



Cost transformation in superannuation

Uplifting efficiency and productivity across your organisation

The cost agenda in superannuation has been elevated to a new level of importance in 2023 as the global economy transitions into a new period of higher inflation, slower growth and increased economic uncertainty.

In recent years, superannuation funds have been responding to rapidly evolving regulatory agendas, executing successor fund transfers in parallel to organic growth strategies and transforming their operating models in an increasingly competitive market. As we move into a new economic phase, leaders in superannuation need to know that every dollar of capacity can be targeted at delivering scalable growth, which now includes expanding operations into new locations and enhancing pension capabilities. To do this, they need to remove stubborn existing structural costs – permanently.

Our experience in delivering cost transformation can help accelerate our clients' journey. We understand the critical factors to deliver on these objectives, having worked with a wide range of global pension and local superannuation funds. Our proven methodology helps clients identify key cost drivers and prioritises practical solutions along a well sequenced implementation plan.

Our team is comprised of highly regarded specialists across strategy, financial analysis, operational excellence, technology and digitisation – allowing us to move beyond strategy and to provide practical, hands-on execution support.

Our track record in superannuation

Retail superannuation fund:

\$54m

Design and implementation of new operating model to deliver ~\$54m of cost savings.

Retail superannuation fund:

\$56m

Lead post-acquisition efforts to identify and implement ~\$56m cost savings through elimination of duplication and process optimisation.

Industry superannuation fund:

2

Design and management of merger and post-merger activities for two large superannuation funds. Included identification and implementation of cost-saving opportunities.

Retail superannuation fund:

\$27m

Identified ~\$27m cost reduction benefits and initiatives through organisation structure simplification and optimisation.

KPMG research highlights the challenges in achieving sustainable cost reduction

Increasing operating costs

64%

Rise in operating costs per member over the past decade

26X

Variance of cost to assets under management, between some superannuation funds

Source: *New cost imperatives in banking, KPMG Australia 2021 & 2022 Insurance CEO Outlook (KPMG 2022)*

How can KPMG help you?

KPMG's expertise can help you across your cost transformation journey

- **Value transformation:** an end-to-end review of the cost baseline, identifying a prioritised list of cost reduction opportunities across the organisation.
- **Operational efficiency:** review and redesign your business processes to remove waste and inefficiency across all parts of the value chain.
- **Operating model redesign:** design a future state operating model to achieve efficiency uplift.

- **Digitisation:** enhance digital capabilities across business processes and customer touchpoints.
- **Procurement and sourcing review:** review sourcing arrangements to identify consolidation and re-contracting opportunities.

Our tools and capabilities to ensure your project is a success

- **Cost benchmarking:** benchmark productivity metrics against global peers facing similar challenges to identify pockets of inefficiency.

- **Thought leadership:** the latest insights on cost optimisation in insurance from our global subject matter experts.
- **PMO support:** program support in managing and delivering a portfolio of cost transformation initiatives.

KPMG'S 12 cost out levers for superannuation

Macro cost lens	Cost out opportunities in superannuation
Strategy Focus on markets, products and business models that deliver value for customers and shareholders	1 Geographies, markets, products: Uplift and rationalise products/services offered
	2 Operating model and balance sheet: Optimise operating model to enhance products/services
Simplicity Ensure the organisational, accountability and governance arrangements enable efficient decision-making and operational agility	3 Organisational model: Uplift front, middle and back office operating models
	4 Transformation optimisation: Build and enhance fund transformation capability
	5 Cost management focus: Define, communicate and implement cost strategy
Engineering Manage and optimise how service is provided to customers, including use of technology, channels to market, and deploying automation and data to drive productivity	6 Digitisation and operational efficiency: Automate and digitise front, middle and back office
	7 Channel optimisation: Simplify and optimise distribution channels
	8 Organisation design and people: Simplify organisational design (including headcount, reporting lines and incentives)
	9 Technology optimisation: Consolidate platforms, accelerate cloud migration, decommission obsolete applications
	10 Asset optimisation: Rationalise and adjust physical operations
	11 Supplier & sourcing management: Review and renegotiate third-party arrangements
	12 Regulatory, governance & risk compliance (incl tax & legal): Simplify and optimise tax structures

Contact us

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