

SUBMISSION

Submission to APRA — Consultation on APRA's Superannuation Data Transformation

Topic Paper 4 – Expenses

Topic Paper 5 – Asset
Allocation

Topic Paper 6 – Insurance

6 November 2020

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Via email: superdatatransformation@apra.gov.au

6 November 2020

Dear Sir/Madam,

Super Data Transformation project – Phase 1

Topic Paper 4 – Expenses; Topic Paper 5 – Asset Allocation; Topic Paper 6 – Insurance

The Association of Superannuation Funds of Australia (ASFA) is writing in response to your consultation on APRA's Superannuation Data Transformation Project (Project), specifically *Topic Paper 4 – Expenses*, *Topic Paper 5 – Asset Allocation* and *Topic Paper 6 – Insurance*, released on Friday 28 August 2020.

ABOUT ASFA

ASFA is a nonprofit, non-political national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$2.7 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing over 90 per cent of the 16 million Australians with superannuation.

GENERAL COMMENTS

ASFA supports the objective of APRA to enhance the consistency and comparability of superannuation data.

We appreciate the opportunity for the industry to participate in APRA's regular working group meetings on the Topic Papers and Draft Reporting Standards, and the release of FAQs.

1. Importance of accurate, consistent outcomes

It is imperative that the data collected is appropriate, consistent and meaningful – that it is 'fit for purpose' – to ensure that APRA is aware of any potential issues with respect to specific data items, the data is not misinterpreted and any analysis produced is accurate. It is important to ensure there is comprehensive, representative and effective consultation to ensure the outcomes from the data standards are appropriate.

2. Insufficient time for industry to participate in consultation

The timeline and timing of the final consultation on phase 1 of the Data Transformation project was such that the consultation period did not provide the industry with the time necessary to be able to consider the draft reporting standards and provide pilot data to APRA.

The issues caused by the relatively short consultation period were exacerbated by the timing of the consultation being year-end and, to make matters worse, Melbourne was still in lockdown, with schools and childcare closed, for much of the consultation period. Providers have advised that their internal subject matter experts have not been able to dedicate sufficient time to complete a full impact analysis of the draft reporting standards.

The timeframe and timing for superannuation providers to provide pilot data and make submissions was such that it did not provide sufficient time for providers to consult within their organisation and with upstream providers (e.g fund managers) to analyse and assess the draft reporting standards to ensure they are robust and useable. This has served to increase the risk of the data collection project, in particular the risk of whether data will be able to be reported on time and the risk of inconsistent reporting.

3. Super Data Working Group

ASFA has significant concerns about the inefficiency of reporting data to different agencies in different formats, including where data being reported is available from another source and duplicate data being required to be reported.

The ongoing Superannuation Data Working Group (SDWG), of which APRA is a member, was established to:

- identify ways to improve consistency and scope of data collection and release across the system
- evaluate the costs and benefits of reporting changes
- identify areas where legislative change may be necessary to support better data collection.

ASFA submits that the SDWG should ensure that a cost/benefit analysis is performed for all reporting changes and should work to remove duplication of data collected.

4. Need for common taxonomies

APRA should, in conjunction with other government agencies, work to minimise data reporting processes and develop common data taxonomies, definitions and standards. A single approach to taxonomies and definitions would serve to reduce costs for agencies and the industry alike.

5. Avoiding duplication of reporting - need for data sharing/alternate data sources

APRA should access data that superannuation providers, and others, have reported to government agencies, or utilise alternate sources of data, rather than require superannuation providers to have to re-report this, or similar, data. This includes member data reported to the ATO; investment performance data reported to ASIC or available from third party vendors such as Morningstar; and insurance data could be reported by insurers through existing channels such as LRS 750 submissions. We acknowledge that collection of data from third party providers, such as research houses and investment managers, may necessitate an extension to APRA's powers through a change to the law but submit this may be an option worth pursuing.

6. Avoiding duplication of reporting - need for centralised data reporting

There should be a 'whole of government' approach to the reporting and collection of data.

Together with government, APRA should explore the possibility of data reporting being centralised into one or two agencies. APRA could become the collator of (other than personal) data and provide access to other agencies, while personal data would continue to be reported to the ATO but be made accessible, on a de-identified basis, to other agencies.

7. Timeline for implementation – scope, granularity, retrospectivity and ‘look through’

Providers are concerned that, given the scope and granularity of the changes and that APRA has not yet responded to feedback provided through the earlier consultations, there is insufficient time to implement all of the changes by 30 June 2021.

The increased granularity of data that is being sought creates significant difficulties in building the reporting structures, including system changes, within the expected timelines – in particular given that the reporting standards will have retrospective effect, as they will be with respect to the current financial year.

Super providers have indicated that their third party suppliers, such as custodians, have indicated they will need a 12 month lead time to be able to implement reporting solutions. Where third party ‘up stream’ provider needs 12 months this directly affects superannuation providers as they are unable to perform adequate testing until they have clean data and then require at least four months to ensure systems are sufficiently robust and accurate data is available for APRA (i.e. a total of 16 months).

The ‘look through’ provisions also represent issues regarding the ability of super providers to be able to reliably retrieve data, especially in a timely manner, from their third party service providers.

Members have expressed concerns that the timeline, scope and granularity of the proposed data reporting will impose significant additional costs on superannuation funds.

Given the short timeline for implementation we recommend that consideration be given to materially decreasing the scope and granularity of the data to be reported in the first year.

8. Need for cost/benefit analysis to be performed

Further to considerations of timeline and scope, there should be a cost/benefit analysis performed of the costs associated with the change in scope of the data being reported to APRA. The cost of meeting regulatory requirements imposed on funds generally is passed on to the fund and therefore represents an additional cost to members, to the detriment of member outcomes.

Given the very significant cost and risks involved in implementing regulatory change of this nature and scale, along with the ongoing costs of compliance, that ultimately is borne by members, it would be appropriate for APRA to clearly draw the link between the data to be reported and how it will address APRA’s regulatory objectives.

9. Overlap with existing standards

Providers have expressed concern that the proposed approach for managing overlap with existing reporting standards - by allowing for individual exemptions from reporting duplicate data items in existing reporting standards - is inefficient. We submit that APRA should look to remove obsolete reporting requirements and streamline reporting wherever possible.

10. Confidentiality of data

Providers have expressed significant concerns about the public disclosure of commercially confidential information.

Amongst other things, the public disclosure of commercially confidential information could have an adverse effect on competition in the superannuation industry, with the potential for sensitive costs paid to single providers being published. This would serve to significantly weaken the negotiating positions of superannuation providers with respect to their commercial counterparts, including administrators, investment managers and insurers. The internal frameworks and policies of providers are geared to ensure that the confidentiality of their commercially sensitive information and data is maintained.

Providers are concerned that APRA would be determining what data they consider to be commercially sensitive - in the view of our members the confidentiality of commercially sensitive information should not be determined by a regulator.

11. Guidance materials

ASFA welcomes APRA's release of Frequently Asked Questions (FAQs) and worked examples, which have been very helpful in clarifying the requirements and providing guidance to the industry to ensure all superannuation providers are aware of, and understand, what will be required to enable data to be reported on as consistent a basis as possible. It should be noted, however, that as the worked examples were not published until 27 October, only 3 days prior to the pilot data being submitted, this will have increased the likelihood of inconsistent reporting in the pilot data.

SPECIFIC COMMENTS – FEEDBACK FROM MEMBER ORGANISATIONS

ASFA has received questions, issues and comments from various member organisations with respect to Topic Papers 4, 5 and 6, as well as some preliminary feedback on Topic Paper 7. These are listed in the annexure to this submission.

If you have any queries or comments in relation to the content of our submission, please contact me on (03) 9225 4021 or via email to fgalbraith@superannuation.asn.au.

Yours sincerely

Fiona Galbraith
Director, Policy

DETAILED COMMENTS

1. Importance of accurate, consistent outcomes

It is imperative that the data collected is appropriate, consistent and meaningful – that it is ‘fit for purpose’ – to ensure that APRA is aware of any potential issues with respect to specific data items, the data is not misinterpreted and any analysis produced is accurate. It is important to ensure there is comprehensive, representative and effective consultation to ensure the outcomes from the data standards are appropriate.

2. Importance of consultation and appropriate timelines

APRA’s Super Data Transformation is an important, substantial and complex project. In addition, APRA has a parallel project to replace Direct to APRA (D2A) with APRA Connect.

Accordingly it is important that APRA, when designing the reporting standards, should seek to avoid imposing on superannuation providers avoidable duplication of effort. It is estimated the costs to the industry of this project - to design, build, test, deploy and operationalise a solution to meet APRA’s requirements - will run into some hundreds of millions of dollars that ultimately will be borne by members.

The timeframe of the project should be such that it enables adequate time for consultation to finalise the reporting standards, with sufficient time for stakeholders to engage with the detail of what is proposed and provide considered feedback.

The issues caused by the relatively short consultation period were exacerbated by the timing of the consultation being year-end and, to make matters worse, Melbourne was still in lockdown, with schools and childcare closed, for much of the consultation period. Providers have advised that their internal subject matter experts have not been able to dedicate sufficient time to complete a full impact analysis of the draft reporting standards.

The timeline and timing of the final consultation on phase 1 of the Data Transformation project was such that the consultation period did not provide the industry with the time necessary to be able to consider the draft reporting standards and provide pilot data to APRA.

The issues caused by the relatively short consultation period were exacerbated by the new APRA reporting that had just been introduced (SRF 921.0, SRF 921.1 and the Early Release Initiative data collection); the timing of the consultation being year-end as well as quarter end and, to make matters worse, Melbourne was still in lockdown, with schools and childcare closed, for much of the consultation period. Providers have advised that their internal subject matter experts have not been able to dedicate sufficient time to complete a full impact analysis of the draft reporting standards. In addition, many ‘up stream’ providers of data have also not had sufficient time to consider the implications of the proposed new data elements to be collected and reported.

The timeframe and timing for superannuation providers to provide pilot data and make submissions was such that it did not provide sufficient time for providers to consult within their organisation and with upstream providers (e.g fund managers) to analyse and assess the draft reporting standards to ensure they are robust and useable. This has served to increase the risk of the data collection project, in particular the risk of whether data will be able to be reported on time and the risk of inconsistent reporting.

Recommendation

- 1 ASFA submits that APRA should extend the timeframe for consultation – ideally to 31 January 2021.

3. Superannuation Data Working Group

Recommendation 27 of the *Productivity Commission's Inquiry into Superannuation: Efficiency & Competitiveness* was to establish the Superannuation Data Working Group (SDWG), of which APRA is a member, to:

- identify ways to improve consistency and scope of data collection and release across the system
- evaluate the costs and benefits of reporting changes
- identify areas where legislative change may be necessary to support better data collection.

ASFA submits that the SDWG should ensure that a cost/benefit analysis is performed for all reporting changes and should work to remove duplication of data collected.

Recommendation

- 2 ASFA submits that the SDWG should ensure that a cost/benefit analysis is performed for all reporting changes and should work to remove duplication of data collected.

4. Need for common taxonomies

ASFA and its members have significant concerns about the inefficiency of reporting data to different agencies in different formats, including requiring duplicate data to be reported where it, or similar data, has been reported to, or is available from, another source.

APRA should, in conjunction with other government agencies, work to minimise data reporting and develop common data taxonomies, definitions and standards across all government agencies, that would serve to reduce costs for agencies and the industry alike. We submit that this could be an opportunity for APRA to lead a better 'whole of government' approach to data reporting within the financial sector.

The Government's Standard Business Reporting (SBR) - *'Tell us once, share with many'* - is a standardised approach to online or digital record-keeping introduced by government in 2010 to simplify business reporting obligations.

The SBR website states as follows:

'The ability of SBR standards to be applied to inter-governmental communication allows for 'tell us once, share with many' models of interaction. This approach significantly reduces the burden on business, automating the distribution of the same information to other relevant agencies'.

There is a real opportunity for APRA to leverage this opportunity to align its reporting standards with the SBR framework, including its data governance framework, and to liaise with other agencies to align data requirements.

Recommendations

- 3 APRA should, in conjunction with other government agencies such as the ATO, the ASIC, the DHS and the DSS, work to develop common data standards, taxonomies and definitions.
- 4 APRA should align its reporting standards with the Government's SBR framework.

5. Avoiding duplication of data reporting – need for data sharing

APRA should access data that superannuation providers, and others, report to government agencies or utilise alternate sources of the data, rather than require providers to have to re-report this data. While we appreciate that the *Financial Sector (Collection of Data) Act 2001* (FSCOD Act) may need to be amended, any such amendment would reflect government policy and initiatives encouraging and facilitating the sharing of data between government agencies and other authorised entities, increased data collaboration and more efficient data reporting.

Funds already report, or will be reporting, a significant number of member data items to other government agencies, whilst investment and insurance data may be available from alternate sources.

This includes member data reported to the ATO; investment performance data reported to ASIC and insurance data that could be reported by insurers through existing channels such as LRS 750 submissions. Another example of unnecessary duplication of process is the DHS and its requirement for a separate process for superannuation providers to report income stream payments data.

Acknowledging the current limitations imposed by FSCOD Act, until it can be amended, we submit that agencies such as APRA, ASIC, DHS and DSS could become agreed users of data.

5.1. Recent recommendations in support of information sharing/more efficient data reporting

Recommendation 6.9 of the *Royal Commission into Misconduct in Banking, Superannuation & Financial Services Industry* was that:

The law should be amended to oblige each of APRA and ASIC to ... share information to the maximum extent practicable.

The Government's response to recommendation 6.9 was:

'The Government agrees to remove barriers to information sharing between the regulators and require APRA and ASIC to...share information. Improvements to...formal communication, co-operation and collaboration between the two regulators are critical. This should include efficiently sharing information...'

5.2. Government policy and current initiatives regarding data collaboration

Similarly, there are government policy initiatives to extend and enhance data collaboration between government agencies and others, reflecting a broader awareness of the increasing importance of collaborating with respect to data.

The Office of the National Data Commissioner (Data Commissioner) has been exploring opportunities for increased data sharing between government agencies.

The Data Commissioner is proposing a framework that will set a new direction for how public sector data in Australia is used and reused, to unlock the potential of this data, building on the Government's response to the recommendations made by the Productivity Commission's *Data Availability and Use Inquiry*.

The Data Commissioner will be progressing data reform legislation that, when it passes Parliament, will be known as the Data Availability and Transparency Act (DATA).

The new DATA legislation will:

- provide government agencies with an alternative authorisation to share public sector data to accredited entities such as government agencies, State and Territory authorities, and non-government entities such as universities
- take a 'principles-based approach' to safeguarding the sharing of public sector data
- empower the Data Commissioner to develop requirements and guidance to support government agencies and data sharing entities
- establish clear governance arrangements, including enforcement and accountability mechanisms
- provide an alternative avenue for government to share data where it is currently not possible or practical to do so, so long as safeguards are met
- allow agencies to continue to use existing avenues to share when preferred.

The legislation is intended to have broad scope, generally applying to all public sector data collected or generated by Commonwealth entities. The initial focus of the legislation will be on the sharing of Commonwealth data. The Data Commissioner will collaborate with other agencies and regulators to ensure consistent approaches to data sharing across departments and all levels of government.

In light of the pending DATA legislation APRA should work to reach an agreement with other government agencies - in particular the ATO, ASIC, DHS and DSS - to share information.

5.3. Examples of where data sharing/alternate data sources could be utilised

5.1.1 Member data

One example where data sharing could be utilised is the data reported by providers to the ATO through its regular 'event based reporting' – Member Account Attribute Service (MAAS) and Member Account Transaction Service (MATS) reporting. Funds are required to report account 'opening and closing'; contributions received and annual balance for each member to the ATO.

The development of MAAS and MATS reporting represented a \$150 million investment by the industry and the data reported should be considered by other agencies – including APRA – as a rich source of data that could go a long way towards meeting the needs of APRA, at least in the short term.

Rather than requiring funds to incur considerable expense to report the same, or similar, data in a different format, APRA should access de-identified, member level, data from the ATO.

Industry would be happy to work with APRA and the ATO to explore the opportunity for APRA to use information reported via MAAS and MATS to reduce the reporting burden on superannuation providers and enable them to focus on reporting the remaining required data.

5.1.2 Investment performance data

From a platform perspective, many of the investment related metrics would need to be sourced by superannuation funds from external investment managers. In most cases multiple superannuation funds will need to report exactly the same data and some funds may have to provide the same data multiple times (for each current and past product menu in which the investment was offered).

There are significant challenges in obtaining data from fund managers. Amongst other things, this creates an issue with respect to meeting statutory deadlines, as it can take some time for external investment managers to report the data through to the superannuation providers.

Some providers have expressed concerns with respect to platform/wrap products and externally manufactured investment/managed funds options.

Given ASIC will be collecting performance data under its recurrent data collection superannuation providers have questioned the relevance of APRA collecting the same data, as this will result in considerable duplicate data needing to be reported across the industry many multiples of times. It would be significantly more efficient and cost effective if APRA were to access this data from ASIC (or even directly from fund managers, noting that this will require an extension of APRA's powers). Data sharing could extend to data vendors, as platform providers generally access data for externally managed investment options/managed funds through a third-party data warehouse. We suggest APRA explores its ability to leverage similar data already (or planned to be) provided to ASIC.

5.1.3 Insurance data

Many super providers will rely on their insurers for data with respect to claims. APRA could delineate insurance data that insurers would be responsible for reporting and require insurers to report this data directly to APRA, through existing channels such as LRS 750 submissions.

Recommendations

- 5 APRA should work to reach an agreement with other government agencies - in particular the ATO, ASIC, DHS and DSS - to share data.
- 6 APRA should access data that superannuation providers, and others, report to government agencies.
- 7 APRA should access de-identified member data reported to the ATO via MAAS and MATS reporting.
- 8 APRA should access investment performance data reported to ASIC.
- 9 APRA should require that insurers report prescribed insurance data directly to APRA.
- 10 APRA should liaise with Treasury about amending the FSCOD Act as necessary.

6. Avoiding duplication of data reporting – need for centralised reporting

There should be a 'whole of government' approach to the reporting and collection of data.

Together with government, APRA should explore the possibility of data reporting being centralised into one or two agencies. APRA could become the collator of (other than personal) data and provide access to other agencies, while personal data would continue to be reported to the ATO but be made accessible, on a de-identified basis, to other agencies.

Recommendation

- 11 APRA should explore the possibility of becoming the collector/collator of (other than personal) data and provide access to other agencies, while personal data would continue to be reported to the ATO but be made accessible, on a de-identified basis, to APRA and other agencies.

7. Timeline – scope, granularity, retrospectivity & look through

Providers are concerned that, given the scope and granularity of the changes and that APRA has not yet responded to feedback provided through the earlier consultations, there is insufficient time to implement all of the changes by 30 June 2021.

7.1. Granularity of data

Providers have queried the significantly increased granularity of the data that APRA is seeking to collect, without necessarily there being a commensurate increase in the utility of the data.

There is general agreement that APRA had adopted the right sequencing approach by focusing Phase 1 of the project on increasing breadth and only then, once Phase 1 had been resolved, would Phase 2 look at the most appropriate manner in which to increase the depth of the data collected. Given the increased granularity of data that is being sought in this phase this does not seem to have occurred.

The Topic Papers accompanying the draft reporting standards provide an outline of the regulatory objectives of each standard - in most cases they are stated as addressing gaps in APRA's current data collection regime and to facilitate greater insight and assessment. Providers have suggested, however, that the nature, character, granularity and detail of the data proposed to be collected extends beyond this regulatory objective - some of the data is new data, while other data requires analysis and classification that is new to the industry.

It would be appropriate for APRA to draw the link between the data to be reported and how it will address APRA's regulatory objectives. It appears as though the volume, breadth and depth of data is more along the lines of 'report everything' approach, with no justification of the cost versus the benefit, as opposed to a targeted focus on specific issues and the data related to those issues.

By way of example, the data to be collected through SRS 251.0 Insurance is to *"support the assessment of insurance policies including premiums, claims payments, and claims process processing stages"*.

Table 251.3.2 requires premiums by every age. One provider has advised that differences in premiums by age - in one year increments - are minor and presented as per the table (together with its interaction with Table 251.3.1) will involve a data set of approximately 2.5 million data points.

Further to this we note that it has been stated that the requirements of SRS 251.0 are 'a step towards a detailed member level data collection'. This would clearly be an instance where it would be more appropriate for this data to be reported to the ATO, as part of MAAS and MAATs reporting, as opposed to being reported to APRA.

Another example of where the level of granularity of data will stretch the boundary of data provisioning tools is with respect to asset allocation data. The number of rows of data (qualifiers) that will need to be provided for every product will mean that APRA will be receiving terabytes of data and the industry 'pipes' will need to be very robust to handle such volumes of data in what are condensed reporting periods.

Additionally, some providers are concerned that the granularity of data has not been considered with respect to the choices offered in wrap and mini-wrap style products.

The average wrap may have more than 300 managed funds, more than 500 ASX-listed investments, term deposits and 'separately managed accounts'. Coupled with the potential for multiple onsale/offsale variants of super funds products, the new level of detail being required, with unique characteristics meaning new asset allocation lines, will result in terabytes of data having to be reported to APRA every reporting period just with respect to the proposed SRF 550 asset allocation information. Much of this data will be repetitious and add no new, additional value but will add substantial cost to be borne by members.

The granularity of the data necessitates adequate time for providers to be able to analyse and assess as some of the new data elements are yet to be sourced / derived. Some of the 'best' and 'worst' case estimates are concerning – by way of example some providers are estimating a likely scenario of needing to provide approximately 1 to 1.25 million rows of data for SRS 550 alone. This is not cost effective nor in members' best interests and arguably is not needed to support APRA in meeting its regulatory objectives.

The increased granularity of data that is being sought creates significant difficulties in building the reporting structures, including system changes, within the expected timelines – in particular given that the reporting standards will have retrospective effect, as they will be with respect to the current financial year.

Super providers have indicated that their third party suppliers, such as custodians, have advised that they will need a 12 month lead time to be able to implement reporting solutions. Based on the current timeline this means there will be inadequate time for superannuation providers to be able to test their reporting solutions. This needs to be addressed in the timeline and scope of the project, including the possibility of adopting a phased approach.

7.2. Retrospectivity of data

Among other examples, the insurance reporting standard requests a 'one off' reporting of 10 years of historical premiums. Given the very significant costs of implementing and managing the reporting of such data we submit that a cost/benefit analysis should be performed.

7.3. 'Look through' provisions

The 'look through' provisions also present issues regarding the ability of super providers to be able to reliably retrieve data, especially in a timely manner, from their third party service providers.

7.4. Dependency on APRA Connect

Finally, given the dependency of the project on APRA Connect, there is a strong argument to reduce the volume of data to be reported until such time as APRA Connect has been implemented and stabilised.

7.5. Need for a phased approach

Superannuation providers have indicated they are concerned that the timeline, scope and granularity of the proposed data reporting will impose significant additional costs onto superannuation funds.

To design and build out the system and process capabilities required to provide the level of granularity expected by APRA in the draft reporting standards, will necessitate the deployment of significant resources, both in quantity and quality. In addition, the challenge of having insufficient time to implement all of the changes by 30 June 2021 will exacerbate this, by adding to the risk and costs.

Given the short timeline for implementation, the retrospective capture of some data items and the need to 'look through' to third party service providers, we recommend that consideration be given to decreasing materially the scope and granularity of the data to be reported in the first year.

While still achieving APRA’s objective to improve accountability and comparability of data across the industry, some providers have suggested that the scope of the first year reporting should be confined to those elements necessary for APRA to develop a choice heatmap based on the existing metrics currently used for the MySuper heatmap and align with the ‘Your Future Your Super’ proposal. (i.e. fees and costs; asset allocation (as per the current reporting standards, rather than the proposed enhancements) and investment performance).

To assist in reducing the information burden in the first year, consideration could be given to the reporting standards incorporating materiality thresholds as appropriate, in particular with respect to expense reporting. With respect to expense reporting this could take the form of a percentage of total assets, or a specified dollar limit, at the level of each RSE licensee, RSE; ERF and DB RSE.

Recommendations

- 12 Given the short timeline for implementation we recommend that consideration be given to materially decreasing the scope and granularity of the data to be reported in the first year.
- 13 The scope of the first year reporting should be confined to those elements necessary for heatmaps and the ‘Your Future Your Super’ proposal.
- 14 There should be materiality thresholds incorporated into the reporting standards as appropriate, with respect to expense reporting at least, for the first year of reporting.
- 15 Given the dependency on APRA Connect, the volume of data in the first year should be kept to a minimum until APRA Connect is stabilised.
- 16 Prior to finalising the requirements for SRS 550 allow sufficient time for superannuation providers to estimate the likely number of rows of data to enable APRA to adjust the requirements accordingly.

8. Need for cost/benefit analysis to be performed

Further to considerations of timeline and scope, there should be a cost/benefit analysis performed of the costs associated with the change in scope of the data being reported to APRA. The cost of meeting regulatory requirements imposed on funds generally is passed on to the fund and therefore represents an additional cost to members, to the detriment of member outcomes.

Given the very significant cost and risks involved in implementing regulatory change of this nature and scale, along with the ongoing costs of compliance, that ultimately is borne by members, it would be appropriate for APRA to clearly draw the link between the data to be reported and how it will address APRA’s regulatory objectives.

Recommendation

- 17 There should be a cost/benefit analysis performed of the costs associated with the change in scope of the data being reported to APRA.

9. Overlap with existing standards

Providers have expressed concern that the proposed approach for managing overlap with existing reporting standards - by allowing for individual exemptions from reporting duplicate data items in existing reporting standards - is inefficient and we suggest that APRA should look to remove obsolete reporting requirements and streamline reporting wherever possible.

Recommendation

18 Retire SRF 530, SRF 533, SRF 534, and other existing reporting standards where there is significant duplication with the new reporting standards, from the date of commencement of the new standards.

10. Confidentiality of data

Providers have suggested it would be helpful to have more information as to how the proposed masking of data would work in practice and have expressed significant concerns about the public disclosure of commercially confidential information.

Amongst other things, the public disclosure of commercially confidential information could have an adverse effect on competition in the superannuation industry, with the potential for sensitive costs paid to single providers being published. This would serve to significantly weaken the negotiating positions of superannuation providers with respect to their commercial counterparts, including administrators, investment managers and insurers. The internal frameworks and policies of providers are geared to ensure that the confidentiality of their commercially sensitive information and data is maintained.

Providers are concerned that APRA would be determining what data they consider to be commercially sensitive and believe that this is beyond the scope of a regulator, as it would necessitate making determinations about commercially sensitive information without necessarily appreciating the broader context of the operations of the organisation. In the view of our members the confidentiality of commercially sensitive information should not be determined by a regulator.

Expense reporting

There is particular concern regarding the publication of individual expenses as, for example, the value of individual contracts is confidential and commercially sensitive (e.g. SRF 332.0 Expenses, Item 1, Expense reporting, Service Provider ABN (9)).

Providers have indicated that they would be extremely concerned about the disclosure of expenses related to individual investment managers, asset consulting fees, large vendors and strategic partners as these are highly commercially sensitive and are held 'commercially in confidence'. As commercial agreements with third party service providers, while possibly allowing confidential disclosure to a regulator under compulsion of law, generally provide that public disclosure is not permitted and would amount to a breach of contract.

Providers have queried why valuation services is classified as administration and does not sit under investments expense reporting. In any event, providers consider the details of valuation services to be commercial in confidence.

Asset Allocation

Providers have significant concerns where a single, direct, asset falls under a particular category, including infrastructure, property and private equity.

Publishing this information would:

- limit the ability of the provider to achieve a competitive price on sale - potential buyers would become aware of the disclosed valuation and how to price their bids, particularly in weaker markets
- put superannuation funds at material commercial disadvantage with respect to other participants which do not disclose such information, including a loss of intellectual property
- breach existing contracts that require no such information be disclosed e.g. venture capital.

Further to this, providers have expressed concern that, given the low-level granularity of the class characteristics of the actual asset allocation reported under 550.0, the public disclosure of this data effectively would disclose their intellectual property to the market and given away their competitive advantage. Accordingly, providers have submitted that APRA should mask this data prior to any publication.

Fees and costs

Members have expressed similar concerns with respect to the publication of fees and costs for each employer sub-plan and 'white labelled', or badged, platform offers.

Due to the commercial sensitivity of this information, and the fact that this information is not of general relevance (as only employees of the employer/employer group are eligible), details about the fee arrangements for these products should be kept confidential by APRA.

Some providers have agreements with a number of different employer sponsors. One provider has indicated that it has agreements with approximately 1,500 employer sponsors.

These agreements contain confidentiality clauses and have tailored arrangements, taking into account the employer's requirements regarding the arrangements for its employees, the nature of the employer and the demographic profile of its employees. Agreements can include fee and cost structures that vary from the 'rack rate' available to the general public, as different pricing arrangements are typically negotiated on the basis of the number of members of an employer-sponsored sub-plan or platform 'badged' arrangement, as well as the services or features included under the arrangement.

In common with other contractual agreements between a supplier and a purchaser of services, these arrangements are commercially sensitive and confidential. Furthermore, the information is not of general relevance as these arrangements are bespoke, relate only to a specific employer/employer group and are not available to the general public or to employees of other employers.

The disclosure of this pricing data may impact the sustainability of a superannuation provider or product, as well as negatively affect competition in these sectors of the superannuation market.

While providers are comfortable providing commercially sensitive fee and cost data to APRA with respect to employer sponsored arrangements, they consider that data should be kept confidential and that what is suitable for publication is the 'rack-rate'.

Recommendations

19 All commercially sensitive data should be confidential and not published.

20 APRA should add a data field to enable providers to indicate where they would like APRA to maintain the confidentiality of a particular data item.

11. Guidance materials

ASFA welcomes APRA's release of Frequently Asked Questions (FAQs) which have arisen out of the APRA working groups, webinars and one on one consultation. These serve to provide clarification and guidance to the industry, to ensure all superannuation providers are aware of, and understand, what will be required to be reported, to ensure that the data is reported on a consistent a basis as possible.

We would encourage this to continue during the implementation phase, to support the industry with its design, testing and deployment of reporting solutions.

SPECIFIC COMMENTS – TECHNICAL ISSUES, QUESTIONS AND OBSERVATIONS RAISED BY MEMBER ORGANISATIONS/SUPERANNUATION PROVIDERS

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
PHASE 1 – TOPIC PAPERS 4 – EXPENSES				
1.			Apportionment between funds	It is not clear how expenses should be apportioned between different funds with the same RSE licensee.
2.			Depreciation	It is not clear how depreciation will be considered for the purposes of expense reporting.
3.			'Look through' to external service providers	Many funds may have both internal and external service providers and while it may be possible to 'look-through' for internal service provider expenses, external providers cannot be expected to reveal underlying cost structure and profit margin.
4.			Disaggregating expenses	As generally accounting ledgers will not have these breakdowns, the need to aggregate expenses based on different expense groups, vendor splits, expense types, one-off and ongoing etc. will be extremely time consuming, resource intensive and impractical.
5.	SRF 332.0	Item 1	Expense types - overlaps and repetition	Expense types in the pre-defined selection list have overlaps and repetitive selections that will need clarification to improve consistency in reporting for comparability. By way of example, it is unclear as to what is the difference between Advertising/Marketing and Marketing [SRF 332.0 Expenses, Item 1 Expense reporting, Expense Type (6)].
6.			Expense types – expense types and expense groups	In general, accounting ledgers only capture 'expense types' (per chart of account) and by 'expense groups' (per cost centre, corporate, trustee office, fund etc.). Any further details require significant system and process changes and voluminous manual input hours to breakout expenses, specifically for APRA reporting. Given the manual nature of this exercise this may not assist APRA to achieve its objective of consistent and comparable reporting across the industry.

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
7.	SRF 332.0	Item 1	Expense type – ‘functional basis’ or ‘account level view’	It is unclear as to whether the reporting standard requires a breakdown of the expense type on a ‘functional basis’ or at an ‘account level’ view. By way of example, are finance team salaries ‘accountant’ or ‘wages’ [SRF 332.0 Expenses, Item 1 Expense reporting, Expense Type (6)].
8.	SRF 332.0		Materiality	The absence of a practical materiality threshold will necessitate significant overhead costs in the capture and classification of many small, and often ‘one-off’, expenses that have no material impact on the operations of the fund. Consideration could be given to a materiality threshold, say 5% of total expenditure of the fund, being applied to expenses. Such expenses would be aggregated under Expense Group ‘Other’ and Expense Type ‘Immaterial’ so that the total expenses of the fund can be reconciled to its financial statements. There could be exclusions to this materiality threshold for expenses of a prescribed nature.
PHASE 1 – TOPIC PAPER 5 – ASSET ALLOCATION				
9.			Due date 28 days after quarter end	Providers are concerned that the operationalising of processes for handling the submissions will take some bedding down and will interfere with current APRA reporting. When new reporting standards were introduced in 2013/14 transitional arrangements were provided such that lodgement was due 35 days after the end of the reporting period. Providers have suggested that similar arrangements should apply for the new data collections introduced as part of the Superannuation Data Transformation project.
10.			‘Off menu’ options	Providers have recommended exemptions are provided for ‘off menu’ options. Trustees who have supported portability of super might have hundreds of ‘off-menu’ investments with extremely low member numbers (including due to in-specie transfers). This will add undue cost without material benefit. Perhaps consideration could be given to re-using the Select Investment Option concept (i.e. applied at a product

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
11.			Method of lodgement	level so that only investment options that represent >\$200m or >5% of the product would be reported). Providers have suggested APRA allow for excel lodgement to provide time for build of adequate technology to feed into the new APRA Connect system, as it will be extremely challenging to manually load such a significant volume of data.
12.	SRF 550.1 SRF 550.2	Table 1	Order of columns Columns 5 & 6 Columns 10 and 11	We suggest that, where possible, the order of columns is aligned to the order currently used for SRF 530 and SRF 534 to avoid unnecessary coding changes. We suggest the order of columns 5 and 6, and 10 and 11, are reversed to match the order currently used for SRF 533.
13.	SRF 550.0	Table 1 Table 3	'Commodities' and 'Other' replaced by 'Alternatives' and 'Currency Exposure'	'Commodities' and 'Other' in column 1 of SRF 533 have been replaced with 'Alternatives' and 'Currency Exposure' in column 4 of SRF 550.0. Providers have suggested that, to minimise changes, the 'Commodities' and 'Other' asset classes should not be replaced but the 'Alternatives' and 'Currency Exchange' asset class should be introduced as additional categories, as this better represents the strategies of some options and will serve to reduce the use of the 'Other' asset class category in Table 1.
14.	SRF 550.0	Table 3	Currency hedging	SRF 533 currently only allows for a range of 0-100% for currency hedging. Due to the dynamic nature of currency markets it can be hard to achieve precision re this. We suggest allowing for a tolerance range of -0.5% to 100.5%.
15.	SRF 550.0	Table 3	Emerging markets	Further analysis and clarity is required in relation to the APRA definitions of "emerging market" vs "Developed markets" vs "not applicable" and the new 'tics'. Providers have indicated that they would appreciate more time to discuss this fully with the fund managers who will need to provide the data and may have questions or issues that, as of yet, remain unidentified.
16.	SRF 550.0 SRF 550.1 SRF 550.2	Table 3	Overlap with SRF 530, 533 and 534	Given the considerable overlap/similarity between existing SRF 530, 533 and 534 and proposed new SRF 550.0, 550.1 and 550.2, we recommend

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
17.	SRF 550.0		<p>Strategic (SAA) and Actual Asset Allocation (AAA)</p> <p>The 550.0 SAA and AAA extends the reporting currently provided via 533.0 (MySuper) and 533.1 (SIO) to all investment options.</p> <p>Further, it requires the collection and allocation of 3 new asset class characteristics to all investment options.</p>	<p>SRF 530, 533 and 534 are retired from 1 July 2021 (when the new data standards commence).</p> <p>This represents a significant re-working of provider's current solutions for 533 and 533.1 and will require custodians to provide this classification of data for all funds in the industry.</p> <p>Providers have indicated that this is a significant change that will necessitate significantly more time for custodians to provide the required data, and for the providers to build a solution to consume and transform the data into the required outputs for APRA.</p> <p>Providers have suggested that APRA consider implementing these new requirements in two phases.</p> <ul style="list-style-type: none"> • phase 1 would defer the implementation of 550.0 and extend the existing 533.1 solution to cover all investment options, using the same classifications. This would provide APRA with data across all choice products and options. • phase 2 would build on this solution to include the 2 level SAA and the inclusion of the new asset class characteristics. <p>Providers believe this approach would enable the provision of data as at 30 June 2021 and provide sufficient time to build out the solution for phase 2 in conjunction with custodians and rating agencies.</p>
18.		Asset Class Characteristics – level of investment risk	Three new asset class characteristics are required for APRA to calculate the level of investment risk.	<p>Providers have indicated that this is a significant change that will necessitate significant industry co-ordination and cost.</p> <p>Providers have proposed that, as an alternative to reporting the proposed asset class characteristics while still meeting the intent of the standard, they report the level of investment risk and the investment risk label as is done currently under SRS 700.0.</p>
PHASE 1 – TOPIC PAPER 6 – INSURANCE				
19.	2.1	Granularity & linkages of data	All group policies will be reported individually. The data that will be collected:	Member election definitions have historically been based on internal business rules. Prior to the Protecting Your Super (PYS) legislation often the election process was relatively simple and generic.

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
20.	250.3 Table 2	Insurance premiums – 10 years' historical data	<ul style="list-style-type: none"> will enable the identification of which insurance policies provide cover to members within individual products and subsequent member coverage; and will provide information on aspects of member insurance choice, including whether members are retaining the cover they are provided with, or electing to increase, decrease or cease the cover all together. <p>APRA proposes to require premiums paid to the insurer and rebates received from the insurer to be collected and split by the period and type of cover to which the premium/rebate relates. It is proposed to collect up to 10 years of historical premiums paid.</p>	<p>It is likely that a number of providers may only be able to provide data with respect to default cover; increased cover and decreased cover on a 'best endeavours' basis.</p> <p>It will be challenging to provide 10 years' of data</p> <ul style="list-style-type: none"> it will be difficult for insurers (and trustees) to provide premiums and rebates by policy for a 10 year period because premiums can be determined at a higher level (umbrella across several policies) some providers have indicated that they would be able to provide an aggregate view, however, the granularity on the specific type of cover and adjustments made over a 10-year historical period would not be possible some provider have indicated that an audit trail based on aggregate premiums paid to insurers may be able to be provided providers have indicated that 5 years would be easier as many schemes remain in place for 5 years providers often have engaged multiple insurers and therefore the task of obtaining historical data is more challenging. For 10 years, trustees will likely need to collect data from several insurers.
21.	250.3 Table 2	Insurance premiums - granularity	<p>Premiums paid to the insurer and rebates received from the insurer to be split by the period and type of cover to which the premium/rebate relates.</p>	<p>Currently in 703.0 providers report this type of information for MySuper for ages 30 and 50.</p> <p>One provider has advised this will create an extremely large data set of approximately 285,000 rows with an increased risk of error.</p>

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
22.	251.2	Insurance claims – 10 years of historical claims paid	<p>This covers all products and all insurance and requires separate reporting for every age.</p> <p>Requires claims data to be collected separately for each group policy or cluster of individual policies. It is proposed to initially collect up to 10 years of historical claims paid. Claim duration is to be collected for both claims determined during the period and the claims that have been received but not finalised or have been withdrawn by the end of the reporting period (known as undetermined claims). 'Claims paid' refers to when the claim is actually paid to the member</p>	<p>Consideration could be given to limiting the ages for which this data is reported (for example age 20, 30, 40, 50, 60 and 70). As there is minimal difference between the premiums at individual ages this would meet the intent of the standard.</p> <p>Over time this data could be reported to the ATO as part of MAAS/MATS reporting.</p> <p>Providers generally do not maintain a claims database as this data is held by the insurer. Providers have indicated that the total number of claims paid could be provided, however, this information would need to be accessed directly from the insurers. The funds having to build out the ability to capture the split of claims will prove expensive.</p> <p>Granularity is an issue here as well.</p> <p>The 10-year historical period is also an issue given the likelihood of multiple insurers over this period.</p> <p>Given the requested level of insurance data over a 10 year period may not be readily available and is likely to involve a high degree of manual work, it is recommended there be more time for consultation. This could include industry workshops with APRA, to allow APRA to better understand the availability of the requested historical data and modify the SRS requirements as appropriate, which would allow funds to work towards meeting APRA's requirements in a timely manner that preserves value to members.</p>
23.	2.4	TPD definitions	<p>Information on which criteria were applied to members for each TPD claim, i.e. whether members are assessed by:</p> <ul style="list-style-type: none"> • own occupation definition; • any occupation definition; or • activities of daily living (ADL) definition. <p>The number and value of claims assessed under each criteria as well as the outcome of the claim is also proposed to be collected.</p>	<p>This information could be provided going forward, however, as previously there has not been a requirement to record these definitional differences. Accordingly, providers should only be required to provide the TPD definition at claim going forward and not required to report this data on an historical basis.</p> <p>In addition, there is a need for definitive guidance with respect to 'vulnerable members'.</p> <p>Another key area of concern is with respect to changes that are occurring as a result of the ASIC TPD review. Providers have indicated</p>

	REF	DATA ELEMENT	REQUIREMENT	COMMENTS
24.		Mergers & SFTs	In the FAQs APRA has only given high level guidance on the treatment of mergers and Successor Fund Transfers.	that APRA data reporting will need to be considered in conjunction with these changes. APRA should provide more granular advice - without clear guidance potentially the industry could adopt different approaches.
25.	Question 5		Question 5) What difficulties, if any, would there be from splitting bundle premiums if this was required and how could they be addressed?	For some providers premiums are bundled and it potentially would be an historical data issue for them.
26.		Reconciliation of data		A key issue that may evolve is the reconciliation of data between insurers and super providers and their administrators. Administrators may have coded insurance designs differently. The limited timeframe for implementation provides insufficient time for the industry to identify and understand any unintended consequences, especially bearing in mind that the industry is having to work through the implications of the life code; voluntary insurance in super code; ASIC's review of TPD and the Royal Commission recommendations.