

# ASFA-ITM Data Integrity

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Association of Superannuation Funds of Australia

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## Key Points

- The ASFA-ITM Data Benchmark shows an improvement in the industry average for data accuracy (up from 83.9% in September 2010 to 87.0% in February 2011).
- This means that 13% of member records have important data that is missing or incorrect.
- Mandated industry-wide data standards are critical to improving the quality of member data held by superannuation funds.
- A survey undertaken by ASFA and ITM indicates that we as an industry have not set our expectations of data quality at a high enough standard.
- Industry feedback on the proposed *Stronger Super* reforms shows support for many of the recommendations.

## The ASFA-ITM Benchmark

ASFA has taken a leadership role with respect to data quality, an area of high supervisory concern from the regulator. The increasing number of fund mergers, coupled with the continual movement of data from administrator-to-administrator and platform-to-platform, make it essential for the industry to ensure member data is robust and secure.

To undertake a migration of any sort, without comprehensively analysing the data in the old administration platform, runs the risk of historic issues and errors being perpetuated in the new platform. Worse still, errors could be 'locked in' and never found again (until it's too late and a major problem arises). This is contrary to the industry's goal of protecting members' interest through the maintenance of accurate and secure member data.

Yet few trustees receive regular and comprehensive reports that analyse the integrity of data held in their administration and accounting databases. To be fair to trustees, until recently there has been no way to measure data integrity or to compare the quality of a fund's record-keeping to that of the industry.

However, the ASFA-ITM Data Benchmark is a repeatable and controlled process that interrogates the quality of 100 per cent of extracted data. Updated quarterly, the Benchmark is tracking industry improvements and pointing a spotlight on the issue of data integrity across a number of areas. These areas will be expanded in the future.

The profile given to data integrity is not limited to Australia – it has been building in the superannuation/pension sectors of other developed countries as well. For instance, the UK regulator advises funds to measure the integrity of their data on a regular basis. The Canadian regulator has issued advice to its funds on the need for robust administration processes, and South Africa is consulting on how it would like to see excellence delivered to its members.

ASFA is leading our industry in a push to deliver world's best practice on data integrity.

## Update on the development of the ASFA-ITM Data Benchmark

Among the many effects of the impending SuperStream reforms is the increased scrutiny of funds' data integrity. There is general acceptance within the industry of the need for considerable improvements to be made to the quality of our data and the efficiency of our processes – having robust, secure and accurate data is an important foundation for these much-needed improvements.

Following the launch in September last year of the ASFA-ITM Data Benchmark (see Issue 01), an increased number of superannuation funds have participated in the second edition. The table below shows a snapshot of the participation and overall result of the first and second editions of the Benchmark.

	First edition (September 2010)	Second edition (February 2011)
Number of participating funds	21 funds	30 funds
Number of members tested	1.2 million	1.5 million
Number of test results	Over 7 million	Over 9 million
Overall data accuracy of "core member details"	83.9% accuracy	87.0% accuracy

The Benchmark is intended to be updated quarterly to show how the industry is improving and to compare current client projects against other recent projects.

When ITM performs repeat data audits after clients have fixed previously identified errors, the clients' audit results (and therefore the Benchmark itself) will show an improvement in overall data quality.

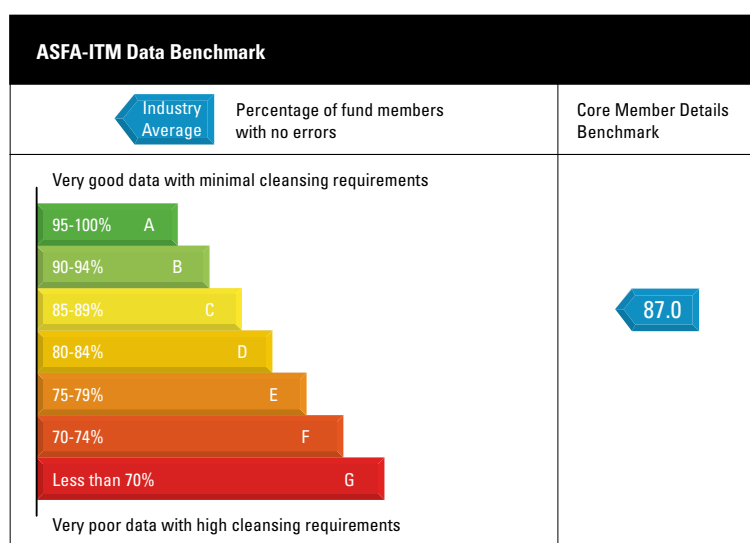
And this is exactly what we have seen between the first and second editions of the Benchmark, with an overall improvement in accuracy of the "core member details" held by funds from 83.9 per cent to 87.0 per cent. That said, these results indicate that funds need to do significantly more to improve the quality and integrity of their member data.

### The ASFA-ITM Data Benchmark (Core Member Details) – February 2011

For the February 2011 Core Member Details Benchmark, 1.5 million members have been analysed across 30 funds, with over 9 million test results included in the Core Member Details Benchmark. Many millions more tests have been run which returned results but these are not included in the Benchmark since they are seen as low criticality issues.

The "core member details" encompasses the actual fields mentioned in SuperStream (full name, date of birth, current address and TFN) plus other member-specific non-transactional fields (date joined fund, beneficiary and gender).

Figure 1



The blue arrow on the Benchmark indicates that 87 per cent of the 1.5 million members tested by ITM have no errors. More pointedly, over 13 per cent have an error in one or more of the audited data fields.

## Breakdown of the specific member details data audited

Figure 2

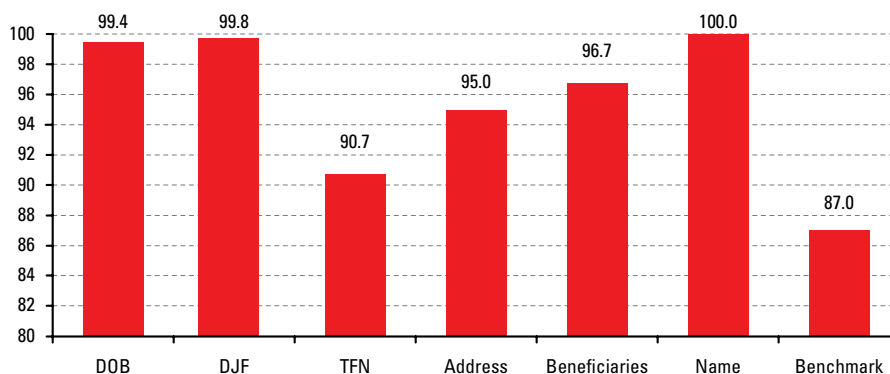


Figure 2 provides a breakdown of the actual clean members by each data field tested. For example, 99.8 per cent for data joined fund (DJF) indicates that 0.2 per cent of members tested have issues with this data field.

If we assume that 98 per cent “clean” members might be an acceptable starting point for data quality (i.e. 2 per cent or less with errors), the data integrity analysis shows that three-quarters of funds tested fall below this level for the Core Member Details Benchmark.

Error rates for Date of Birth (DOB), Gender and Name are low. However, any error in these three fields could mean that the goal of paying “the right benefit to the right member at the right time” is seriously threatened. Of course most funds may have some errors but these must be found and rectified.

As can be seen, tax file numbers (TFNs) and addresses represent data cleansing opportunities for funds.

Use of the Tax File Number has become more prominent in recent months as a result of legislation that will allow it to be the primary identifier for super fund accounts. Of the funds which requested ITM to check Tax File Numbers, a significant number had potential errors in greater than three per cent of members. An example of the type of tests performed for tax file numbers include:

- TFN is duplicated for members of different surnames or DOBs.
- The TFN recorded is inconsistent with other information (e.g. Under 16 Exemption but age is greater, tax file number applied for TFN but member has been in the fund for 2 years).
- TFN fails the Australian Taxation Office (ATO) TFN algorithm.

The quality of addresses information varies markedly from fund-to-fund. With anti-money laundering, it is a requirement that a valid residential address is kept for each member, yet many funds still have a PO Box or the employer address as the only contact details. Fifty per cent of funds have two per cent or more members with address issues.

Whilst DOBs appear relatively clean, there is an issue in that many funds clearly have members with dummy dates of birth (which are not shown in the Benchmark). ITM counts the number of members born on a given day and month. Even if a conservative approach is taken, and an error factor of twice the expected number of members per date is applied, some funds obviously have members on file with a dummy date of birth. In the past this has normally been because employers have not provided the relevant data. However, in today’s environment, DOB is a critical field in ensuring the correct identity of members and that the correct benefits are recorded and paid.

## The need for mandatory data standards

The latest Benchmark results indicate that there is a way to go in improving data quality and integrity for superannuation fund members. To achieve this improvement, it is critical that industry-wide data standards are developed and these standards are adhered to by all parties.

Integrity of data has become a key focus for APRA. Coupled with the Government’s strong consumer focus (as evidenced by the *Stronger Super* recommendations), the industry must be able to show that members’ money is both secure and accurate. Trustees need to be able to demonstrate this to their members and the regulators.

Standardisation of the (minimum) information requirements from employers about their employees, together with the information that is required to be provided between funds, will greatly increase the ability of super funds to start off with good member data. This in turn will enable trustees to implement better protocols that can be used to prevent fraud and reduce their operational risk.

For this reason, ASFA fully supports the Government's *Stronger Super* recommendations to develop industry standards, and has a representative on the SuperStream Working Group that is currently consulting with Treasury on the development of these standards.

The consensus of the SuperStream Working Group is that:

- The first data standard should cover rollovers, followed by a contribution standard.
- Part of the Working Group's role is to consider appropriate governance arrangements for the development and maintenance of industry data standards.
- The data standards should be developed with reference to the Standard Business Reporting (SBR) framework.

## The Data Integrity Survey

With the latest figures acquired from the ASFA-ITM Core Member Details Benchmark indicating funds need to do significantly more to improve the quality and integrity of their data for members, ASFA and ITM have partnered again to work on a Best Practice paper on Data Integrity to assist the industry in making this improvement.

To begin the task of closing the gap between current and optimal standards, ASFA and ITM undertook a wide-reaching industry survey in late 2010 that, besides posing a series of questions on data integrity, also gathered industry opinion on proposed Stronger Super measures.

As part of this process, a questionnaire was completed by a range of industry participants. These responses will provide valuable input to the Data Integrity paper. The survey showed that, while there appears to be strong support for the majority of reforms, there are still a number of areas where opinion is evenly divided. The responses highlighted that perhaps the biggest challenge is reaching industry-wide agreement about what is an acceptable level of data accuracy.

The survey included respondents from across different industry sectors. Further analysis will be undertaken to compare the responses/opinions in other ways, including:

- in-house administered funds versus third party administrator funds; and
- funds versus service providers

### Profile of survey respondents

Industry funds	30
Corporate funds	8
Retail/Institutional funds	4
Consultants/Research houses	5
Third Party Administrators	7
Platform Providers	3
Other Service Providers	3
<b>TOTAL RESPONDENTS</b>	<b>60</b>

### 1. Data Integrity – Respondent opinions on a range of issues

Responses in this section of the survey showed a general consensus across the majority of issues addressed or, at least, little discrepancy in the opinions recorded. There is almost total support for funds having documented data security and data integrity policies, with no respondents disagreeing with this requirement. 90 per cent of respondents believe trustees should receive annual reports on data integrity, and a similar number believe that trustees should benchmark data quality periodically.

Close to 80 per cent believe that trustees have a strong focus on data integrity and quality, but only 20 per cent support the use of manual administration processes. Two-thirds believe that legacy data is of worse quality than current year data. The statements of most discrepancy were "sample checking is OK for assessing data quality" and "100 per cent of data held should

be audited for correctness". Opinion seemed split on these issues. Just over half of the respondents thought that sample checking was an acceptable measure for assessing data quality, while almost 30 per cent thought it failed to meet the mark.

In terms of auditing 100 per cent of data for correctness, approximately 55 per cent answered "yes", about 30 per cent said "no", and the remainder stayed neutral.

## 2. Acceptable levels of Data Accuracy

The most surprising summary of this section of the survey is that the expectations of what is acceptable data accuracy are relatively low. Depending on the data field, between 10 per cent and 50 per cent of respondents did not feel that 100 per cent accuracy was required. Perhaps it is these low expectations that are driving the actual accuracy levels we are seeing in the data work undertaken by ITM.

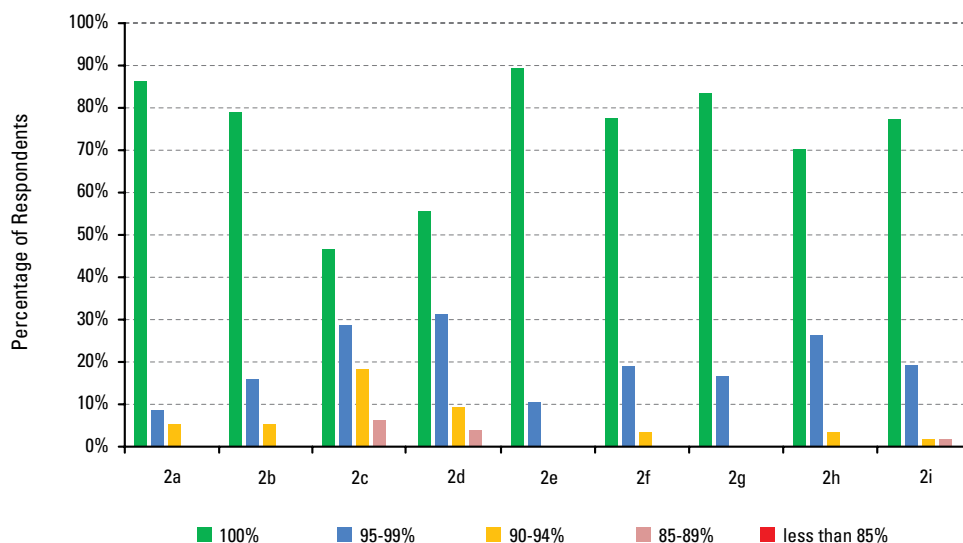
- 10 per cent thought 95-99 per cent accuracy is OK for contributions.
- 20 per cent thought 95-99 per cent accuracy is OK for insurance sums insured.

The data fields where accuracy is seen as being the least important includes member gender or title and member address. This is surprising, since an incorrect gender or title could mean that the wrong sex is recorded for a member which will adversely impact insurances, especially premium rates.

Perhaps the low expectation for address accuracy is helping to perpetuate today's reality?

Figure 3

ACCEPTABLE LEVELS OF DATA ACCURACY	
2a	Tax File Number (TFN)
2b	Date of Birth (DOB)
2c	Member gender or title
2d	Member address
2e	Contributions
2f	Insurances – sums insured
2g	Unit prices
2h	Fees, premiums and other member deductions
2i	Member benefits (as shown on the member statement)



### 3. Data Integrity Audits are necessary if...

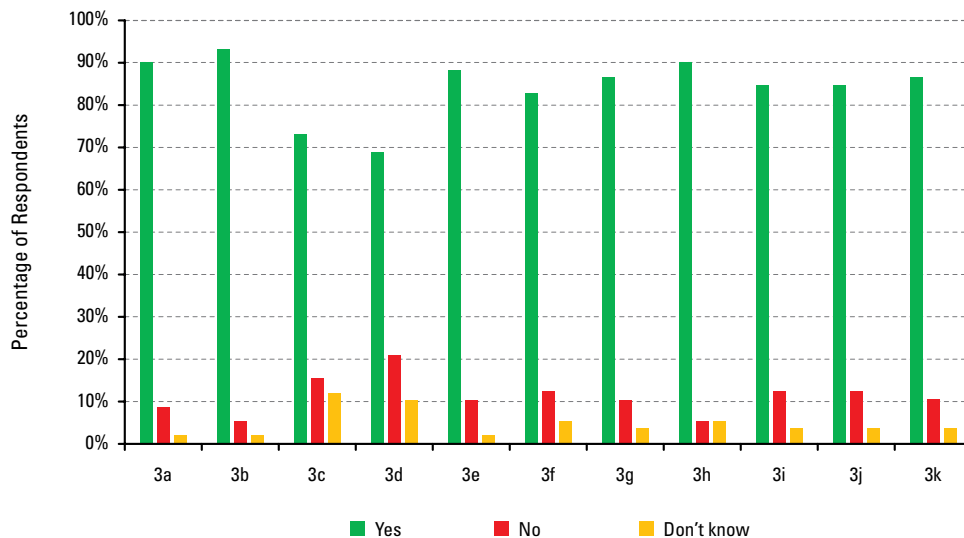
Most respondents feel that data integrity audits should be undertaken in a wide range of circumstances.

Over 80 per cent agree that audits are necessary in all cases except for when insurance arrangements change and to check the correct populating of web forms. However, even these two instances attracted a high “Yes” response.

The most surprising responses were from the small minority who don’t believe it is necessary to undertake audits even for major events such as a change of administrator or a change of administration platform.

Figure 4

DATA INTEGRITY AUDITS are necessary if...	
3a	There has been a change of administrator
3b	There has been a change of administration Platform
3c	Insurance arrangements have changed
3d	Data feeds from the administration system are used to populate web forms
3e	There has been a major problem with the administration platform
3f	Contributions have been incorrectly applied to member accounts
3g	Fees and premiums have been incorrectly deducted from member accounts
3h	There have been substantiated instances of inaccurate benefit payments
3i	Unit pricing errors have been identified
3j	There have been errors on annual member statements
3k	There has been evidence of fraudulent activity in the fund



### 4. The industry should support the following reforms...

As well as a series of questions on data integrity, the survey also gathered industry opinion on proposed *Stronger Super* measures. Results show that, while there is strong support for the majority of the proposed reforms, there are a number of areas where opinion is divided.

Most responses to this survey were given in November and December of 2010. The strongest support is for the use of TFNs as a primary identifier. Whilst most agreed with the raising of the superannuation guarantee (SG) level (almost 90 per cent), only 50 per cent “Strongly Agree”. Over 20 per cent of respondents didn’t think it important to bring SG remittances into line with employer pay cycles.

There are more people against MySuper than supporters of it, demonstrating the “sell” job that is still required for this reform. The introduction of a single, national clearing house had marginal support from respondents.

Over 90 per cent of respondents appear comfortable with the licensing of administrators. This is no longer seen as a likely reform in the immediate future.

Over 90 per cent of respondents support “data remittance standards for employers” and “minimum standards for integrity of member data”. Given the responses to section 2 above, these same respondents might be surprised at the required level of data accuracy that might become a standard, especially when compared with what they currently believe to be an acceptable standard.

Figure 5

REFORMS: The Superannuation Industry should support the following reforms:	
4a	The licensing and regulation of administrators
4b	The 1 July 2013 introduction of MySuper as a default fund
4c	Raising of the superannuation guarantee (SG)
4d	SG remittances brought into line with employer pay cycles
4e	A single, national clearing house
4f	Introduction of the TFN as a primary identifier of member accounts from 1 July 2011
4g	Data remittance standards for employers
4h	Minimum standards for integrity of member data

