

Best Practice Paper No. 31

Updated as at 18 March 2020

Planning for a Possible Pandemic

Business Continuity Planning for Superannuation Funds

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Table of contents

1. About ASFA Best Practice Papers	1
2. Acknowledgements	2
3. COVID-19 Reference Materials.....	3
4. Checklist	5
5. Introduction.....	7
6. Implications of a pandemic for superannuation funds	11
7. Pandemic planning – the process.....	15
8. Contents of a pandemic plan	22
9. Testing and updating the plan.....	43

1. About ASFA Best Practice Papers

The Best Practice Series is intended to provide superannuation trustees and funds with information about ways of doing things that work.

A Best Practice approach does not mean one size fits all. It means seeking out ideas and experience from those who have undertaken similar activities in related fields, deciding which of those practices are relevant to your situation, testing them out to see if they work, before incorporating the proven practices in your own documented processes.

Each of ASFA's members cover a diver range of goals, member needs and resources from which will adapt Best Practice Paper recommendations to their own particular needs.

This paper is intended as a guide only and is not intended to be used as a substitute for professional advice.

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2. Acknowledgements

Increasingly, superannuation fund trustees are being asked to manage risk. In particular, there is an increasing expectation that trustees manage their operational risks.

A significant potential risk that has been identified is the threat of a major pandemic. In 2020 the risk is with respect to the respiratory illness outbreak caused by coronavirus (COVID-19). International and national governments and agencies around the world are preparing for such an event. Human history over the past century tells us that it is not a matter of “if” but a matter of “when” the next pandemic strikes.

The unpredictability of a pandemic is one of the major challenges in managing its effects. The other is the length of time that a pandemic may last. Unlike other catastrophic events such as fire, earthquake or terrorist attack that are one or more single, discrete events, a pandemic can come in a series of waves over a significant period of time over a large geographic area. This raises issues that go beyond those often considered in the traditional business continuity plan.

While there is considerable written material now available on pandemic planning, much of it operates at a general level. Even materials designed for financial services do not necessarily take into account the special features of many superannuation funds, such as the prevalence of outsourcing and lack of a “branch network”.

This paper is designed to fill that gap and provide superannuation fund trustees, fund employees and services providers with assistance in developing their pandemic plan.

The original version of this paper from July 2007 was researched and written by Sue Willems, Senior Policy Adviser, ASFA with the assistance of Tony Keir, Senior Policy Adviser, ASFA. It was reviewed by the members of the Best Practice Committees including Jenny Willcocks (chair), Doug Bucknell, Krystyna Hassall, Christine Maher, and Sue Walpole, while the ASFA Policy Committee and APRA provided comments.

Special thanks go to the ASFA Working Group comprised of David Abfalter, Michael Berg, Noel Daniell, Carla De Campo, Peter Denovan, Andrew Grima, Bryony Hayes, Anna Lacey-Reid, Belinda Langdon, Jon McNish and Dianna Orbell who assisted with the review and update of this document in March 2020.

Document History

Version 2 – 18 March 2020

3. COVID-19 Reference Materials

There is a range of general pandemic planning and COVID – 19 specific reference materials and resources available. Some of these may change, be added to or even become obsolete over the coming period.

As at 18 March 2020 this material includes the following:

A) World Health Organisation (WHO) resources

1. WHO – COVID-19 situation reports – daily

<https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports/>

2. WHO and the Australian Pandemic Phases – WHO Pandemic Phases – February 2009

[https://www1.health.gov.au/internet/publications/publishing.nsf/Content/fluborderplan-toc~attachments~Attachment-A/\\$file/ATTACHMENT%20A%20-%20WHO.pdf](https://www1.health.gov.au/internet/publications/publishing.nsf/Content/fluborderplan-toc~attachments~Attachment-A/$file/ATTACHMENT%20A%20-%20WHO.pdf)

3. WHO – Pandemic Phase Descriptions and main actions by phase – undated

https://www.who.int/influenza/resources/documents/pandemic_phase_descriptions_and_actions.pdf

4. WHO – Responding to community spread of COVID-19 – Interim guidance – 7 March 2020

<https://www.who.int/docs/default-source/coronaviruse/20200307-responding-to-covid-19-communitytransmission-final.pdf>

5. WHO – COVID-19 Strategic Preparedness and Response Plan – Operational Planning Guidelines to Support Country Preparedness and Response – Draft as of 12 February 2020

<https://www.who.int/docs/default-source/coronaviruse/covid-19-sprp-unct-guidelines.pdf>

6. WHO – Global Influenza Programme – A checklist for pandemic influenza risk and impact management – 2018 Update

<https://apps.who.int/iris/bitstream/handle/10665/259884/9789241513623-eng.pdf?sequence=1>

7. WHO – Global Influenza Programme – Pandemic Influenza Risk Management – May 2017

<https://apps.who.int/iris/bitstream/handle/10665/259893/WHO-WHE-IHM-GIP-2017.1-eng.pdf;jsessionid=FB1ECE3630F0F4AD1E40DFDF0EDFAA6D?sequence=1>

B) Australian Government resources

8. Australian Health Management Plan for Pandemic Influenza (AHMPPI) - 21 August 2019

[https://www1.health.gov.au/internet/main/publishing.nsf/content/519F9392797E2DDCCA257D47001B9948/\\$File/w-AHMPPI-2019.PDF](https://www1.health.gov.au/internet/main/publishing.nsf/content/519F9392797E2DDCCA257D47001B9948/$File/w-AHMPPI-2019.PDF)

9. Australian Department of Health – Coronavirus (COVID-19) health alert - webpage

https://www.health.gov.au/news/health-alerts/novel-coronavirus-2019-ncov-health-alert?utm_source=health.gov.au&utm_medium=redirect&utm_campaign=digital_transformation&utm_content=health-topics/novel-coronavirus-2019-ncov

10. Australian Department of Health – COVID-19 – Frequently asked questions

https://www.health.gov.au/sites/default/files/documents/2020/03/coronavirus-covid-19-frequently-asked-questions_3.pdf

C) State / Territory Government Pandemic Plans

11. Victoria

<https://files-em.em.vic.gov.au/public/EMV-web/Victorian-action-plan-for-pandemic-influenza.pdf>

12. New South Wales

<https://www.emergency.nsw.gov.au/Documents/plans/sub-plans/subplan-human-influenza-pandemic.pdf>

13. Queensland

https://www.health.qld.gov.au/_data/assets/pdf_file/0030/444684/influenza-pandemic-plan.pdf

14. Western Australia

https://www.wa.gov.au/sites/default/files/2020-03/WAGPP_2.pdf

15. South Australia

https://www.sahealth.sa.gov.au/wps/wcm/connect/92b0e0804338c7cf8502ed8bf287c74e/SA+Health+Pandemic+Influenza+Plan_v5.1_october2018.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-92b0e0804338c7cf8502ed8bf287c74e-mMzF6KA

16. Tasmania

http://flu.tas.gov.au/_data/assets/pdf_file/0017/215063/THAPPI_2016.pdf

17. Australian Capital Territory

http://www.cmd.act.gov.au/_data/assets/pdf_file/0003/119829/act-pandemic-framework.pdf

18. Northern Territory

<https://health.nt.gov.au/about/department-of-health/health-disaster-management/pandemics>

4. Checklist

✓		Section
<input type="checkbox"/>	Is the trustee board aware of the risk that a pandemic may occur and of the potential impact of a pandemic on the fund?	5, 6, 7.2
<input type="checkbox"/>	Has a senior manager been appointed as “owner” of the pandemic planning process? Is there at least one back-up person for this position?	7.1.
<input type="checkbox"/>	Is the pandemic “owner” supported by a pandemic planning team?	7.1
<input type="checkbox"/>	Has the planning team satisfied itself that the fund’s service providers have robust pandemic plans that should enable them to continue operating under all but the most extreme circumstances?	7.4, 8.2
<input type="checkbox"/>	Does the fund have a documented pandemic management plan?	8
<input type="checkbox"/>	Does the pandemic plan identify the fund’s critical functions i.e. those that must continue in all except the most extreme circumstances?	8.1
<input type="checkbox"/>	Does the pandemic plan identify the staff and other resources that will be required to maintain the fund’s critical functions?	8.1

- | | | |
|--------------------------|--|-----|
| <input type="checkbox"/> | Does the plan adequately cover issues such as: | 8.2 |
| | <ul style="list-style-type: none">• maintaining staffing levels that will enable the fund’s critical functions to continue• maximising staff welfare• remote access• access to alternative premises (for the external administrator, if applicable)• essential supplies (including public utilities, banking etc)• IT requirements• reducing risk to the fund’s investments• maintaining adequate risk management protocols• resuming normal operations once a pandemic has passed; and• whether insurance can assist in reducing the impact on the fund. | |
| <input type="checkbox"/> | Does the plan consider the possibility of temporarily suspending operations in the event of an extreme pandemic? | 8.2 |
| <input type="checkbox"/> | Does the plan include an implementation plan? | 8.3 |
| <input type="checkbox"/> | Does the plan cover communication to staff and to fund members? | 8.4 |
| <input type="checkbox"/> | Does the plan provide for regular testing? | 9.1 |
| <input type="checkbox"/> | Is the plan regularly reviewed and updated? | 9.2 |

5. Introduction

5.1. Background

A pandemic is a world-wide outbreak of disease that occurs when:

- a new strain of virus emerges to which no-one is immune
- the virus causes diseases in humans; and
- the virus is easily spread between humans.

Influenza pandemics have occurred every ten to fifty years. The most severe pandemic of the last century, the Spanish flu of 1918-1919, caused approximately 40 million deaths worldwide. The most recent influenza pandemic, the Hong Kong flu of 1968, resulted in approximately 1 million deaths.

The World Health Organisation (WHO) has created a guide to inform and harmonise national and international pandemic preparedness and response. It has identified four 'phases' of a pandemic, which highlight the increasing risk of a pandemic eventuating.

The WHO will advise when there has been a change in the nature of a pandemic virus and when phases are upgraded. These announcements will lag the actual physical developments and will need to be closely monitored.

For further information see:

[WHO Pandemic Phases](#)

[WHO – Pandemic Phase Descriptions and main actions by phase](#)

Individual countries also have their own pandemic phases that align with the WHO phases.

The WHO in February 2020 declared the spread of coronavirus (COVID-19) a public health emergency, following its first identification in Wuhan, China in December 2019. By March 2020 the coronavirus had spread to multiple locations globally with varying levels of preparedness causing a significant impact on global investment markets.

On 11 March 2020 the WHO declared the epidemic had reached the pandemic phase with further guidance provided on limiting the spread of the coronavirus.¹ Government and community preparedness and reaction continued to evolve as the spread of the virus continued.

For further information see:

[WHO – Responding to community spread of COVID-19 – Interim guidance – 7 March 2020](#)

[WHO – COVID-19 Strategic Preparedness and Response Plan – Operational Planning Guidelines to Support Country Preparedness and Response – Draft as of 12 February 2020](#)

When a pandemic occurs in Australia, superannuation funds, their outsourced service providers and their suppliers could be faced with 20-40% of staff being absent for between two and eight weeks at a time² due to illness and/or needing to care for family members and/or needing to look after children during school closures. In addition, infection of staff members could lead to large numbers of staff at funds and/or service providers being subject to extended quarantine or isolation. This could involve whole floors or entire offices for periods of time, and could occur on more than one occasion.

A significant reduction in staff, combined with the possible loss of essential services, has the potential to severely disrupt superannuation fund operations. The total period of disruption could be anywhere between six months and two years because pandemics tend to occur in a number of waves, with each wave lasting between two and eight weeks.

5.2. Rationale for this Best Practice Paper

The potentially serious impact of a pandemic translates into a significant risk for superannuation funds. Obviously developing, testing and maintaining a pandemic plan will require resources, however, failure to plan could ultimately result in higher costs for funds and their members.

¹ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen>

² WHO – Global Influenza Programme – A checklist for pandemic influenza risk and impact management – 2018 Update, Section 6.1, Page 27

In the event of a pandemic, superannuation fund trustees will need to continue to provide essential services to fund members, to protect the well-being of their employees, and to ensure the continued viability of their funds. APRA has already communicated³ their expectation that funds will be adequately prepared, able to meet their core obligations to members and able to maintain financial viability. Achieving this will require a significant level of proactive planning and advance preparation. Superannuation fund trustees are already dedicating significant time and resources to risk management, including the development of business continuity plans, however, pandemic planning is complex and can be resource intensive.

There are a number of reasons why trustees should address the possibility of a pandemic, either as part of their normal business continuity plan or in a separate pandemic plan:

- A pandemic is almost certain to impact on many organisations at the same time. Most business continuity plans assume that the majority of their providers and suppliers will remain functional and, if this is not the case, alternatives will be available. Even in the case of natural disasters, essential resources can normally be obtained from suppliers in other areas. The widespread nature of a pandemic is likely to make this an unrealistic assumption. While all business continuity plans include fallback positions (such as alternative sites, multiple communication channels), there is a real risk that in a pandemic the alternatives may be unavailable.
- Most business continuity plans deal with single events (e.g. a cyclone, reputation damage, loss of a single critical supplier) that impact over a relatively short time frame. In the case of a pandemic, each wave is likely to last for many weeks, with further waves likely just as funds are starting to recover from the previous wave.
- The possible outcomes are diverse, ranging from moderate difficulties to widespread infrastructure failure. Pandemic plans will need to consider multiple scenarios, including the failure of some or all of the first line protective mechanisms.
- Planning for a pandemic involves not only protecting the business, but also protecting fund staff. Trustees will face a number of human resources issues that must be addressed, not only to enable the fund to continue operating during the immediate crisis, but also to assist it to survive in the longer term. Failure to deal properly with staff concerns is likely to lead to problems that could persist long after any pandemic ends.

³ Prudential Practice Guide CPG 233 – Pandemic Planning

This paper aims to assist trustees in:

- understanding the implications of a pandemic for superannuation funds; and
- developing and implementing a pandemic plan.

The paper is written on the basis of a moderate to severe pandemic, during which funds will experience significant difficulties but should be able to continue to operate. An extreme pandemic, during which many essential services could fail, is beyond the scope of this paper.

The information in this paper is a guide only, highlighting a range of issues for trustees to work through as part of developing their strategy to respond to a pandemic. Obviously, each fund needs to develop a pandemic policy based on its particular circumstances, including the fund's risk profile and its available resources.

6. Implications of a pandemic for superannuation funds

6.1. General implications

6.1.1. Pandemic phases

The following table summarises the WHO's six-phase global alert protocol.⁴

Period	Phase	Description of phase
Inter pandemic	1	Animal infection; low risk of human infection or disease
	2	Animal infection; substantial risk of human disease
Pandemic alert	3	Human infection with a new subtype; but no human to human spread, or at most rare instances of spread to a close contact
	4	Small clusters consistent with limited human to human transmission; spread highly localised, suggesting the virus is not well adapted to humans
	5	Larger clusters; but human to human transmission still localised, suggesting the virus is becoming better adapted to humans
Pandemic	6	Pandemic; increased and sustained transmission in general population

These six phases would be followed by a Recovery Stage.

The Australian Health Department has indicated that the Australian Health Management Plan for Pandemic Influenza (AHMPPI) stages will be independent of activation of whole-of-government or jurisdictional plans. It is also independent of the WHO Pandemic Phases, as these are informative in giving an overview of the global progress of the pandemic, but not for guiding response management at an individual country level.⁵

Australia's geographical isolation does provide a certain amount of protection, but this is unlikely to prevent the arrival of a global pandemic. Instead, containment measures will probably result only in a delay. Such a delay would provide additional time for Australian organisations to implement their pandemic plans and could increase the likelihood of being able to benefit from a vaccine.

⁴[https://www1.health.gov.au/internet/publications/publishing.nsf/Content/fluborderplan-toc~attachments~Attachment-A/\\$file/ATTACHMENT%20A%20-%20WHO.pdf](https://www1.health.gov.au/internet/publications/publishing.nsf/Content/fluborderplan-toc~attachments~Attachment-A/$file/ATTACHMENT%20A%20-%20WHO.pdf)

⁵ Australian Health Management Plan for Pandemic Influenza (AHMPPI) – 21 August 2019, Section 3.4, Page 25

In addition, information gained on the severity of the outbreak overseas could contribute to refinements in pandemic plan details. Any delay in arrival would assist here, as once a pandemic arrives in Australia it is likely to spread rapidly, allowing little time to make substantial adjustments to the pandemic plan.

As a pandemic progresses through the above phases, the impact on organisations will increase. Pandemic plans will need to be constructed in a manner that permits the fund's response to escalate in line with the increased disruption to fund operations.

6.1.2. Implications for all organisations

Staff absences

The primary impact of any pandemic will be staff absences. Some employees will become ill themselves; some will be caring for affected family members; while others will be unable to get to work, either due to lack of public transport or because of unwillingness to expose themselves to possible contagion.

The State or Federal Government may also implement restrictions on travel and impose requirements with respect to quarantining / self-isolation in an attempt to contain the spread of the disease. On 15 March 2020 the government required any person returning from overseas after midnight that day to self-quarantine for a period of 14 days in their own home⁶, while international cruise ships are banned from docking in Australia for 30 days.⁷

It is impossible to predict the severity of disease in a future pandemic, however, during past pandemics infection rates have reached 25-35% of the population. Mortality will depend on the virulence⁸ of the virus.

Organisations should expect at least 20% (possibly up to 40%) of their staff to be absent from work for periods of two to eight weeks at a time.⁹ In addition, they need to be able to deal with periods when some or all of their staff cannot work in the office due to isolation or quarantine requirements.

Because pandemics generally occur in waves, absences will follow in a similar pattern. A common estimate is that a pandemic could continue for up to two years.

⁶ <https://www.pm.gov.au/media/coronavirus-measures-endorsed-national-cabinet>

⁷ <https://www.homeaffairs.gov.au/news-media/current-alerts/novel-coronavirus>

⁸ Influenced by both the infection rate and the mortality rate amongst those infected.

⁹ WHO – Global Influenza Programme – A checklist for pandemic influenza risk and impact management – 2018 Update, Section 6.1, Page 27

Staff absences among providers and suppliers

Organisations will be impacted by absences amongst both their own staff and the staff of their providers and suppliers. The highly integrated nature of the economy means that problems in one organisation will quickly flow through to others in a chain-reaction like way.

It is very likely that most organisations will experience some difficulty in obtaining raw materials and supplies such as office supplies and cleaning materials. While these items can be stockpiled to a certain extent, greater difficulty will result if the supply of essential services, such as power, water, telecommunications and transport, is significantly interrupted.

Cessation of operations

It is likely that some organisations will be unable to function at all, for some or all of the duration of a pandemic. Where this occurs, recovery planning will be critical.

6.1.3. Specific implications for superannuation funds

Reliance on functional financial system

Almost all superannuation fund activities are reliant on a functional financial system. Accepting contributions, paying benefits, investing and redeeming fund assets all depend on the banking system. Most funds rely on external insurers to pay insured benefits, while investment activities require a range of intermediaries including custodians and fund managers.

Serious disruption to any part of the financial system would significantly reduce the ability of funds to continue carrying out some or all of their critical functions. While it may still be possible to continue investing, despite some damage to the investment infrastructure, funds would be unable to continue operating in the absence of a functioning banking system.

Reliance on outsourced service providers

Superannuation funds are unusual in that they generally outsource many of their significant business activities, with administration being one of the most critical. While it would be possible to replace an investment manager who is unable to function, it would be almost impossible to replace an administrator (or change to self administration) during a pandemic emergency.

Many administration contracts contain a 'force majeure' clause. This type of clause is included in contractual arrangements to deal with circumstances beyond the control of the parties that result in one or both parties being unable to meet their obligations under the contract. In the case of an administration agreement, this may mean that an external administrator will have a contractual right to suspend those services if a pandemic makes it impossible to operate normally. Force majeure clauses are discussed further in Section 8.

Impact on investment returns

In addition to service provider issues, a pandemic is almost certain to impact on fund investments. For example, almost all companies will be less profitable and many companies will fail.

While it would not be possible to insulate a fund's investments from loss during a pandemic, some investments will suffer more than others. For example, equity investment will almost certainly suffer negative returns, at least in the short term. Losses may be reduced by tactical adjustments to the investment strategy when the short-term probability of a pandemic becomes unacceptably high.

Impact on operational demands

A pandemic also has the potential to alter member demands on the fund. For example, the incidence of death and disability claims is likely to increase.

Employer contributions may decrease, particularly from employers who are unable to continue operating during a pandemic. This could result in reduced cash flow to the fund, which could in turn require higher levels of liquidity to be maintained.

7. Pandemic planning – the process

This section provides an overview of a generic process an organisation might go through in planning to minimise the impact of a future pandemic. Content items that would be included in a pandemic plan, including superannuation-specific examples, are discussed in more detail in the following section.

Although this paper refers to a ‘pandemic plan’, it should be stressed that a pandemic is only one of the risks facing a superannuation fund. Planning for a pandemic should be done in conjunction with the fund’s normal risk management (and particularly business continuity planning) processes. Following the normal processes, reporting lines, testing procedures etcetera can lead to greater efficiencies and lower resource requirements. In addition, such integration increases the likelihood that pandemic planning will remain on the agenda and that the plan will be ready for implementation if / when it is needed.

As part of the integration process it may be necessary to update the fund’s RMP (and perhaps the trustee’s RMS) to incorporate pandemic risk. Although the risk of a pandemic may not be high, the potential impact could be major. Where pandemic risk is included in the RMP, a brief overview of the pandemic plan should be included. The degree of detail should be consistent with that provided for other risks that are at a similar level of significance to the fund.

7.1. Establishing responsibility

7.1.1. Senior management ownership

As with any form of risk management, support for pandemic planning must come from the top i.e. from the board and senior management. Ensuring accountability, however, requires the process to have a primary “owner”, for example the CEO, the COO or the Chief Risk Officer.¹⁰ This owner would be responsible for managing the pandemic planning group, liaising between the group and the board, and implementing the plan in the event of a pandemic.

In the case of pandemic planning, it is essential that the board nominates at least one (preferably more) backup person, who can take over in the event the primary owner is unable to continue in the role due to illness, family responsibilities, quarantine, transport difficulties etc.

¹⁰ Although the Chair of the trustee board would probably be a member of the planning team, the Chair (particularly one who is not full-time) would not normally be the risk owner. The risk owner would normally be a member of management.

7.1.2. Pandemic planning team

The pandemic planning team is responsible for scoping, devising, communicating, testing and updating the organisation's pandemic plan.

In many cases the pandemic planning team is also responsible for implementing (and, if necessary, revising) the plan in the event of a pandemic. Some organisations, however, prefer to create an additional crisis management team to implement the plan and manage the organisation during a pandemic.¹¹ The reasons include:

- Planning how to respond to a pandemic, and actually managing the response, probably require different skills. There would, therefore, be some differences in the memberships of the two teams, although there could also be substantial overlap.
- Allowing non-management staff to adopt a management role during a crisis could create additional risks. Having two teams permits management to continue managing while reaping the benefit of input from a wider range of staff into the planning process.

Regardless of the model adopted, it would seem logical that the planning team should consist of representatives from all parts of the organisation, not just senior management. A wide range of skills will be required to ensure that the plan is both comprehensive and realistic. For example, team leaders are probably in a better position than senior management to identify practical difficulties and to judge whether proposed solutions are likely to work in practice. If there is a separate crisis management team, it would probably be smaller and have a much higher weighting towards management and board members.

The pandemic planning team ideally would include representatives from the following areas:

- the trustee board
- risk management
- human resources
- operational management
- administration (including relevant employees of the external administrator, if applicable)
- IT (either internal fund staff and/or employees of the administrator)
- investment, and
- marketing / communications.

¹¹ In this case the pandemic planning team's responsibilities would largely cease on the arrival of a pandemic.

7.1.3. Crisis management team

The crisis management team (whether it is part of the planning team or a separate team) needs to be convened on the basis that some members will not be able to fulfil their roles during a pandemic. As it is impossible to predict who will be affected during a pandemic, maximum flexibility is required. For example:

- The role of the crisis management team is to manage. Members must be empowered to make decisions, whether as part of their normal role or through a delegation for the duration of any pandemic.
- Backups will be required for all essential roles. Although this could involve some people assuming backup responsibility for a number of roles, it would seem more practical to have a larger than normal team to allow for absences.
- It is possible that both the original person responsible for a particular area and the backup will become ill. Multi-skilling will be necessary.
- As it is impossible to predict who will become ill, collective responsibility will be essential in the event that the normal managerial lines break down. The group as a whole may need to appoint new leaders, redistribute responsibilities and authorise more delegations.
- Group members will also need to be able to adapt quickly to changing circumstances. In particular, they will need to be able to amend the pandemic plan to accommodate the changing circumstances facing the organisation at the time.

7.2. Raising awareness

Developing a pandemic plan will take time, however, because of the likelihood and potential consequence of the threat, combined with an unknown time frame, the process should be commenced as soon as possible.

In the meantime, trustees and management should become informed about pandemics and their potential impact on superannuation funds. In particular, consideration of pandemic risks should specifically be incorporated into the fund's normal strategic, business and risk planning. Even if possible solutions have not been developed, the risk should at least be acknowledged. Recognising the risk will not only help trustees make better informed planning decisions, it should also act as a spur towards the establishment of a pandemic planning team and the development of a pandemic plan for the fund.

7.2.1. Sources of information

The following documents and websites provide a useful starting point.

- APRA has released a [Prudential Practice Guide PPG 233 – Pandemic Planning](#). The document contains some general information as well as discussing specific issues relevant to the finance sector. For example, the Guide includes a list of critical business functions for financial institutions, including superannuation funds.
- The government has an [Australian Health Management Plan for Pandemic Influenza \(AHMPPI\)](#) as at 21 August 2019 and the Department of Health has a [Coronavirus \(COVID-19\) health alert webpage](#) as well as [COVID-19 – Frequently asked questions](#).
- The government has set up a Coronavirus Business Liaison Unit in Treasury¹², effective Monday 16 March 2020.¹³

7.3. Avoiding ‘planning paralysis’

Pandemic planning is likely to be more difficult than other types of business continuity planning, largely because of the extremely wide range of possible outcomes. It is very likely that at least some of the fund’s mitigation / management strategies will fail, due to the impact of a pandemic on other organisations. Alternative processing sites may not be available; staff may be unable to telecommute; decision makers may be unavailable. Any pandemic plan will need to be flexible, with multiple backups prepared in the event that particular risk treatments are unavailable at the time.

In reality, however, it is impossible to plan for every eventuality, particularly the simultaneous failure of one or more of your contingency plans. This realisation leads to the risk of “planning paralysis” i.e. failing to plan for problems that can be dealt with because of the small possibility that most or all social infrastructure will fail.

Avoiding planning paralysis probably depends on a staged approach. For example:

- Start by considering problems in isolation. For example, staff absences could be dealt with by restricting non-core functions, multi-skilling staff, remote access, redesigning systems to minimise the need for human intervention.

¹² <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/government-establishes-business-liaison-unit>

¹³ website yet to come on-line

- Once treatment tools have been designed for individual problems, then consider how each proposed treatment could fail. For example, alternative premises might be inaccessible due to lack of public transport, or water or power supply failures. Where possible, design back-ups to the primary risk treatment tools. Pandemic planning teams will need to make a realistic assessment of how many layers of protection they can apply, particularly taking into account the lack of advance knowledge about the availability of essential resources.
- Continue this back up process only as long as practical solutions are available. It will not be possible to prescribe responses too rigidly, due to the wide range of possible outcomes in a pandemic emergency.
- In extreme circumstances, the only option may be to temporarily cease operations. Planning in this case must be directed to minimising damage due to the close down, and effective recovery once the emergency has passed.

In summary, planning should be based on the assumption that, with proper preparation, many organisations will continue to function, even if at reduced capacity. Alternative ways of maintaining the fund's critical functions will probably be available, but only with adequate advance preparation.

7.4. Liaising with other organisations

7.4.1. Fund-specific service providers

The fund's pandemic plan will need to be linked with the pandemic plans of major service providers such as administrators, custodians, investment managers, insurers and banks. Maintaining the fund's critical functions will depend on the continued provision of services by these organisations. For example, most externally administered funds would be unable to operate (at least in the short term) in the absence of their administrator.

Trustees will need to satisfy themselves that their service providers have robust pandemic plans and that they will be able to continue operating under all but the most extreme pandemic scenarios. While it would not be realistic to expect administrators and other service providers to continue operating if all essential services fail, this scenario is unlikely. Service providers' pandemic plans should be sufficiently robust that they can deal with most predictable risks, including the failure of primary lines of defence.

Where material business activities¹⁴ are outsourced trustees should require, from each service provider, not only evidence of a comprehensive pandemic plan but also evidence of stress testing, followed by revisions to remedy any deficiencies identified during the testing process.

7.4.2. Essential services

While superannuation fund trustees work closely with service providers such as administrators and investment managers, they are less likely to have such close relationships with suppliers of essential services such as water, power, transport and telecommunications.

The combination of a lack of regular contact with such suppliers, together with the large number of customers they service, means it is unrealistic to expect to have any involvement in their pandemic planning. Given the essential nature of the services they provide such suppliers cannot be ignored. Most of the trustee's risk treatment plans will rely on the continuation of essential services, for example telecommunications for remote access, water and power for alternative sites.

Maintaining essential supplies will be a high priority for governments. For example, State Government pandemic plans deal specifically with essential services.

Trustees should also check with their utility providers about their preparedness for a pandemic. This could include seeking assurances as to the resilience of their infrastructure including, in the case of telecommunications, the ability to cope with substantial increases in demand during a pandemic.

While it is anticipated that essential services will remain available during a pandemic, it may be at reduced levels, for example, planned blackouts could occur on a rotating basis. Fund pandemic planning should take this possibility into account, even though detailed information would not be available in advance.

7.4.3. Federal and State Governments

The Federal and State Governments all have well developed pandemic plans. Funds should refer to the relevant websites for up to date information on preparing for a pandemic and on the progress of any pandemic.

¹⁴ i.e. business activities subject to the SIS Outsourcing Prudential Standard SPS 231

For further information see:

[Australian Health Management Plan for Pandemic Influenza \(AHMPPI\)](#)

[Australian Health Dept Coronavirus \(COVID-19\) health alert webpage](#)

[Department of Health – COVID-19 – Frequently asked questions](#)

[Victorian Action Plan for Pandemic Influenza](#)

[New South Wales Human Influenza Pandemic Plan](#)

[Queensland Influenza Pandemic Plan](#)

[Western Australian Government Pandemic Plan](#)

[South Australian Health Pandemic Influenza Plan](#)

[Tasmanian Health Action Plan for Pandemic Influenza 2016](#)

[Australian Capital Territory Pandemic Framework](#)

[Northern Territory Health Disaster Management Pandemics](#)

8. Contents of a pandemic plan

This section covers some of the issues that are likely to be included in a superannuation fund pandemic plan.

8.1. Identify critical functions and resources

It would be unrealistic to expect operations to continue normally during a pandemic. Staff absences, and the flow on effects of absences in other organisations, mean that service standards will slip and some functions will not be able to be performed at all. With limited resources, prioritising will be essential.

In extreme cases where the trustee is unable to maintain services, there may be no other alternative but to freeze assets and suspend all services including payment of benefits and acceptance of contributions. A more likely scenario, however, is that funds will be able to continue to operate, although at a reduced level.

8.1.1. Identify critical functions

Trustees will need to decide on the fund's most critical functions i.e. the functions that must continue in all except the most extreme circumstances. In the event of a pandemic, the fund's resources would be redirected towards firstly carrying out the critical functions, then if sufficient resources are available, other non-critical functions in order of priority.

The most critical functions for superannuation funds are likely to be:

- Paying benefits, including pensions, insurance claims, hardship claims and payment of non-preserved moneys. This would include processing insurance claims promptly, processing benefit claims and making payments to members in the most efficient manner (e.g. by electronic transfer). It should be noted that certain payment requests may increase in the event of a pandemic, for example death and disability payments.
- Unit pricing, to support the payment of benefits and investment switches.
- Accessing sufficient funds to pay benefits. This may involve keeping contributions in cash or it could require the liquidation of some investments.

Also critical are:

- Maintaining the safety of the fund's assets and, more generally, maintaining core risk management functions. While it probably will be necessary to modify some areas of compliance and risk management, fraud prevention measures (including cyber related) and investment monitoring are examples of functions that must continue.
- Maintaining the integrity of the fund's records.
- Appropriately dealing with any inflows of money such as ongoing contributions. Even if the money cannot be invested in the short term, it must be properly accounted for and safeguarded.
- Communicating, both internally and with members. Not only must trustees and staff be kept informed; members must be able to contact the fund, for example to request a benefit payment.
- Appropriate monitoring for example of the fund's financial position, the ability to pay benefits, investment performance.

Other functions that are less critical probably will need to be delayed, in some cases until a particular pandemic wave has subsided, in other cases until after the pandemic has passed. For example, consideration of new products and services would be delayed much longer than the issue of periodic statements. When prioritising less critical functions, consideration should be given to:

- the impact of any delay on members, and
- the availability of the required resources.

8.1.2. Identify staffing requirements

Once the critical functions have been identified, the next step is to identify the skills and the number of staff required to maintain those functions. Because it is impossible to predict who will be affected by a pandemic, it is essential that a range of staff have the required skills.

While it is obvious that backups will be required for each critical role, this is likely to be difficult in practice. Moving a staff member to replace a missing colleague will create a further gap that must be filled. It will be necessary to have more staff available to fill critical roles than the actual number of these roles. This means that staff must be able to move into the most critical positions as necessary.

8.1.3. Identifying critical resources and infrastructure

As well as identifying the skills necessary to maintain critical functions, it will also be necessary to identify the required resources and infrastructure. This is likely to include internal requirements, such as computer systems, as well as external infrastructure, such as power, telephones and internet access.

Some critical resources will be indirect. For example, superannuation funds do not use water directly in their operations but would be unable to occupy their premises if water is unavailable. Transport would be another example, as a number of critical functions will require the physical presence of key employees.

A pandemic is likely to create additional resourcing needs, for example hygiene supplies such as masks and cleansers. These will be necessary to safeguard employees whose physical presence is essential.

8.1.4. Critical functions that are outsourced

As previously mentioned, many key functions of superannuation funds are outsourced. In such cases funds will need to liaise closely with the relevant service providers.

Firstly, it is essential to gain agreement that the critical functions identified by the fund are given equivalent priority by the service provider. This should be done well in advance of any threatened pandemic, so that it is possible to make alternative arrangements if necessary. In an extreme case, it may be necessary to change service providers if a current provider is unable to provide necessary services in a crisis.

For example, if the service provider invokes a force majeure clause, trustees should ensure that the agreement allows them to suspend fees and to seek provision of the relevant services elsewhere (assuming this is possible) until the service provider is in a position to resume services.

In the case of administration, changing providers is not likely to be a realistic option in the short term. Any force majeure clause in an administration agreement should be drafted carefully so that it can only be invoked where the service provider has instigated its pandemic business continuity plan and has reached the point where suspension of services is the only alternative.

Once agreement has been reached on which functions are critical, funds will need to satisfy themselves that the relevant service providers have adequately identified the staffing and other resources that will be necessary to maintain these functions.

8.2. Mitigation strategies

This section provides a broad overview of some of the strategies funds might adopt in dealing with a pandemic.

8.2.1. Staffing issues

Staffing levels

Once the planning group has identified the skills and the number of staff required to maintain the fund's key functions, the next step is to ensure (as far as possible) the availability of the required staff.

Issues for consideration include:

- Cross training – this will involve both the initial training and ongoing practice in performing new duties. While this will require some “unproductive” staff time while people practice their backup roles, lack of practice could result in a failure to perform the required duties adequately in a crisis. The planning group will need to balance the desirability of having more than one backup for each role with the problems of trying to train individuals for many different roles.

It should be noted that cross training will be required not only for operational roles but also for managerial duties (from team leaders to the CEO).

- Succession planning – it is desirable to document the line of succession for key positions. As it is impossible to predict who will be unavailable, this will be a complicated process. It is preferable, however, if any gaps are identified in advance and not in the midst of a pandemic.
- Maintaining staffing levels will require up to date contact details, as well as the ability to communicate with staff by different channels. Contact detail lists should include home phone, mobile number, and work and personal e-mail details.

Staff welfare

Staff welfare will be a high priority during a pandemic. Policies and procedures will be needed to protect the health of employees, to deal with sick employees, and to assist employees who are not ill themselves but are affected by the pandemic in other ways, in particular through family members / friends. Issues for consideration could include the following:

Reducing the chance of infection

This section outlines a number of basic precautions that should assist in reducing the risk of infection.

A number of the practices listed below could be adopted (although at a reduced level) even in the absence of a pandemic threat. In the first instance, they could help reduce staff absences due to common contagious diseases such as colds and non-pandemic flu. Then, in the event of a pandemic, the pre-existing arrangements could be enhanced as required.

Practices that could be adopted by superannuation funds include:

- assisting good personal hygiene, for example:
 - displaying posters covering hand washing, coughing and sneezing
 - providing adequate supplies of hand hygiene products in convenient locations (this will require advance planning)
 - having a supply of tissues available and providing no-touch disposal facilities
- increasing cleaning regimes to minimise the transmission of the virus, for example:
 - daily cleaning of surfaces that are touched frequently
 - reminding staff not to share cups, dishes etc, and ensuring that all such items are thoroughly cleaned after use
 - reminding staff not to share telephones and ensuring that telephones are cleaned and disinfected daily
 - disinfecting the work area of any staff member with suspected illness
- obtaining assurance that air conditioning systems are maintained regularly and comply with the relevant Australian Standard
- providing personal protection, such as masks, for staff with any respiratory infection symptoms and protective barriers for counter staff
- arranging to have staff vaccinated (where possible)¹⁵
- counselling for staff where necessary (e.g. because of the illness or death of family members)
- reducing contact with others, for example by:
 - replacing face to face meetings with phone contact, video conferencing or e-mailing

¹⁵ Even if vaccination against the pandemic virus is unavailable, vaccination against other viruses, such as seasonal influenza, should be considered

- encouraging members to contact the fund via phone, e-mail or mail rather than visiting the fund's premises
- avoiding non-essential travel¹⁶
- cancelling or postponing non-essential meetings and training activities
- arranging for staff to work from home, where possible
- allowing staff to work variable hours to avoid peak hour travel and crowding in the workplace.

Travel and face to face meetings

Following from above, trustees many need to consider whether international and / or domestic travel should be restricted. In so doing trustees should take into consideration any travel advice on the [Smartraveller](#) and [Border Force](#) websites with respect to COVID-19 and travel.

Consideration should also be given as to whether events such as meetings should be conducted via video or teleconference and whether member seminars should be available online as well as in person, changed to being online only, postponed or cancelled.

Managing staff who become ill at work

Any staff member who becomes ill at work, or reports to work with symptoms, should be isolated from other staff and referred, as soon as possible, for medical assessment. As isolating staff may be difficult in open plan workplaces, it might be necessary to designate an area for this purpose and relocate staff currently in this area.

The person responsible for managing staff who become ill should be aware of state/territory or local health authority plans for dealing with possible cases of pandemic illness. For example, suspected victims may be directed to certain designated medical centres for assessment. Alternatively, it might be necessary to contact the employee's usual medical advisor.

If necessary, transport home should be provided for the ill employee. The employee should be advised not to return to work until they are healthy and no longer contagious. Provision of a written certificate from their treating doctor that they are no longer contagious would be advisable. Once they have recovered and are no longer contagious, however, they should be encouraged to return to work.

¹⁶ Anyone contemplating overseas travel should check the latest Smartraveller travel alerts regarding the safety or otherwise of their intended destinations.

Other employees who have been in direct contact with the ill employee should be identified and advised that they have been in contact with a possible sufferer of the illness. Ideally, they should be required to attend their doctor for assessment and to provide written confirmation that they are not infected before returning to work. Trustees will, however, need to consider the implications of enforced absences, both in terms of the ability of the fund to continue providing critical services and in terms of the impact on affected individuals. Leave issues are discussed in the next section.

Leave policies

It is inevitable that some employees will not have sufficient sick leave to cope with pandemic illness. Although it is possible to direct sick employees to take other forms of leave, such as annual leave or unpaid leave, such an approach is likely to be resisted by employees, particularly those with insufficient accrued leave who cannot afford to take unpaid leave. This could lead to staff members concealing flu-like symptoms in the early stages of infection, continuing to work and risking infecting other employees and/ or necessitating other employees having to be quarantined for a period.

Trustees will need to carefully consider the leave policies they should adopt in the event of a pandemic.

Issues include:

- At what stage should apparently ill employees be directed not to attend work (e.g. at the first sign of flu-like symptoms or once pandemic illness has been diagnosed)?
- What arrangements should be made for those who have been in direct contact with suspected pandemic illness sufferers? Should they be warned and advised to seek medical attention at the first sign of any symptoms, or should they be sent home until it is clear they have not been infected? Working from home could be a possible solution.
- How long should pandemic sufferers be instructed to remain away from work? A longer period reduces the risk of infecting others, but limits the available staff and could have severe financial consequences for the employees in question. Government guidance may assist with this, for example, [Department of Health – COVID-19 – Frequently asked questions](#).

- What leave arrangements will apply to staff who have exhausted their sick leave entitlements? As previously mentioned, unpaid leave and annual leave are possible options but they may be resisted by employees. Another possibility that could be considered is additional paid sick leave. While obviously a cost to the fund, it could reduce the temptation to continue working while ill and so infecting others or causing quarantine requirements. Working from home using remote access could also be an option, at least for staff who are over the worst of the illness but who have not yet been certified as being fit to return to work/no longer infectious or contagious.
- What sort of leave should be provided to staff members who are not ill themselves but require leave to care for affected family members? Should carer's leave be part of the employee's normal sick leave or should it be additional? There is a risk that employees could exhaust their sick leave caring for others, then fall victim to the pandemic illness themselves. The solution will depend on the employment contracts the trustee has in place. For example, compassionate leave may be available as a condition of employment. In many cases, working from home may be a solution, although reduced hours may be required due to the need to look after children or others.
- What arrangements should be made for staff who are not ill, but are unable to attend work because of the need to care for children in the event that schools and/or childcare centres are closed? The options would probably be similar to those noted in the previous example.

Remote access

Many of the duties of fund employees can be performed at home, provided the employee has a suitable computer, the necessary software, internet access and remote access to the computer system, all of which need to be arranged in advance, and all of which need to be functional during any pandemic crisis.

It is likely that many employees would already have home computers or work laptops or both. Those who do not may be able to purchase laptops via salary sacrifice or through similar means, such as the employer acquiring the laptop with the employee reimbursing the employer fund over a period of time. In such cases employers could encourage staff to ensure their software is compatible with the fund's system and has the necessary functionality for working from home.

Pandemics can cause both increases in demand for, and delays in the supply of, computers, equipment and other office supplies which may need to be taken into account when planning for a potential pandemic. Further, it is not always possible to connect personal devices to work systems and the capacity of the system to facilitate a large number of staff working remotely may need setting up while in the employee is in the office and testing prior to the decision being made to work from home.

In many cases, a combination of attending the office when absolutely necessary, combined with remote access the remainder of the time, can work well.

The risk management implications of remote access will, however, need to be taken into account. Issues for consideration include:

- maintaining the integrity of fund data by the use of firewalls, virus protection, protocols for protecting hard copy documents etc
- limiting each employee's access to the level required for their current job (although access may need to change as employees adopt different roles during a pandemic)
- ensuring that all employees who need to be able to access systems remotely can do so. This could necessitate purchasing additional laptops; upgrading facilities for remote access; ensuring adequate numbers of licences where applicable and ensuring there is sufficient load capacity for most or all employees to be able to work remotely
- devising methods to supervise employees, primarily for quality control purposes but also to ensure that employees complete their assigned work (e.g. team leaders need to be available to resolve operational questions)
- replacing physical checks and separation of duties with computerised protective mechanisms (e.g. not finalising transactions until certain specified criteria have been met, dual electronic authorisations etc).

It will also be necessary to decide how to deal with a failure of any part of the infrastructure necessary for remote access. For example, how are problems with employee's home computers to be dealt with?

8.2.2. Operational issues

After identifying the critical functions the fund must be able to carry out during a pandemic, the next step is to identify the resources necessary to maintain those critical functions. The pandemic plan needs to outline how the fund will ensure the availability of these essential resources, and what substitutes would be available in the event that an essential resource is unobtainable. As previously mentioned, in some cases this will mean the trustee must be satisfied that external service providers, such as administrators, have done all that is possible to ensure the continued supply of essential resources.

Premises

Trustees will need to satisfy themselves (as far as possible) that the fund and/or its administrator will have access to usable premises during any pandemic. As a general rule, this will mean access to back-up premises such as a disaster recovery centre in the event the fund's (or administrator's) normal premises are unavailable and the ability for employees to work from home if restricted from working in the office. This would be an essential component of the fund's normal business continuity plan.

Where the fund has an external administrator, the trustee might be able to use the administrator's primary or back-up premises, although this is likely to be practical only where the number of people is small. Funds that self-administer, however, would need to arrange back-up premises in advance.

In deciding on the requirements of a disaster recovery centre, the whole range of disasters that could prevent normal access to the fund or administrator's premises need to be taken into account. For example, while the impact of a pandemic on the fund's premises may be relatively short lived, a fire or earthquake could mean that alternative premises are required for many months. The cost of obtaining a higher standard of disaster recovery centre obviously will be higher, however, it is essential that the fund is prepared for a wide range of disasters, some of which will be unpredictable.

Some of the considerations regarding disaster recovery centres include:

- Does the fund require a hot site (i.e. one that is fully equipped and ready for almost immediate use)? Some sites are shared with others which, in a pandemic, may mean the facilities are not available or at the capacity level originally planned when entering into the arrangement.

- Will the fund have dedicated seats or only shared access? If shared access, how will places be allocated in the case of excess demand (which could happen in a pandemic)? To counter this, during a pandemic most staff probably will be working from home, so the number of seats required will be reduced.
- Is the centre protected against power and/or telecommunications failures (e.g. independent power sources, multiple telecommunications providers)?
- Are the data network connections adequate?
- Is the facility regularly tested?
- Disaster Recovery Centres normally are not expected to be utilised for an extended time or by multiple users, however, a pandemic may last for an extended period and affect a significant number of businesses.

Public utilities

It is probably unrealistic to expect trustees to set in place extensive alternative arrangements in case public utilities such as power, telephones and the internet fail. For example, for many funds diesel powered generators are unlikely to be a practical alternative to mains electricity. A hot site that provides its own generator, however, could be an effective way to deal with this risk.

Given the high priority governments will allocate to essential services, most pandemic planning could be based on the assumption that such services will be available, although this may be at a reduced capacity and may not be all the time. If this is not the case, for example if no power is available for an extended period, the massive flow-on effects would probably make it impossible for a superannuation fund to operate. In those circumstances the only alternative would be to suspend services and freeze all assets.¹⁷

Some preparations, however, can be made. For example:

- having both landlines and mobiles available for telephone communications
- ensuring that emergency premises are on a different power grid to the fund's (or administrator's) normal premises
- obtaining member e-mail details in advance to allow continued communication in the absence of mail services

¹⁷ APRA would need to be notified.

- designing secure electronic transaction mechanisms (e.g. benefit payment requests) to allow members to transact in the absence of mail services
- ensuring that the fund’s website can be updated remotely to inform members of any suspension of services or increase in turnaround times.

Funds should also make themselves aware of the pandemic preparations of their public utility suppliers, assuming such information is available.¹⁸ In theory, it may be possible to change to a supplier (e.g. a different telecommunications provider) that is better prepared to continue to provide services during a pandemic. This is unlikely to be necessary, however, as government and regulator requirements are likely to require a high standard of preparation.

Financial services

Financial services such as banking fall into a similar category to public utilities. A functional banking system is essential to the operation of a superannuation fund and it would be extremely difficult, if not impossible, for funds to continue in the absence of financial services.

In common with public utilities, maintaining a functioning financial system is a high-level government priority, so the threat of failure should be relatively low.

IT requirements

Superannuation funds are very dependent on their computer systems. This dependence is likely to increase during a pandemic, with staff accessing the network from outside and possibly increased reliance on automated processing. For pandemic planning purposes, staff and IT are the two most critical resources necessary for a fund to continue operating.

This means that “pandemic proofing” the computer system must be a top priority. This would involve:

- Ensuring there are sufficient backups for IT staff, not only by cross training current staff but also by ensuring there are sufficient staff to allow for inevitable absences. It also may be possible to develop relationships with external experts who might be able to assist in a crisis.
- Empowering the crisis management team to approve work-arounds (i.e. temporary modifications to normal procedures), where they are necessary to permit processing to continue but do not significantly increase the risk of error or fraud.

¹⁸ Plans of public utilities may be confidential and/or so large that it would be impractical to provide users with access

- Training staff to deal with simple problems themselves.
- Ensuring the fund (or administrator) has adequate supplies of all essential spare parts, not only for computers but also for peripheral devices like printers.

Other essential supplies

Some essential supplies will become unavailable in a pandemic while others will be available but will take longer to obtain. As far as possible, funds should stockpile essential supplies if the risk of a pandemic appears high.

The ability to do this will be limited by competition from other users and space constraints, however, it might be possible to arrange preferred customer status (in advance) where the fund is a significant customer. It should also be possible to review delivery mechanisms to ensure they are as efficient as possible, with a view to avoiding unnecessary delays in delivery during a pandemic.

In preparing for supply shortages, an obvious first step is to review the fund's normal purchases and prioritise them. During a pandemic, however, cleaning materials and personal hygiene supplies will become more important. As far as possible, reliable supply lines should be set up in advance.

Investment issues

Not only do superannuation funds have to continue (as far as possible) to provide critical services during a pandemic, they also need to minimise the risk of investment losses.

While a pandemic inevitably will result in economic slowdown, and consequent investment losses, some sectors of the economy will be hurt more than others. At a fund level this means considering:

- whether to adjust the asset allocation to reduce exposure to higher risk asset classes
- within a particular equity asset class, reducing exposure to stocks that are more likely to reduce in value¹⁹
- ensuring the fund has sufficient liquidity to meet anticipated benefit payment requests (which are likely to be higher than normal)
- maintaining the mechanisms necessary to invest surplus cash flow and/or redeem investments.

¹⁹ This will be subject to a continued availability to trade. For example, it is possible that in a pandemic stock exchanges may suspend trading in some stocks.

This does not mean that trustees should liquidate the fund's investments and transfer the proceeds into cash. If a significant number of superannuation funds liquidate their investments at the same time, the result is likely to be an exacerbation of any temporary problems in the financial system.

Given compulsory preservation and the long-term nature of superannuation, significant short-term asset allocation changes are unlikely to be an appropriate response for most funds. As with any investment downturn, moving out of an asset class to minimise short-term losses could mean a failure to benefit from a subsequent recovery.

Another issue to consider is whether changing the fund's investment mix would incur unacceptable transaction costs. For example, a fund with a high exposure to illiquid assets would need to seriously consider whether redeeming assets is the best solution to an increased need for liquidity. Assuming employer contributions continue, holding contributions in cash may provide sufficient liquidity to leave existing investments in place and avoid the cost of moving fund assets to more liquid investments.

Trustees and their advisers need to consider the specific investments held by their fund, and then make a considered decision as to the most appropriate response. In some cases (for example, if there is an aggressive allocation to higher risk assets) this might mean moving to the lower end of the strategic range for particular asset classes, in others it might mean making no change to the asset allocation but instead reviewing stock selection.

Trustees could also consider defensive strategies that do not involve changing the asset allocation, such as reallocating investments from active to passive managers, particularly where an active manager's process is very dependent on a relatively small number of highly skilled people. A variation of this approach would be to consider changing to quantitative managers, where the investment decisions are more dependent on process than on people.

One further investment related issue is the possibility that existing asset allocation ranges could be breached due to an inability to rebalance.²⁰ This probably is not a major risk, as financial markets are expected to continue to operate. If a breach does occur, however, trustees would need to check their RMS and RMP to determine whether they need to notify APRA of the breach.

²⁰ Where investment agreements contain force majeure clauses, investment managers could rely on these clauses if they are unable to meet benchmarks (such as asset allocation ranges) through circumstances beyond their control.

Risk management issues

Two obvious sources of increased risk are likely to result from funds' responses to a pandemic:

- Lower levels of staff supervision (either due to absences of senior staff or due to increased remote access), combined with reallocation of staff to different duties, and the resulting easing of restrictions to computer access, all have the potential to lead to increased error rates, and possibly increased opportunities for fraud (including cyber related).
- Staff shortages, and the resulting concentration on critical functions, could result in compliance failures.

The capacity of the IT system and the risks to the liquidity of the fund (i.e. through the risk of frozen investment redemptions, irrational customer behaviour or market performance) are also risks that will need to be managed closely.

The pandemic plan will need to prioritise the fund's risk management and compliance mechanisms. For example, preventing fraud would be a high priority, while meeting low-level compliance requirements may need to be sacrificed if the resources are not available.

APRA's Prudential Practice Guide²¹ provides the following assistance:

"APRA has various legal options available to waive prudential requirements if appropriate in exceptional circumstance. Reliance on regulatory forbearance is not a substitute for prudent pandemic planning. Regulated institutions should immediately consult with APRA if they have concerns about their ability to meet any prudential requirements."

In practical terms, funds will need to ensure that their most significant risks will continue to be managed during a pandemic, primarily by diverting resources from the management of less significant risks, but in some cases by rationalising internal controls (e.g. where multiple levels of controls cover the same risk).

Trustees will need to keep APRA informed of any exceptional circumstances affecting their fund. This is particularly important if the fund is experiencing problems in delivering critical services, however, it would also apply to difficulties in meeting legislative / regulatory requirements.

²¹ Paragraph 38

Resuming normal operations

The pandemic plan needs to include an overview of how operations will return to normal as the disruption caused by the pandemic eases. For example most, but possibly not all²², staff will return to work; the fund's normal premises will be available; the normal provision of utilities and supplies will be resumed etc.

As it is impossible to predict exactly how a return to normality would occur in practice, this part of the plan needs to be flexible. The crisis management team needs to be empowered to make the necessary decisions to ensure a smooth transition. This might include reallocating duties as staff return to work, deciding when to reintroduce stricter compliance procedures etc.

This part of the plan will need to take into account the fact that pandemics generally occur in waves. Depending on the severity of the pandemic, a resumption of near-normal operations may be possible in-between the different waves. Accordingly the plan will need to take into account both temporary and permanent resumptions.

8.2.3. Suspension of operations

Business continuity planning works on the assumption that, with proper planning, most disasters can be managed and adverse consequences reduced. In the case of a pandemic, depending on the severity, most properly prepared businesses should be able to continue to operate, albeit at reduced capacity.

Some disasters, however, such as an extreme pandemic, cause so many problems that continued operation may be impossible, at least in the short term.

For example, in extreme cases it may be possible that a pandemic could result in a run on the fund if members believe for any reason that their savings are at risk. This could also occur for reasons other than a pandemic. The business continuity plan should specifically consider such a possibility and set out strategies to deal with it. Suspension of operations would be one of the options to be considered.

A pandemic plan (and more generally, the business continuity plan) needs to consider:

- the circumstances under which the fund would cease operations
- who would make the decision
- how the decision would be communicated
- the details of how the shutdown would operate

²² The plan needs to recognise the fact that some staff may die in a pandemic.

- how assets would be safeguarded during the shutdown
- the necessary preconditions to recommencing operations
- how that decision would be made, and by whom
- how the recommencement process would operate, including communicating with staff and suppliers
- how members would be informed (this is likely to be a significant adverse event)
- what sort of follow-up would be necessary once operations had recommenced.

High-level consideration should also be given to the possibility that any cessation of operations might be permanent. Any planning for such an eventuality would, of necessity, be very general in nature.

APRA must be notified if trustees are considering reducing or suspending operations. This should be done as early as possible (i.e. at the consideration stage) and APRA should be kept informed on an ongoing basis.

8.2.4. The role of insurance

Funds should check whether their business risks insurance covers losses resulting from a pandemic and, if so, how any cover would work in practice e.g. what losses would / would not be covered.

Another consideration is salary continuance insurance for staff. Although this obviously would be a cost, most funds should be able to access group rates. On a practical level, providing such insurance would be a demonstration of commitment to staff welfare. It would also reduce pressure to provide further paid leave for staff who had exhausted their sick leave.

Employee claims on life insurance could rise and there is the question as to whether the insurer would be on risk in the event of a pandemic.

8.3. Implementing the plan

Once a pandemic virus emerges, a pandemic generally quickly follows. Although Australia will implement border control measures, a pandemic anywhere in the world is likely to travel relatively quickly to Australia.

The short time frames involved mean that pandemic plans must contain a fair amount of detail on how and when they will be implemented.

Most pandemic plans use the WHO stages as triggers for implementation.

Obviously it is impossible to predict in advance how severe a pandemic would be and exactly how it would impact on a fund, therefore the implementation plan will need to be flexible. Flexibility in this context means the crisis management team must be given the freedom to change the plan in response to the circumstances at the time. The major components of the implementation need to be decided in advance, while time is available to consider various options, however, the fine print decisions would be made by the crisis management team as needed.

8.4. Communication issues

The implementation plan needs to take into account communication issues. Consideration must be given to both what will be communicated and how communication will be maintained during a pandemic.

8.4.1. Content issues

Communicating to staff

The fund will need to communicate with staff on two levels. Staff obviously will require information on the existence of a pandemic plan and their role in implementing that plan.

They will, however, also need information on how a pandemic would affect them as employees i.e. how the fund proposes to manage all the staff related issues covered in Section 4 of this paper.

The pandemic planning group, together with the fund's marketing and communication staff, will need to devise a communication timetable that is aligned to the stages of the implementation plan. At a broad level, the communication plan can be linked to the WHO pandemic phases, however, the detail of what is to be communicated and when will depend on the actual impact of the pandemic on the fund.

In the pre-pandemic phase, only basic communication is required. Staff should be aware that the fund has a comprehensive pandemic plan, that the plan takes into account both operational and staff welfare issues, and that they will be provided with more detailed information as necessary. They also should have access to basic pandemic information, perhaps a fact sheet, so they are aware of the nature of the threat. Staff who require more information could be referred to the various government pandemic websites.

During a pandemic, staff will require more detailed information on how the pandemic is impacting the fund and on how individual staff members will be affected. Issues to be communicated would include the various items covered in Section 4. The timetable for releasing further information should balance the need to reassure staff and to keep them appropriately informed with the risk of providing too much information too early and either panicking or confusing staff. This involves value judgements about what is appropriate for a particular fund.

The communication plan would probably distinguish between management and staff i.e. management would normally require more detailed information at an earlier stage.

Communicating to members

The same principle of phased communication would apply to members, although in a delayed fashion.

While staff should be aware of the existence of a pandemic plan, members would require little information in the absence of a definite pandemic threat. Once the threat of a pandemic becomes an issue in the Australian media, funds may need to provide greater reassurance to their members. This probably would be in the nature of specifically informing members that the fund has a pandemic plan in place, that the plan aims to permit the fund to continue to provide its core services in the event of a pandemic, and that the plan includes measures to safeguard, as far as possible, the fund's assets.

At this stage, funds would need to decide how much detail to provide to members who inquire. While the operational details would not be provided, it might be possible to provide a short (e.g. one page) outline of the areas covered by the pandemic plan. Again, members could be referred to government pandemic websites for more generic information.

During a pandemic, members will need to be provided with more detail on what services the fund will be providing, how to access those services, how to gain more information etc. This information would need to be provided at an early stage, ideally before any disruptions occur in Australia.

As the pandemic progresses, members will require more up to date information, particularly if anything that will impact them has changed. As communication is likely to become more difficult, members will need up front information on how the fund proposes to communicate during a pandemic.

Communicating with suppliers and outsourced service providers

The fund will may need to communicate with suppliers and outsourced service providers to advise of any changes in working arrangements, for example, changes in delegated authorities; key staff who are absent or working off site.

Communicating with regulators and other bodies

Depending on the effect of the pandemic on the fund's operations there may also be a need to communicate with various regulators, such as APRA, ASIC, AUSTRAC, AFCA and the ATO.

8.4.2. Communication mechanisms

The plan will need to include mechanisms for maintaining communication with both staff and members during a pandemic. Given the importance of communication during a crisis, a multi-channel approach will be necessary, although there probably will be a major focus on electronic means of communication. This, of course, assumes that the infrastructure permitting the normal modes of communication is still in place and functioning.

Communicating with staff

Communication mechanisms need to be based on the assumption that a large proportion of staff will be at different locations (generally home or alternative sites). As communication with staff is normally more time critical than communication with members, the preferred methods will be electronic e.g. internet, intranet, e-mail and telephone.

Obviously back-up methods will be necessary in case the primary method fails. For example, telephone communication would require access to both the mobile network and the landline network. This could mean providing staff with mobile phones if they do not already have them (which is reasonably unlikely). It would certainly require communication of both staff and management mobile phone numbers, either generally or on a need to know basis.

Telephone trees can be an efficient means of communication in a crisis. In the case of a pandemic, however, alternative pathways need to be planned and communicated so that communications do not reach a dead end when particular individuals are uncontactable.

Staff intranets can also be very useful for updating staff on the progress of a pandemic and the fund's response to it.

Communicating with members

When deciding how to communicate to members, funds need to plan both for generic communications from the fund to the membership as a whole and for member-specific communications.

Written communications are likely to be less common, due to the number of parties involved in the process (any of whom could fail to deliver) and the time taken to produce, print and mail documents.

Again, the preferred methods are likely to be electronic. The fund's website is ideal for generic communications as long as most members have access to the internet, although if relying on the internet as the primary method of communication funds would need a realistic estimation of the degree of internet access amongst its membership.

On a member-specific level, telephone and e-mail are likely to be the most popular options. This would mean providing members in advance with both landline and mobile telephone number they can use for access and ensuring members are notified of relevant e-mail addresses. Where possible, funds should obtain members' phone numbers and e-mail addresses, so they can communicate quickly with individuals where necessary.

If the fund is able to maintain its call centre during a pandemic, it might be necessary to devise a mechanism to prioritise member calls. For example, if there is a shortage of call centre staff, priority should be given to calls relating to benefit payments or insurance claims.

Funds should also consider having a pre-recorded message which members can listen to while awaiting individual attention. The message could address the most frequently asked questions, so members could drop off the call if they receive the information they need from the message. If possible the menu could be reconfigured such that members press a particular number if their question is answered, to give the fund visibility over whether calls are discontinued because the member is satisfied with an answer or have been abandoned due to wait times.

9. Testing and updating the plan

9.1. Testing the plan

Unfortunately business continuity plans that are not tested regularly often fail in practice. Firstly, planners fail to take into account unforeseen circumstances (black swan events). For example:²³

- During the electrical power failures in the northeast US and most of eastern Canada during August 2003, telecommunication problems resulted from the following:
 - In some cases, the backup electrical generators did not support the internal telephone systems, so that digital telephones were inoperable.
 - Mobile phones became inoperable due to message congestion, insufficient power backup at transmission and relay sites and the inability of individuals to charge their mobile phone batteries.
- One company did not activate its alternate site because it had back-up electric power to its main site, however, steam power to the main site's air-conditioning failed, making the building unusable. By the time the problem was discovered, it was too late to activate and staff the alternate site.
- During the 2003 SARS outbreak in Hong Kong, the Securities and Futures Commission's contingency plan assumed that some staff would always be available in firms and at the SFC to maintain operations. This assumption proved to be false.

Ideally business continuity plans should be tested annually. In the case of pandemic plans, however, their complexity generally means that some parts of the pandemic plan can only be tested through such mechanisms as desktop walkthroughs, based on a range of different pandemic scenarios (such as those published by the government), while other parts of the plan can be tested physically (for example communication trees and staff understanding of how to respond).

While it is necessary to test the whole business continuity plan periodically, in between times there should be desktop walkthroughs of the pandemic plan, with more frequent / expanded testing of the plan, including physical testing, as the risk of a pandemic increases.

²³High-level principles for business continuity, Joint Forum, Basel Committee on Banking Supervision, <https://www.bis.org/publ/joint17.htm>

9.2. Reviewing and updating the plan

As with any risk management tool, regular review and updating is essential. While the risk of a pandemic remains low, a complete review and update should be carried out every two to three years. Again, as the risk of a pandemic increases, the frequency of review would increase.

The review process would need to take into account not only the results of testing the plan, but also changes to the fund's internal operations and external environment and, of course, government pandemic updates.