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Via email: superdatatransformation@apra.gov.au

12 May 2022

Subject: **Superannuation Data Transformation (SDT) Consultation – Phase 2 Scope and Approach**

Dear Ms Bliss

Thank you for the opportunity to provide feedback on APRA's proposals for the objectives, scope and consultation process for Phase 2 of the APRA Superannuation Data Transformation (SDT) project.

1. Limited insight into proposed new data collections

The consultation material is helpful in outlining the proposed consultation timeline and the broad topics to be covered.

However it provides very limited insight into the amount and types of new data to be proposed for collection under each broad heading, other than stating that the reporting standards introduced under Phase 2 will *“greatly enhance the coverage, quality and granularity of information that is reported to APRA by RSE licensees”*.

As a result, industry is not able to make any informed assessment of the key determinants of the work effort that may be required to assess, provide input on and implement Phase 2 proposals – in particular whether proposed new data points are readily available and straightforward to extract, or whether substantial work is required to create the data, or to obtain the data from other sources and convert it to a format that can be readily utilised for reporting.

Therefore, in our view, the Discussion Paper does not provide sufficient information for stakeholders to provide feedback on consultation questions such as:

- whether the sequencing and grouping of topics is likely to make it manageable for industry to provide well-considered comments on each of the proposed three consultations
- whether any of the topics require different lead times for implementation
- the financial impact of the proposed collection for use in a cost-benefit analysis

2. Opportunities for stakeholder input

Mercer welcomes the proposals for a range of stakeholder engagement avenues, including working groups for specific topics and a higher-level strategic project stakeholder forum, and we look forward to contributing to the Phase 2 consultations through the various forums.

3. Timing of consultations

As noted above, whether or not the proposed sequencing and grouping of topics is likely to be manageable for industry will principally depend on the amount and types of new data to be proposed for collection in each release.

We submit that APRA should reassess whether the size of each release is appropriate after it has developed its proposals on the new data items to be collected and obtained initial input from the pre-release informal engagement with industry as to the complexity and magnitude of the proposals.

For example, such assessments might lead to four Phase 2 releases rather than three, with the consultation period also extended as considered appropriate.

APRA's recognition of the limited capacity for industry to engage with consultations in the peak annual reporting period is very welcome. However **we recommend**:

- APRA's consultation black-out period be the whole reporting period of July to end-September, rather than only August to mid-September.
- Ideally this would extend to the activity of the working groups and APRA's proposed informal consultations leading up to each release.

We also note that the proposed consultation period for Release 2 includes the December-January holiday period. This will affect the availability of key staff to contribute to analysis of the proposals, both due to absences on leave and the need to focus on December quarter APRA reporting after returning from leave in January.

We therefore recommend that, if the consultation period for Release 2 does include the December-January holiday period, either the consultation period be extended by a month or the size of the consultation be reduced to make it manageable in the period available.

4. Timing of implementation

We welcome the comments in the Discussion Paper that:

- APRA will consult on the implementation dates for proposed reporting standards under each topic paper.
- Recognising that some data will be new or significantly changed, APRA will consider the appropriateness of proposing an iterative implementation approach for some topics, with initial reporting on a best endeavours basis and feedback and submissions analysed to clarify the proposals prior to finalising the reporting standard.

In this context, the reference in the timeline graphic on page 12 of the Discussion Paper to implementation of Release 1 and 2 proposals 'from 1 July 2023' was highly concerning. We welcome APRA's clarification at the roundtables that:

- this means the first reporting periods under the new standards would not start earlier than 1 July 2023; and
- later start dates are likely for new or amended standards requiring significant amounts of new data and/or data items that require longer lead times to implement.

We also urge APRA to place the first priority on removal of redundant reporting standards and removal of duplicate reporting of data items. This will free up resources to focus on completion of the Phase 1 implementation, as well as Phase 2 consultations.

5. Pilot data collection

We agree with APRA's view that, while mandatory pilot data collections impose a significant burden on industry, pilot data collections can provide valuable insights, particularly for new data points.

We support APRA's proposal to consider the following principles when considering how to approach the pilot collections in Phase 2:

1. Degree of change from existing collections is medium/high
2. Pilot forms will be made available in APRA Connect but may not be mandatory for all entities for all proposed collections
3. Appropriateness of a sample group of entities to pilot collections
4. Appropriateness of using subset or sample of data is sufficient
5. Appropriateness of extended timeframes (beyond the consultation period) for submission of pilot data

We submit the main emphasis in Principle 1 should be on the extent and complexity of new data items.

We would also urge strong consideration of Principle 4 to reduce the burden on industry, particularly for complex funds such as master superannuation trusts, where collection of sample data for a subset of the fund is likely to be much more manageable for the entity and equally effective in identifying practical issues with the proposals.

We submit that APRA should be open to proposals from funds regarding submission of pilot data for a representative subset of the fund rather a complete collection for the whole fund.

6. Cost-benefit analysis

We strongly agree that the data collections should satisfy a cost-benefit analysis.

We note APRA comments at the industry roundtables to the effect that APRA is aiming to ‘future-proof’ the data collection, which may involve collecting data to ‘answer questions that haven’t even been asked yet’.

We query how collection of data with no anticipated use could satisfy a cost-benefit analysis.

One exception might be where the data is readily available and can be provided at little additional cost. It could be argued that such collections provide insurance against the cost of a future amendment to the data collections to add such items.

However, where the costs involved are not insignificant, **we submit** that APRA should not impose collection costs on super fund members for data for which it has no definite need.

We recommend that any APRA proposals for collection of new data items in Phase 2 identify the purpose of the collection (i.e. what APRA intends to use it for) and the level of importance of APRA having that data. This will provide added transparency and enable stakeholders to consider and provide feedback on the practicality, cost and implementation timeframes of the proposals (and any potential alternatives) taking into those factors.

We would be happy to discuss this submission at your convenience.

Yours sincerely,

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