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Via email: superdatatransformation@apra.gov.au.

Dear Sir or Madam

CareSuper submission – APRA consultation draft Reporting Standard (SRS) 706.0 Fees and Costs Disclosed

Thank-you for the opportunity to provide a submission in relation to Topic Paper 7 on draft “Reporting Standard SRS 706.0 Fees and Costs Disclosed” (SRS 706.0). CareSuper has also taken this opportunity to provide pilot data to APRA in respect of this draft reporting standard SRS 706.0.

CareSuper fully supports the aim of draft SRS 706.0 to expand fees and cost disclosures to include choice products and options and provide enhanced information on key forward-looking drivers of member outcomes for all superannuation products.

However, we would like to provide feedback specifically in relation to the practical considerations of meeting the proposed draft reporting standard.

Our feedback is provided in line with the relevant Consultation questions: Fees and costs as detailed in Question 5 of APRA’s Topic paper:

Consultation Question 1: What difficulties, if any, may be caused by reporting data items on draft SRS 706.0 that allows reporting on both a current and transitional RG97 implementation basis? How could this be mitigated?

As outlined in Consultation Question 2, CareSuper is intending to transition to the new RG97 requirements during 2022. This means our SRS 706 disclosures for the 2022 annual APRA reporting will be aligned with the new RG97 requirements.

As funds will be transitioning to RG97 on different dates, CareSuper is concerned that the data published by APRA and that will be used by APRA to assess funds will be on different bases and will not provide meaningful comparisons. As it will not be providing a like for like comparison, there is the potential that it will provide misleading information for both members and the general public.

It will also be open to funds delaying the adoption of the new RG97 requirements in order to game the new reporting requirements.

Proposed change:

As funds have different transition dates for the implementation of the new RG97 regime, it is proposed that the publishing of data be delayed until all RSEs are under the same RG97 regime to enable a like for like comparison of fees and costs. This will mitigate any confusion that will arise in the interpretation of the data by both APRA and members as well any potential for funds to game the new reporting requirements.

Consultation Question 2 – When do you anticipate that you will complete the transition to the updated RG97 requirements?

CareSuper will transition across to the RG97 new requirements in the annual PDS update which is scheduled for 2022.

Consultation Question 4 – Are there any gaps or areas requiring further clarification?

OVERLAP WITH SRS 703.0 FOR MYSUPER PRODUCTS AND LIFECYCLE OPTIONS

We note that SRS 706.0 data requirements overlap with existing reporting standard SRS 703.0 for MySuper products and lifecycle options. We also note that APRA will consider granting exemptions from reporting these data items under existing reporting standards or, where relevant, discontinuing collection under an existing reporting standard, to the extent that new reporting standards duplicate data that is already collected.

Proposed change:

CareSuper supports the combining of SRS 706.0 and SRS 703.0 into one form in order to remove the duplication of reporting on the same information and to remove unnecessary complexity in the APRA reporting standards.

INCLUSION OF BUY-SELL SPREADS IN COST DISCLOSURE

It has historically been a feature of SRS 703.0 that buy-sell spreads of MySuper products have been included in information on fees and costs submitted to APRA.

It is our understanding that buy-sell spreads are not factored into APRA's assessment of the fees and costs that are charged by Trustees, for APRA's production of Heatmap reporting. This aligns to CareSuper's view that buy-sell spreads are not fees but are transaction costs borne only by individual members increasing or reducing their exposure to a product and therefore should not be taken into account in fund comparison data.

However, should our understanding not be in line with APRA's intentions in relation to Heatmap reporting, CareSuper would have material concerns with this approach.

DISCLOSURE OF FEES ON A NET OF TAX BASIS

It is noted that in the draft reporting standard instructions on page 2 states:

“the fees and costs must be reported prior to taking into account any benefit of a tax deduction relating to a fee that is passed on to a member either as a reduction in tax on contributions or through the deduction of a fee that is lower than what is reported to take account of the tax deduction”

It is the view of CareSuper that the reporting of fees on a gross of tax basis is not reflective of the true cost to members and allows funds that do not pass back to members the tax deduction on both fees and insurance premiums to be more favourably compared to funds that do provide this tax benefit to members.

As a result, PDSs do not represent a true reflection of the actual cost for a member to participate in that particular fund as compared to another RSE and has been a significant issue that has not facilitated true comparison.

Proposed change:

CareSuper proposes that APRA in its new draft reporting standard amend the basis by which fees are reported to better reflect the actual cost to members taking into account the impact of tax.

Consultation Question 5 – Feedback as outlined in item 3.1 Feedback sought on confidentiality proposals. Please ensure feedback is specific on which data items should remain confidential and any detriment to member or commercial interests.

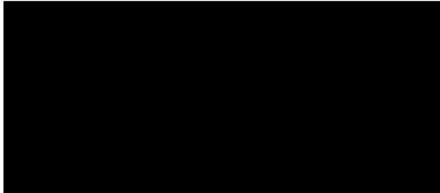
CARE Super Pty Ltd has always been very open and transparent in disclosing fees/costs through disclosure documents and reporting to APRA. However, we do have a concern in relation to the public disclosure of insurance fee data for CareSuper's corporate insurance arrangements. Insurance premiums for these groups are based on the risk profile of that employer sponsor/employer group and are therefore not applicable to other employers. These arrangements are also subject to confidentiality agreements with these employers.

Proposed Change:

While CareSuper supports the reporting of all insurance fee data to APRA on the form 706.0, we propose that insurance fee data for our corporate arrangements not to be published due to commercial interests.

Thank-you once again for the opportunity to provide this submission and the pilot data. If you have any questions, please do not hesitate to contact me on [REDACTED]. We would also welcome the opportunity to meet with you to discuss this letter further.

Yours sincerely



Chief Risk Officer