



4 December 2013

To all RSE licensees

SUPERANNUATION REPORTING STANDARD SRS 711.0 SUPERSTREAM BENCHMARKING MEASURES (SRS 711.0): RESPONSE TO CONSULTATION

Background

In April 2013, APRA released a letter to all RSE licensees seeking comment on draft *Reporting Form SRF 711.0 SuperStream Benchmarking Measures* (SRF 711.0). Consultation on SRF 711.0 closed on Friday 6 May 2013.

At that time, APRA noted that the success of SuperStream is to be measured by conformance with the Data and Payment Standards (the Standards) issued by the Australian Taxation Office (ATO) in December 2012, the rates of straight through processing, reductions in cost of processing and improved data integrity of member details.

In developing a broad approach to benchmarking and evaluation of SuperStream, the ATO, APRA and Treasury had sought to identify a set of data items which would give insight on the extent to which key outcomes have been achieved. Wherever possible, these items were to be sourced from existing collections; in particular, APRA's regular quarterly and annual reporting forms, the ATO's Member Contributions Statement and the ASFA-ITM Core Member Details Benchmark.

SuperStream benchmarking metrics included in other reporting forms that are part of APRA's regular quarterly and annual collections that commenced on 1 July 2013 are:

- item 10.1 'administration expenses' on *Reporting Form SRF 330.0 Statement of Financial Performance* (SRF 330.0);
- item 1 'administration fees' on *Reporting Form SRF 540.0 Fees*; and
- item 1 'member account status', item 1.1 'active member account' and item 4.1.1 'member account with unique TFN' on *Reporting Form SRF 610.0 Membership Profile*.

Proposed SRF 711.0 was designed to collect, for a limited period, an additional small number of data items which would give insight to the rate of take up of the Standards and some of the direct consequences of their adoption.

Response to consultation on SRF 711.0

Three submissions, none of which were confidential, were received in response to SRF 711.0.¹

In light of matters raised in submissions from the industry associations, further discussions were held with the Association of Superannuation Funds of Australia (ASFA), the Australian Institute of Superannuation Trustees (AIST), the Financial Services Council (FSC) and Industry Superannuation Australia (ISA).

As the main purpose of the collection is to provide data for Treasury and ATO to use in benchmarking the impact of SuperStream, the final reporting standard, form and instruction guide reflects a shared view from Treasury, ATO and APRA on what is required.

Where appropriate, the agencies' views in response to issues raised in consultation are addressed directly in the attachment to this letter.

Implementation of SRS 711.0

As advised in APRA's letter to RSE licensees dated 24 May 2013, the agencies have decided to defer commencement of the collection under SRS 711.0 until the first quarter of 2014 -15. The first submission of data will therefore not be due until 28 October 2014. The data collection will be undertaken quarterly for five years.

Consistent with other quarterly data collections, data submitted under SRS 711.0 will not be required to be audited.

Yours sincerely

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¹ Submissions were received from Association of Superannuation Funds of Australia Limited, Australian Institute of Superannuation Trustees and Financial Services Council Limited and are available on the APRA website at <http://www.apra.gov.au/Super/Pages/Submissions-Draft-Superannuation-Reporting-Form-SRF-711-April-2013.aspx>.

Issue #1: Costings data methodology

A key issue raised in submissions was the methodology to be employed to arrive at costings data and, in particular, the treatment of capital costs, systems maintenance and the way in which staffing costs were attributed to relevant functions.

Submissions acknowledged that direct costings data would provide more nuanced information for the evaluation of SuperStream than would a simple record of average per capita administration fees charged to members. This is because cost savings facilitated by SuperStream may well be shared between administrators, RSE licensees and members.

Submissions suggested that, rather than having a standard costings methodology imposed, each entity should be permitted to use its existing methodology so long as this did not change for the intended five-year duration of the collection. While this would not provide a uniformly calculated cost base for relevant functions, it would permit changes in the cost base to be reported in a consistent manner over the period of the collection and would not impose significant costs on the industry.

Response

The agencies agree that it is sufficient, for the purposes of the evaluation, for entities to report the costs of inbound and outbound rollovers, and of contributions processing, according to their own methodology so long as that methodology is unchanged over the five-year duration of the collection. This will provide an aggregate view of changes in processing costs over time across the APRA-regulated superannuation sector. The requirement to maintain a uniform costing methodology over the period will be a factor that entities need to take into account in undertaking any successor fund transfer. APRA will undertake a one-off collection of information on the methodology applied in producing costings data for SRF 711.0. Whilst it has not yet been determined how this will occur, the preference is for a process under which entities voluntarily provide the relevant information to APRA supervisors; this could be supplemented if required by formal notices under the SIS Act in certain instances. The agencies consider that the approach adopted presents the most cost-effective option for collecting key data to enable an evaluation of the impact of the SuperStream measures.

Issue #2: Administrator role in providing costings data

Some concern was expressed that costings data would need to be obtained from administrators and could be considered commercial in confidence with regard to the RSE licensee. One possibility canvassed by submissions was that data could be provided to APRA by administrators on behalf of the RSE licensee, without the RSE licensee having access to it.

Response

The agencies do not accept this approach as it is RSE licensees which are legally required to report information to APRA under the reporting standards. Further, the cost of processing rollovers and contributions are only components of the overall administration function so the suggestion that this component should be considered commercial in confidence to the administrator is not compelling.

Issue #3: Costs by transaction type

Submissions canvassed whether the impact of the SuperStream reforms could be better assessed by determining the cost of each relevant transaction type, rather than focussing simply on the average cost of straight through transactions.

Response

The agencies accept this argument and thus SRF 711.0 has been amended to collect the total cost of processing each transaction type.

Issue #4: Straight through processing reporting

Respondents raised a general concern that questions in draft SRF 711.0 about the numbers of transactions subject to straight through processing could be taken to imply that the agencies sought to maximise the proportion of straight through processing, and any manual handling could be considered a failure of the SuperStream reforms.

Response

The agencies recognise that there will always be a role for human intervention in administrative functions, whether for quality assurance, fraud control or error remediation. However, SuperStream is expected to facilitate an increased proportion of transactions which could be processed straight through and hence is expected to reduce costs.

Issue #5: Defined benefits transactions

Respondents noted that transactions involving defined benefits were not explicitly addressed in draft SRF 711.0.

Response

SRF 711.0 has been amended to clarify the way in which contributions supporting defined benefit interests should be reported.