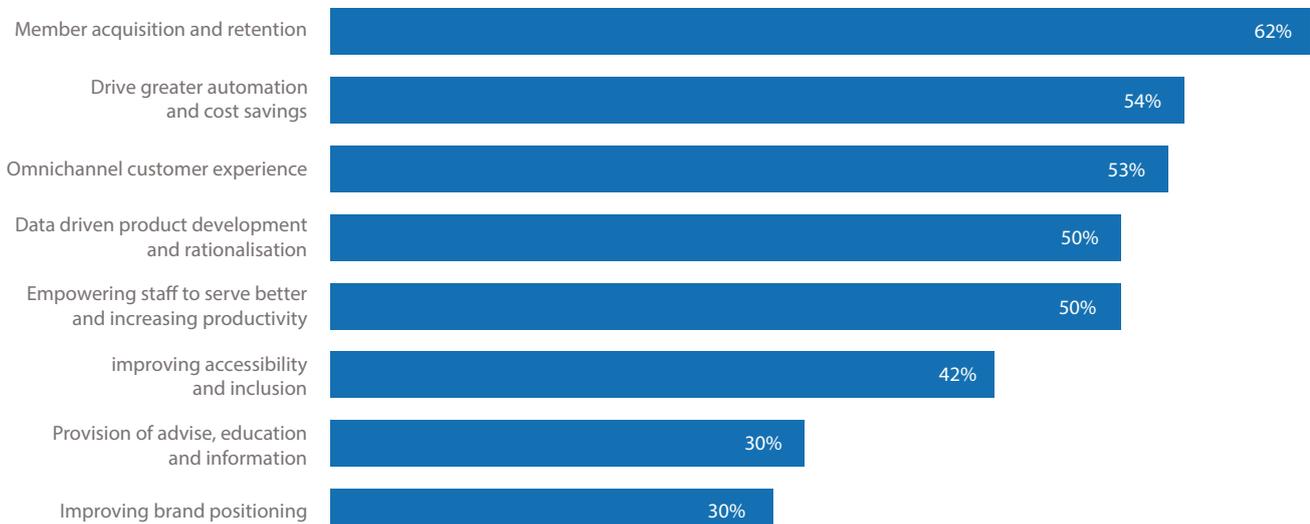
Many funds for example continue to handle unnecessary calls out of contact centres, driving up costs and putting a drag on the user experience. Technology can help members, employers and advisers self-serve so they're getting the answers they need faster, while easing the workload on the call centre.

Indeed, automation will be a key focus area for superannuation funds over the next 12 months. While only 24% of funds have reached an advanced stage in their automation journey, more than two thirds (69%) are either in the planning phase or have already made a start with some level of process automation. This suggests that deployment of automation is likely to be far more prevalent and more sophisticated come the end of 2023.

The research finds that larger funds, with funds under management in excess of \$10Bn, are most likely to have already reached an advanced stage of automation.

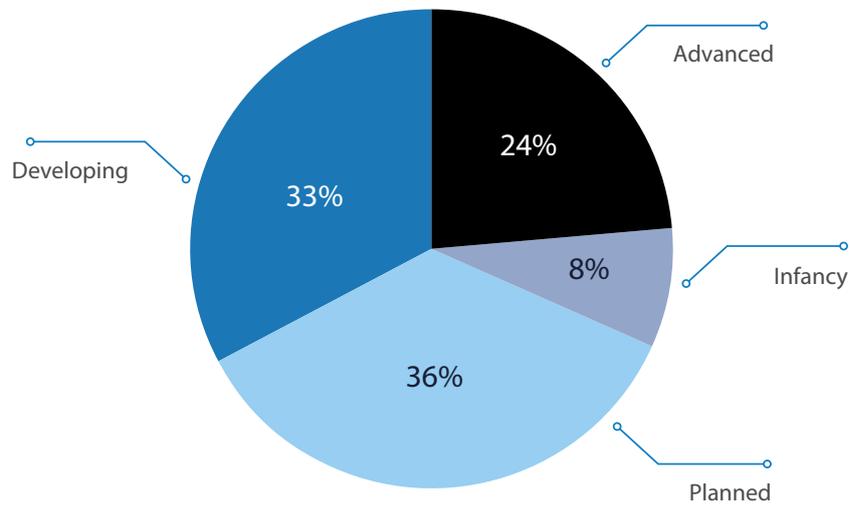


THE DRIVERS FOR EXPANDED DIGITAL TRANSFORMATION EFFORTS

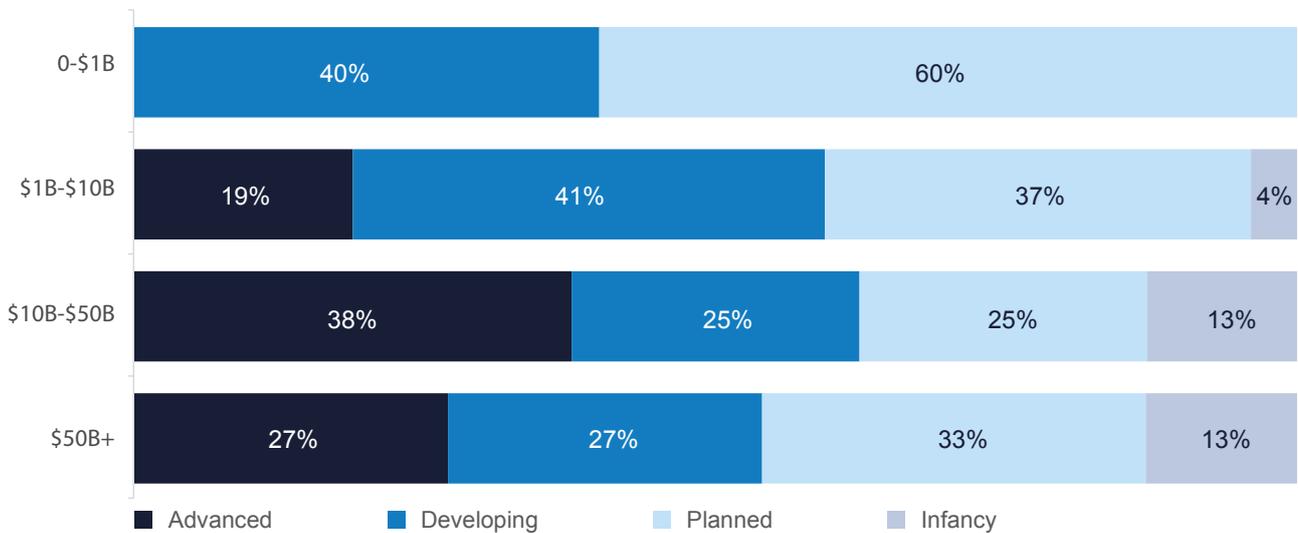


PROGRESS ON THE AUTOMATION JOURNEY

Overall responses



Responses by FUM size



As with businesses in all sectors, organisations in the superannuation industry face a whole host of challenges as they look to accelerate their digital transformation plans and drive innovation.

EXPERT POINT OF VIEW



Martha King
Executive Vice President,
Chief Client Officer, Head of Retirement
Services Centre of Excellence, Infosys

Managing the cost of large-scale transformation

The teams who have been most successful start by working on solid business cases for their transformations – with a sharp focus on winning senior stakeholder buy in. They iterate on their business cases again and again throughout the process. The more you learn, the more refined your plans and projections can be. Any investment has to continue to make financial sense for the fund.

That said, how one fund manages costs is relevant only to that team’s specific situation, and that’s where the right transformation partner, with the right depth of experience, can really help. There’s no one way to transform. There are a lot of options to consider and having a partner walk you through the decision architecture of your strategy, complemented with the industry insights and best practices they can share, can be immensely beneficial.

For example, while an end-to-end digital transformation may take several years to fully implement, a well-orchestrated strategy can deliver efficiencies within a few months. We’ve seen some firms “chapter out” their transformation, depending on their near and longer-term priorities. We’ve helped clients identify low-hanging fruit that can be quickly picked by leveraging proven solutions – from automation to bots and right-shoring.

Making steady improvements month to month may lead to benefits that add up quickly. Moreover, these incremental operational efficiency savings can be used to fund the next round of transformation. There are ways to self-fund efficiencies over a multi-year period while building a well-oiled service.

Budgetary constraints are seen as the biggest obstacle to digital transformation, closely followed by ongoing disconnect and silos between IT and business functions within the organisation.

Alarming, 86% of respondents report that the lack of a clearly defined corporate vision and strategy is hampering digital transformation efforts.

Once again, respondents point to a lack of skills as a barrier to accelerated innovation within their funds.

THE BARRIERS TO ACCELERATED DIGITAL TRANSFORMATION

Insufficient budget



Business and IT disconnect – inability to work across silos



Lack of skills and new ideas



Lack of corporate vision – we don’t have a clear and aligned strategic roadmap



Complexity of legacy IT infrastructure integration – operational challenges



Security, compliance and regulatory



Inadequate partner relationships



Inability to experiment quickly



Legend: Somewhat Challenging (Dark Blue), Challenging (Medium Blue), Extremely Challenging (Light Blue)

ADMINISTRATION OPERATION MODEL SHIFTS

The research examined existing administration operating models within superannuation funds and how these are likely to evolve in the coming months and years.

Currently, there is a fairly even split between those funds that fully outsource their administration operations to third parties (45%), and those that handle administration in-house (37%). At the start of 2023, only 18% of funds are deploying a hybrid model which combines in-house and outsourced functions.

However, looking ahead it is clear that a hybrid administration model is set to become far more prevalent within superannuation funds over the coming years. Almost half (49%) of respondents predict that their fund will deploy a hybrid approach in the future, which would represent an increase of more than 250% on today's number.

Interestingly, this shift will be driven primarily by funds that are currently deploying a fully outsourced model moving some elements of their administration operations back in-house.

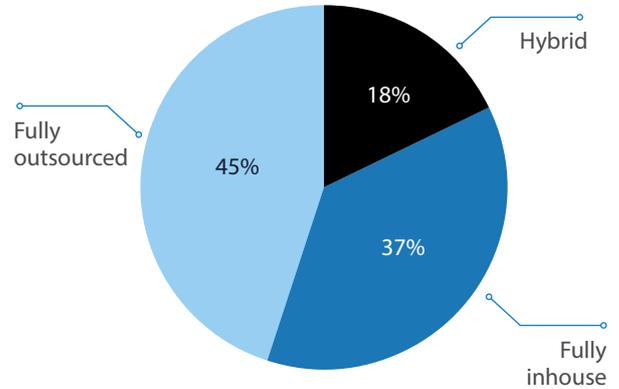
Where funds are working with a third-party administration services provider (whether as part of a hybrid model or a fully outsourced model), the research finds that there is an overall feeling that these providers are generally delivering an adequate service.

However, only 19% of respondents report being completely satisfied with their current provider of administration services. This means that eight in ten superannuation professionals feel that their service provider could be improve its services.

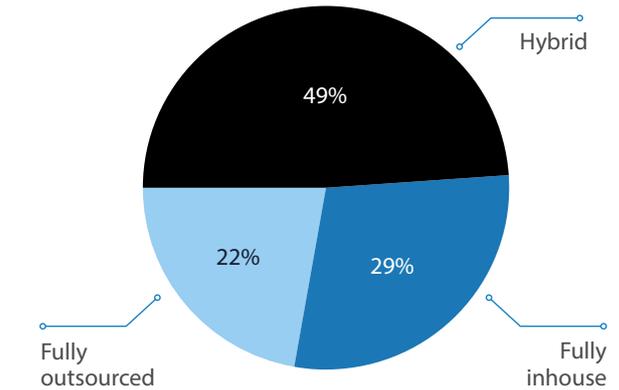
The main reasons for respondents feeling dissatisfied with their provider of administration services are high costs, a lack of innovation or added value, and poor alignment with the fund's strategic plans and goals. A third of respondents who express dissatisfaction point to the inability of their provider to scale at speed to support their fund's requirements. This issue is likely to become accentuated as the rate of mergers in the market gathers pace over the coming months.

CURRENT AND FUTURE ADMINISTRATION OPERATING MODELS WITHIN FUNDS

Current State



Future State



EXPERT POINT OF VIEW



Martha King

Executive Vice President,
Chief Client Officer, Head of Retirement
Services Centre of Excellence, Infosys

Expertise strengthened by continuous learning

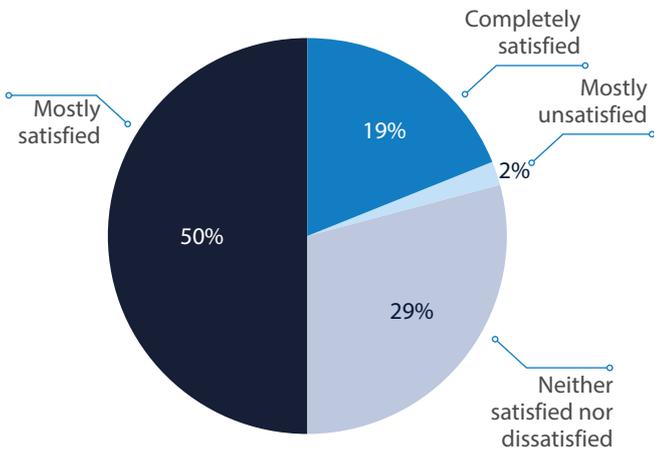
Comprising of the collective expertise of thousands of career retirement experts, the Infosys' Retirement Practice is backed up by over 300,000 employees globally with deep cross-industry experience. No other technology firm has this depth of domain experience on its staff.

Infosys' Retirement Practice has become the global centre of retirement industry expertise, offering perspectives on trends emerging at the intersection of employee benefits, retirement savings and wealth management, and digital transformation.

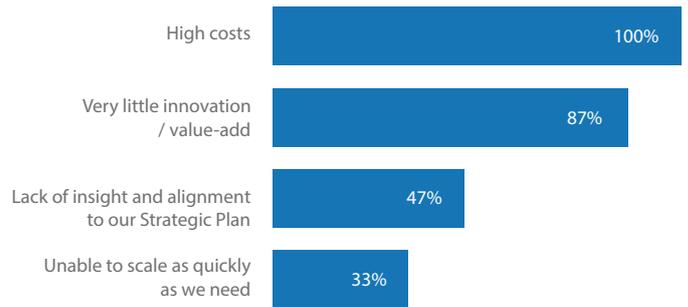
As we continue to grow, we rely on one of Infosys' greatest strengths, our training programs. We have a training model that we've used across the globe with great success. In 8–12 weeks, we can prepare a new employee to be highly proficient in the capabilities they need to serve our clients. Infosys also invests in ongoing training to develop our teams in the areas of technology, design, engineering and beyond. These rich skills across several fields enhance our ability to provide digital technologies and breakthrough innovation for our clients.



LEVELS OF SATISFACTION WITH CURRENT ADMINISTRATION SERVICE PROVIDERS



REASONS FOR DISSATISFACTION



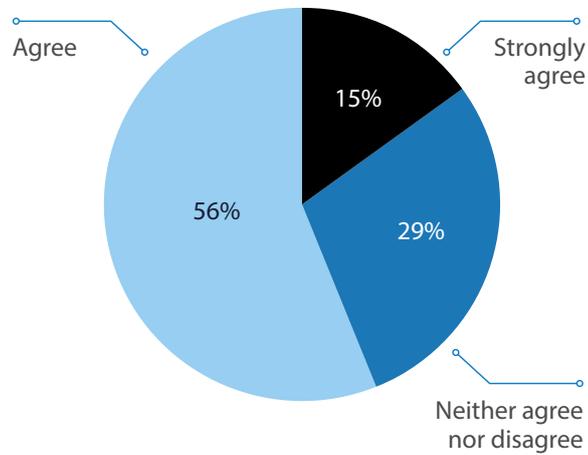
Overall, more than 70% of respondents state that their fund's administration services provider acts as an extension of their organisation and operates as a strategic partner delivering value to members.

However, only 15% of respondents express a strong conviction about this strategic contribution of their providers, suggesting that, once again, they feel these partners could be doing more to deliver value to their organisations.

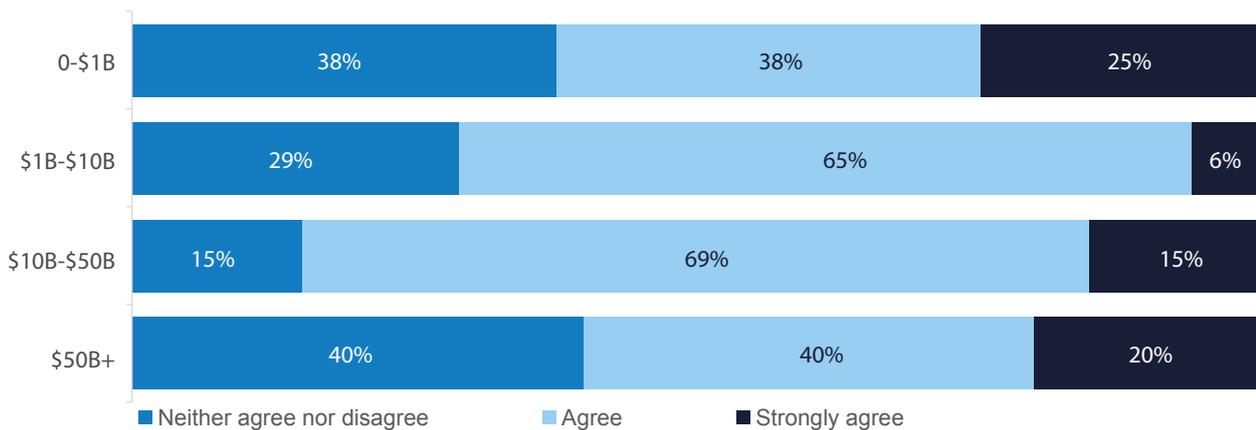
Significantly, the research shows that sentiment towards third party providers is least positive within the very largest superannuation funds, with more than \$50bn funds under management. Within this group, as many as 40% of respondents are ambivalent about the role and contribution that their fund's current administration services provider is delivering.

ATTITUDES TOWARDS CURRENT ADMINISTRATION SERVICES PROVIDERS

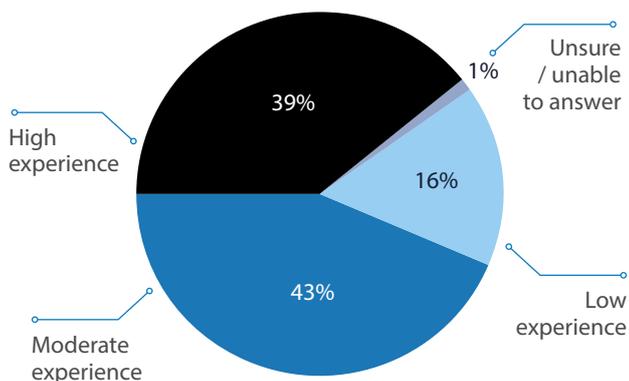
Overall responses



Responses by FUM size



LEVELS OF EXPERIENCE WORKING WITH THIRD PARTY TECHNOLOGY VENDORS



The research finds that many superannuation professionals have relatively little experience of working with third party technology organisations on a strategic basis. 59% of respondents admit to having only moderate or low experience partnering with technology vendors to deliver value added services.

CONCLUSION

Be prepared to lead the change

This research highlights the perceived game-changing benefits of wholesale consolidation within the superannuation industry. Scale brings improved investment opportunities, enhanced member outcomes, more engaging member experiences, more straightforward regulatory compliance and significant cost efficiencies.

As the speed of consolidation in the superannuation industry ramps up in 2023, funds are in a race against time to ensure that they are in the best possible position to benefit from mergers and strategic alignment with third parties. As this research shows, most funds are partially ready for M&A activity, but they still have more to do to ensure effective consolidation.

In particular, the need for better utilisation of data, which has long been an objective within the industry, is now mission critical. Funds must expedite their data transformation plans, not only to start delivering more personalised experiences to help members achieve greater financial wellbeing – but also to make more informed and strategic investment decisions. This is particularly important as consolidation leads to the creation of far larger mega funds; data will become essential for funds to look after individual member needs.

Digital transformation is also key for funds to drive growth – both organic and inorganic. In an ever more competitive and rapidly changing market, funds need to consistently innovate to meet changing member needs and grasp new opportunities for growth and expansion.

As this study shows, however, funds need to overcome significant challenges to achieve their objectives around data and digital transformation. This means tackling technical issues around legacy technologies, security and regulatory compliance, as well as operational barriers.

Arguably more than anything else, however, funds need to effect cultural change to bring IT and business functions closer together, and to create a shared vision and strategy for the future. Central to this is a need to invest in, attract and develop the high-quality specialist data and digital skills required to deliver accelerated transformation.

As funds look to instil greater agility and resilience into their business models in readiness for mergers and strategic alignments, many will switch to a hybrid model for their administration operations. Leaders will look to combine the best elements of in-house and outsourced capabilities, leaning on strategic partners to help navigate through M&A activities and drive accelerated innovation.

Across the superannuation industry, there is an understanding that the landscape is set to change beyond almost all recognition over the next few years. Funds must therefore act decisively to put themselves in the best position to take advantage of new opportunities as they arise. By accelerating their data and digital transformation initiatives and embracing new operating models, funds can drive growth and emerge stronger.



ABOUT OUR EXPERTS



MARTHA KING

Executive Vice President,
Chief Client Officer, Head of Retirement
Services Centre of Excellence, Infosys

Martha is responsible for navigating the next client-centric technology frontier in the financial services industry in order to enable better outcomes for millions of retirement savers.

Prior to joining Infosys in 2020, Ms. King served as Managing Director of Vanguard's Institutional Investor Group, which serves nearly five million participants and 1,500 sponsors (employers). Previous to holding that role, she served as Managing Director and founder of Vanguard's Financial Advisor Services division, which now oversees more than US\$2 trillion in assets.

Ms. King currently serves as member of the board of two wholly

owned subsidiary companies of Infosys Limited: EdgeVerve Systems Limited, a global leader in AI and Automation; and Infosys BPM Limited, which provides end-to-end outsourcing services for Infosys clients across the globe.

Martha earned a B.S. from Bloomsburg University of Pennsylvania. She has completed the Advanced Management Program at the Wharton School of the University of Pennsylvania.



ANMOL JAIN

Managing Partner,
Infosys Consulting

Anmol leads Infosys Consulting and their CIO advisory practice for the Asia-Pacific region. With deep experience in financial services and specifically in asset and wealth management, Anmol has guided clients to maximise the value of automation and collaboration by harnessing the potential of AI, cloud and analytics.

His extensive experience in consulting and business transformation is complemented by domain expertise in defining new business operating models, process optimisation, banking transformations and digital ecosystems. Anmol previously worked with Infosys Finacle and prior to that held senior roles with Capgemini and Accenture. Anmol is also a pro bono advisor to several start-ups in the region.



PAUL BEARDESELL

Managing Director - Australia and New Zealand,
WONGDOODY (an Infosys Company)

Paul is the Regional MD for WONGDOODY, Infosys' award-winning creative agency and global experience-and-design platform. In this role he leads the Human Experience and Design business for Infosys across Australia and New Zealand. Paul has over 20 years' experience in the digital and creative tech industry and co-founded one of Asia Pacific's top innovative and award-winning agencies – Carter Digital – renowned worldwide for their passion and approach to creating meaningful human experiences.

At Infosys, Paul works closely with numerous clients offering agency services that include business and creative strategy, research and insights, branded commerce and digital product development, user and customer experiences, interaction, experiential and creative design, consumer and product design; producing award-winning results.

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ABOUT INFOSYS FINANCIAL SERVICES

MAKING TRANSFORMATION A REALITY

Infosys financial services is forged on deep expertise a commitment to excellence that drives us to collaborate with our customer to deliver practical innovation. This has resulted in the building of an exceptional team who have been consistently recognised for their outstanding performance.

50,000+

Technologists, across 100 countries

RECOGNISED

by HFS, ISG and Nelson Hall as a leader in the financial services industry

300

Financial services clients including:

Half of the top 20 retirement service firms in the United States

3 of the big four 4 banks in Australia. 4 of the top European banks and 8 of the top ten US banks

5 of the top mortgage originators

DEDICATED RETIREMENT CENTRE OF EXCELLENCE

Our dedicated Centres of Excellence are the nucleus of our real-world knowledge. Here, we combine deep domain and technology expertise with an understanding of cross-functional financial services and horizontal business processes.

Since its inception in 2020, the Retirement Centre of Excellence has been home to Infosys' retirement practice, which partners with clients around the world seeking to stay ahead of the evolving needs and challenges of the retirement industry. We provide services and solutions to modernize how businesses use people, process, and technology to operate, and we see tremendous opportunities to work beyond industry silos to enable holistic financial wellness for individual savers.

OUR STRATEGIC APPROACH

Operational resiliency, customer advocacy and platform-based models enable real transformation and a step change performance in financial services. Infosys assuredly delivers digital services across three essential areas for change.



NEXT GEN OPERATIONS

For a more resilient, efficient organisation

We combine and orchestrate digital and operations capabilities to streamline platforms and processes, enhance controls and align infrastructure and applications with business priorities.



FRONT-TO-BACK DIGITISATION

To optimise customer experience and advocacy

We understand and address front-end value streams, user needs and challenges. Then we map back to design digitised back-end processes and integrate with them.



DIGITAL PLATFORMS

To redefine how financial services organisations operate

We reimagine financial services with platform-based IT operating models. These enable firms to deliver continuous simplification and a unified, digital-first customer experience.



For more information, contact askus@infosys.com



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