



19 May 2022

General Manager
Data Analytics & Insights
Risk and Data Analytics Division
Australian Prudential Regulation Authority
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Dear Sir/Madam,

Submission to APRA Discussion Paper: Superannuation Data Transformation Project Phase 2

The Actuaries Institute ('the Institute') welcomes the opportunity to comment on the scope outlined in the APRA Discussion Paper *Superannuation Data Transformation Project Phase 2* dated April 2022. Actuaries are experts in dealing with complexity, risk and data, and the Institute is the sole professional body for actuaries in Australia.

The Institute is supportive of APRA's mission through the Superannuation Data Transformation (SDT) project to ensure all stakeholders have access to high quality and consistent superannuation data to assess industry performance and the outcomes delivered to superannuation members. Implemented appropriately, the SDT project will allow actuaries and other stakeholders to use data for good to support data-driven decisions which enhance superannuation member outcomes.

We support the process and timing proposed in the Discussion Paper for the Phase 2 'Depth' SDT consultations with three distinct consultation periods, and the opportunity to comment on specific 'topic papers' between September 2022 and June 2023 as APRA seeks to improve the coverage, quality and granularity of data collection.

Our specific comments in this submission relate to two potential topics for inclusion in scope for Phase 2 of the SDT project which we believe will provide deeper insights into an RSE licensee's business operations and a better understanding of the outcomes delivered to members. We recommend that:

- (a) financial data collected by APRA on reserves should be extended beyond use of reserves, to include other aspects of reserves, thereby encouraging consistent reserve measurement; and
- (b) APRA should collect data on the way in which RSE licensees make allotments to member accounts.

Details about these two recommended topic scope extension suggestions which are aimed at enhancing RSE comparability are set out in the Appendix to this submission.

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Should you wish to discuss this submission or require further information please contact Tim Jenkins, Chair of the Institute's Superannuation and Investments Practice Committee, at timothy.jenkins@mercer.com.

We look forward to further engagement with APRA during the proposed SDT consultation periods.

Yours sincerely,

Annette King
President



APPENDIX

Potential Topics for Inclusion in Scope for SDT Phase 2

Financial data; including reserves (not just use of reserves)

The Corporations Regulations require that a superannuation fund disclose:

- details of movements in reserves during recent reporting periods that, in total, constitute at least 3 years (Sub-regulation 7.9.37 (k)); and
- the trustee's management strategy in relation to reserves (sub-regulation 7.9.37 (m)).

We observe that trustees interpret these provisions in different ways which can result in invalid or misleading comparisons or understanding of fund provisions. Our [submission](#) to ASIC in August 2016 refers. Variations in what is treated as a reserve, or variations in reported movements, can have a significant effect on the disclosure of investment performance and (in some cases) fees and costs.

If APRA collects and analyses additional data on reserves (not just use of reserves) we would expect the quality of information disclosed will be improved with greater consistency and fund comparability will be enhanced, improving member outcomes.

Member outcomes; Allotment of earnings to member accounts

Sub-regulation 7.9.37 (l) of the Corporations Regulations requires that superannuation funds disclose the manner in which allotments to members' accounts have been determined.

We observe that trustees interpret the provisions of sub-regulation 7.9.37 (l) in different ways which can result in invalid or misleading comparisons or understanding of fund provisions. Our [submission](#) to ASIC in August 2016 also refers to this. For example, in some cases transfers to and from reserves are treated as investment costs and impact reported net returns on investments, whereas in reality such transfers may impact crediting or allotment rates but should not reduce net investment returns.

Examples of member allotment information that could usefully be collected and published are:

- whether a fund uses unit prices or crediting rates;
- usual frequency - daily, weekly, monthly or yearly;
- use of 'soft' unit prices or 'interim' crediting rates;
- allotments net of:
 - (i) investment fees only, or
 - (ii) investment fees and costs, or
 - (iii) investment fees and costs and tax.

Information such as that above is not currently collected even though member allotment methodology is an important component of member outcomes.

The Institute believes that if APRA were to collect and publish information about fund member allotment practices this would establish greater comparability between funds. The resultant improved quality of data and consistency between funds would then assist the entire industry, including regulators and service providers, to develop enhanced reporting to members.