

April 2022

# Discussion paper - Superannuation Data Transformation Publications and Confidentiality

Public access to data on the outcomes the superannuation system is delivering is crucial to ensuring the market works for consumers. Increased transparency of superannuation data will help consumers better compare products, enable trustees to better compare themselves against the market and inform public discussion and debate about superannuation.

Super Consumers Australia strongly supports APRA's Superannuation Data Transformation project and the public disclosure of the data it receives. We welcome the proposals to publish more complete and consistent data on super funds, including granular product-level data. This will create a more competitive market for super and strengthen the capacity of regulators and consumers to hold the industry to account.

## Granular insurance data is welcome

In particular, we welcome the proposed 'step-change' in breadth and granularity in the publication of insurance data. Insurance in superannuation has been a key focus area for Super Consumers Australia and obtaining data on insurance in super has been valuable for our research and advocacy. Our experience has been that data on insurance in super is laborious to collate from publicly available information, and historical product data can only be acquired at significant cost. This data is important to assessing the performance of a critical part of the superannuation market. APRA's publication of more of this data will enable more efficient access to this information for everyone.

We strongly support the proposals to publish policy level data on claims outcomes, including claims loss ratios. Claims outcomes are a key indicator of the value insurance in superannuation is providing. Currently, claims information is sparse and broken down by the insurer rather than fund. In our work on the use of activities of daily living ('ADL') definitions, we were unable to determine each fund's own claims acceptance rate for ADL terms. Public regulator data was limited to industry wide data and very little fund insurance data was referred to in member outcome assessments. This restricted our ability to analyse funds on their own specific offering and make better assessments of the appropriateness of their products for their members. Granular data on costs, claims acceptance, denials, handling times and withdrawals,

for each type of insurance will help develop indicators and tools to assess the value of insurance provided through superannuation.

An example of the potential practical value of this data for consumers is through better comparison tools. Currently, ASIC's Moneysmart Life insurance claims comparison tool can be used to see the percentage of claims a life insurance company pays out, how long an insurance company takes to pay a claim and the number of disputes consumers have lodged about claims with an insurer. However, when choosing to view data through the superannuation fund sales channel it only lists the insurer and not the fund. Consumers rarely, if ever, know the insurer of their superannuation fund. This renders the comparison tool to be largely ineffective. APRA's data can be used by ASIC to update this tool for consumers to help them understand the claims outcomes for their insurance through superannuation.

### **Recommendation**

- The Moneysmart life insurance claims comparison tools are updated to better enable consumers to compare claims experiences for insurance in super.

### Data access considerations

To assist with the use of this data we encourage APRA to consider file format, accessibility and disclosure.

#### File format

We welcome APRA's recent use of .csv files for heatmap data release. They are much easier to analyse than the previous Excel releases, which are heavily formatted for readability. We consider .csv an appropriate format for the new data sets as it is language agnostic, easily accessible, relatively compact and fast to transfer.

Given the potential size of some data sets, it may be useful to provide other formats, such as Apache Parquet, which are still language agnostic but more compact.<sup>1</sup> If APRA is considering the inclusion of type metadata, Parquet and formats like sav (SPSS) and dta (Stata) are also worth considering as compliments to .csv files.

#### Accessibility

In order to enable easy and consistent access APRA should publish all granular data sets on its website using fixed URL's. We strongly urge APRA to provide a public API for all releases, as the ABS does, to ensure users can easily access up-to-date data. The ABS API has enabled

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<sup>1</sup> <https://databricks.com/glossary/what-is-parquet>

users of popular programming languages such as R to create custom packages that allow for fast and easy access to ABS data sets in their preferred data structure with minimal code.<sup>2</sup>

We understand APRA is considering a registration system in order to track usage and elicit feedback from users. Registration is not incompatible with an API, as API keys could be distributed to authorised users and APRA may consider a hybrid system with rate limited requests for anonymous users.

However, we believe a voluntary approach, such as a subscription to a mailing list where subscribers provide basic organisational data, would allow APRA to largely achieve the same goals as compulsory registration, without the drawback of providing a barrier to access. In addition, a moderated user forum, hosted on the APRA site, would be an effective way for data users to communicate issues and suggest enhancements.

## Disclosure

We welcome APRA's intention to publish a data model for its granular releases. This will allow users to efficiently join different data sets. APRA should consider user testing the information provided to ensure it meets user needs. In addition, an online, searchable data dictionary which provides definitions and attributes of variables for all granular releases, based on the information in the relevant reporting forms, would be a significant time saver.

## Recommendations

- APRA publish all granular datasets as flat .csv files on it's website using fixed URLs
- APRA provide a public API for all data releases
- APRA provide a user tested data model for granular data sets
- APRA provide a online searchable data dictionary

## Timing

A lack of transparent and complete data in the superannuation sector has been a recognised problem for some time. The Productivity Commission noted in 2018 that 'super has been a large and compulsory public policy endeavour, yet there is remarkably little publicly available data on the outcomes that individual members are actually experiencing'.<sup>3</sup>

APRA's Superannuation Data Transformation is intended to address this issue. We welcome the work done to date but note that there have been delays and revisions to the proposed timeline

<sup>2</sup> <https://github.com/MattCowgill/readabs>

<sup>3</sup> Productivity Commission (2018) "Inquiry Report: Superannuation, Assessing Efficiency and Competitiveness", p. 27

at various points. This means industry has already been provided a generous amount of time to prepare for these changes. We urge APRA to stick to the proposed timeline in the discussion paper, to ensure that increased transparency in superannuation data is achieved this year.

We understand part of the rationale for the staggered release of data is to enable users to undertake discovery of the granular datasets and provide feedback about refinements or adjustments that would help make the data more useful. We support this approach, as opportunities to use data are largely unknown until the data sources themselves are better known. In addition, it is not clear how APRA will aggregate data as a result of deciding that certain fields will not be published. This makes it even harder to know precisely what the granular datasets will contain and how they could be used.

Beyond this initial staggered release of data, we would support an approach that enables users to request additional data that may not be published. This is common in other regulatory and government datasets. The ATO have made datasets available on request both publicly and for specific purposes. Data that is confidential is often de-identified or released under strict reporting obligations.

## Recommendations

- APRA provide the ability to request data for research purposes

## Almost all data should be publicly available

We support APRA's general approach of maximising the amount of data to be determined as 'non-confidential' and for this data to be released publicly.

We understand that APRA will make data and insights available, subject to privacy obligations, when it considers that the public benefit outweighs any detriment to the commercial interests of entities and individuals that it supervises. It is important to note that funds are required to act in the best financial interests of members. In these circumstances, commercial interest is not itself a relevant factor and is only of relevance if the harm to the commercial interest leads to unavoidable member harm. Where APRA is of the view that there will be harm to member interests from publishing data, this must be clearly articulated and ideally backed by credible and persuasive evidence.

## Investments

Super Consumers Australia understands that certain asset class details are proposed to be made confidential while this information is reported on a best endeavours basis. When the best endeavours period ends we see value in APRA making public plans to ensure reliable data can

be publicly released. We support publishing as much detail on asset classes as possible, unless doing so will lead to clear and unavoidable harm to member interests.

The publishing of investment asset class characteristics will allow for better scrutiny of funds portfolio holdings. The proposed collection operates on a look-through basis which goes further than required by Portfolio Holdings Disclosure (PHD) regulations, which stop at the first related party. 'Look-through' data is valuable for transparency and performance attribution. For example, there is evidence that favourable asset selection contributes to outperformance in a subset of super funds.<sup>4</sup> Greater transparency could improve key stakeholder understanding of how outperformance is achieved, help the market implement these learnings and ultimately improve outcomes for members.

### Recommendation

- APRA should publish investment asset class characteristics (1-3) at option level once the best endeavours reporting period has concluded.

### Custom fee arrangements be made public

APRA has proposed that the fee arrangements will be made public but not which sub set of members to which these arrangements apply. Fees have a substantial impact on the retirement income of superannuation members. Some members are in funds with a custom fee arrangement which is different to other members in the same fund. We understand that custom fees may apply to certain members via their employer negotiating a deal with the fund. There is currently no public transparency over these arrangements, so what APRA is proposing to release is a positive advance, but further steps could be taken.

Transparency about which members are receiving custom fee arrangements strengthens the information available to employers when they are negotiating with funds. Given employers play a key role in choosing super funds for many members, there is a clear benefit to members from strengthening an employer's negotiating position. This can lead to market wide reduction in fees.

Members should also be aware if their own fund and other funds are providing custom fee arrangements to certain cohorts. Easier access to this data has the ability to facilitate more informed switching. For example, it could enable the development of more sophisticated and personalised comparison tools. As a result, a member may find they would be eligible for a custom fee arrangement in their own or another fund.

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<sup>4</sup> Productivity Commission (2018) "Inquiry Report: Superannuation, Assessing Efficiency and Competitiveness", p. 130-131

Additionally, scrutiny over custom fee arrangements will allow regulators, consumers and industry to see if some members are paying amounts way above what those on custom fee arrangements are getting. For example, we are aware of situations where consumers are paying above market average fees after leaving an employer and losing the benefits of employer discounts.<sup>5</sup> Making public more information about custom fee arrangements and how they apply could expose evidence of potentially harmful cross-subsidisation. Evidence of this is worthy of interrogation to ensure the best interests of the membership as a whole is being preserved.

### Recommendation

- Custom fee arrangements and the members they apply to should be published.

### Disclosure of expenditure on service providers

As a principle we see value in disclosure of the costs associated with individual service providers. Each of these costs can have a significant impact on member outcomes. Transparency will help regulators and other key stakeholders identify inappropriate expenditure which is out of step with member needs.

### Disclosure in markets with potential competition issues

We understand industry concerns around the impact of disclosure on members, particularly in markets that lack robust competition. For example, publishing detailed information about custodian fees has been used as an example of a market with limited providers and commercially sensitive pricing arrangements, where disclosure may further weaken the bargaining power of trustees.<sup>6</sup> Custodians may be incentivised to charge higher fees to trustees in the knowledge that other buyers of their services may use this disclosed information to inform price negotiations. There is potential that in markets with dampened competition, limited cost disclosure may have adverse price impacts. This same dynamic is unlikely to play out in more competitive markets where participants have even bargaining power. APRA should consider these market dynamics when deciding what should be disclosed and lean on the experience of their regulator peers with competition mandates for assistance.

Due to the limited number of providers and barriers to entry, trustee administration is another market with potential competition issues. Currently the relationship between a particular fund

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<sup>5</sup> AMP CustomSuper® | Plan no. 01006258 - [Scentre Group Superannuation Plan](#), “If you leave your employer some of these special benefits may change, including the large plan discount and your insurance cover.”

<sup>6</sup> CareSuper submission to APRA consultation draft Reporting Standards (SRS) 332.0 Expenses, 13 November 2020

and its administrator is already publicly available through fund annual reports. In these circumstances, we expect that APRA will publish at least as much data as can be obtained from these annual reports.

If this data is aggregated before publication, we urge APRA to enable access to this kind of granular data on request for research purposes. Productivity Commission analysis of confidential APRA data on administration service expenses indicates that funds that use associated providers (mostly but not exclusively retail funds) have higher median administration expenses (per member account) than those that use non associates.<sup>7</sup> This is the type of finding that has an important public interest justification for its release. Release of this information is likely to place scrutiny on funds to find a better deal to ensure they are providing value for their members.

Poor competition should not be used as an excuse for non-disclosure. These types of market dynamics are indicators of the need for regulator intervention to improve competitive outcomes. Where APRA is confronted by competition pricing issues it should work with its competition regulator colleagues to resolve them. To achieve this, where APRA comes to the conclusion that disclosure may harm member interests it should release a clear explanation of the relevant market dynamics and the expected harm to member interests. This will assist policy makers in resolving the competition issues faced, or focus the attention of regulators to use their existing toolkits to fix the problems identified.

### Disclosure in other markets

There would be significant value in greater transparency of fund expenses in competitive markets, like those for marketing and distribution services. APRA's recent review of fund expenditure raised questions about how marketing and distribution expenditure benefits members and this has been an area of continued public scrutiny through the Royal Commission and parliamentary hearings.<sup>8</sup> The level of scrutiny that can be applied to this type of expenditure is limited by the lack of available, comparable information on expenditure. Disclosure is likely to lead to greater rationalisation of expenditure and better justification from trustees.

### Recommendation

- Unless there will be consumer harm, APRA should disclose individual service provider costs.
- Where APRA is satisfied that disclosure will lead to consumer harm and APRA decides against disclosure, APRA should clearly articulate its reasons for coming to this conclusion. This will focus the attention of policy makers and competition

<sup>7</sup> Productivity Commission (2018) "Inquiry Report: Superannuation, Assessing Efficiency and Competitiveness", p348

<sup>8</sup> Findings from APRA's superannuation thematic reviews,

<https://www.apra.gov.au/findings-from-apra%E2%80%99s-superannuation-thematic-reviews>,

<https://www.investmentmagazine.com.au/2021/06/expenditure-inconsistencies-and-tie-ups-raised-at-senate-hearing/>

regulators on addressing these underlying competition issues.