



Response to Submissions

Reporting Standards for Superannuation (SRS 700.0, SRS 702.0 and SRS 703.0)


6 September 2013

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Preamble

The Government has recently implemented a range of measures to support the delivery of better outcomes for members and their employers. These include enhanced disclosure and reporting obligations for RSE licensees.

On 1 July 2013, APRA released for consultation three reporting standards to support these enhanced disclosure and reporting obligations. These reporting standards were:

- *Reporting Standard SRS 700.0 Product Dashboard* (SRS 700.0) (applying to MySuper products only);
- *Reporting Standard SRS 702.0 Investment Performance* (SRS 702.0) (applying to MySuper investment options and select investment options); and
- *Reporting Standard SRS 703.0 Fees Disclosed* (SRS 703.0) (applying to MySuper products only).

Consultation closed on Friday 19 July and 13 submissions were received.

This paper describes APRA's response to the main issues raised in submissions on SRS 700.0, SRS 702.0 and SRS 703.0 and outlines the final reporting requirements. Final versions of the reporting standards, reporting forms and reporting instructions are released with this paper.

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Glossary

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| ASIC | Australian Securities and Investments Commission |
| Corporations Regulations | <i>Corporations Regulations 2001</i> |
| PDS | product disclosure statement |
| RSE | registrable superannuation entity as defined in s. 10 of the SIS Act |
| RSE licensee | a constitutional corporation, body corporate, or group of individual trustees, that holds an RSE licence granted under s. 29D of the SIS Act. |
| SAA | strategic asset allocation |
| SIS Act | <i>Superannuation Industry (Supervision) Act 1993</i> |
| SRS 533.0 | <i>Reporting Standard SRS 533.0 Asset Allocation</i> |
| SRS 700.0 | <i>Reporting Standard SRS 700.0 Product Dashboard</i> |
| SRS 702.0 | <i>Reporting Standard SRS 702.0 Investment Performance</i> |
| SRS 703.0 | <i>Reporting Standard SRS 703.0 Fees Disclosed</i> |
| Super System Review | <i>Review into the Efficiency, Governance, Structure and Operation of Australia's Superannuation System</i> |

Executive summary

The Government's response to the recommendations of the *Review into the Efficiency, Governance, Structure and Operation of Australia's Superannuation System* supported the delivery of better outcomes for members and their employers through a range of measures. These include enhanced disclosure and reporting obligations for RSE licensees.

On 1 July 2013, APRA released for consultation three reporting standards to support these enhanced disclosure and reporting obligations.

The three draft reporting standards covered reporting related to disclosure: the MySuper product dashboard, product disclosure statement fees and costs, and investment performance. Submissions on these draft reporting standards were broadly supportive of APRA's proposed approach to enhance consistency in reporting and disclosure across the industry, noting the intent to support the Government's decisions on the product dashboard and product disclosure statements.

The submissions, however, raised some issues for further consideration by APRA. The two major themes expressed in the submissions concerned lodgement timeframes and uncertainty about what information will appear in APRA's statistical publications.

APRA is not altering lodgement timeframes but is maintaining its existing process for entities seeking adjustment to the lodgement timeframes for a particular form. Where an entity considers that it cannot meet the lodgement timeframe it should contact APRA Statistics. This request should identify the specific items that cannot be reported by the required date. Such requests will be considered according to the entity's specific circumstances.

With regards to APRA's statistical publications, APRA will consult in the near future on the publication of the information reported to it under the new reporting requirements. Industry stakeholders will have an opportunity to comment on the contents of the publications at that stage.

Submissions also broadly requested further guidance on a number of matters. APRA has created *Reporting Practice Guide 700 Superannuation Disclosure Reporting*, which includes worked examples and guidance to assist entities to complete *Reporting Form SRF 700.0 Product Dashboard*, *Reporting Form SRF 702.0 Investment Performance (SRF 702.0)* and *Reporting Form SRF 703.0 Fees Disclosed (SRF 703.0)*.

Specific issues raised on the reporting forms were mostly technical in nature or indicated areas of ambiguity in the instructions. APRA has updated the instructions to address these issues. The enhanced feedback has improved the clarity of the instructions and will improve the comparability of information reported on these forms.

One key area where APRA has changed the reporting requirement is in relation to insurance premiums on SRF 703.0. Submissions suggested that greater detail should be reported to APRA in order to better reflect the features in insurance arrangements that may lead to variation in insurance premiums. Item 6 of SRF 703.0 has been updated to respond to this feedback.

APRA has decided to initially apply SRF 702.0 to MySuper products only, and consult further with industry regarding appropriate investment performance reporting for select investment options. This consultation will likely occur once the Government's position on the choice product dashboard is settled. APRA also expects to re-consult on *Reporting Standard SRS 533.0 Asset Allocation* for select investment options at the same time, to allow consideration of reporting about the asset allocation and investment performance of select investment options at the same time.

Chapter 1 – Introduction

The objective of APRA's data collections and publications is to support APRA's prudential supervision and provide appropriate transparency and disclosure in relation to the operations of the industries it regulates. Achievement of these objectives benefits all industry stakeholders.

The Government's response to the recommendations of the *Review into the Efficiency, Governance, Structure and Operation of Australia's Superannuation System* (Super System Review) supported the delivery of better outcomes for members and their employers through a range of measures. These include enhanced disclosure and reporting obligations for RSE licensees.

On 6 June 2013, APRA released 32 final reporting standards for superannuation. The letter that accompanied those reporting standards foreshadowed the release of draft *Reporting Standard SRS 700.0 Product Dashboard* (SRS 700.0), *Reporting Standard SRS 702.0 Investment Performance* (SRS 702.0) and *Reporting Standard SRS 703.0 Fees Disclosed* (SRS 703.0) for consultation. These three draft reporting standards were released for consultation on 1 July 2013. The 13 submissions received on these three standards were broadly supportive of APRA's proposed approach to enhance consistency across the industry, noting the intent to support the Government's decisions on the product dashboard and product disclosure statements. The submissions raised some issues for further consideration by APRA.

Chapters 2, 3 and 4 discuss issues raised in relation to the product dashboard, investment performance, and disclosed fees and costs, respectively.

APRA will determine final versions of SRS 700.0, SRS 702.0 and SRS 703.0 (as released with this paper) before the end of September 2013. SRS 702.0 commences on 30 September 2013, with the first data due to be submitted by 28 October 2013. SRS 700.0 and SRS 703.0 commence on 31 December 2013 with the first data due to be submitted by 28 January 2014.

1.1 Legislative context

The *Corporations Regulations 2001* (Corporations Regulations) were amended on 28 June 2013 to include new requirements for the product dashboard for MySuper products. These requirements include provision for reporting standards relating to MySuper products to specify some of the detail underlying the calculation methodologies for the dashboard.

In addition, the effect of s. 29QC of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) is that APRA's definitions can apply in the context of other RSE licensee disclosure obligations. It is important that APRA's reporting requirements are consistent with the required content of product disclosure statements (PDSs) as specified in the Corporations Regulations. The 28 June 2013 amendments to the Corporations Regulations updated the PDS fees and costs table requirements for superannuation products, and APRA's reporting requirements need to align with these revised requirements.

1.2 Approach to providing guidance

Submissions raised a number of issues about the challenges reading and understanding the requirements of the product dashboard and PDS in the Corporations Regulations and their alignment with the definitions in the reporting instructions.

APRA considers that further guidance will assist entities when complying with their reporting obligations and in understanding how APRA's reporting requirements align with the product dashboard and PDS regimes. APRA has therefore issued *Reporting Practice Guide 700 Superannuation Disclosure Reporting* (SRPG 700) to explain the reporting requirements in SRS 700.0, SRS 702.0 and SRS 703.0.

Chapter 2 – General issues raised in submissions

In addition to the detailed feedback provided on each of the draft reporting standards, submissions also raised some over-arching issues about APRA's proposed approach. These are outlined below, together with APRA's response.

2.1 Commencement, frequency and due dates

APRA proposed that, once finalised, SRS 700.0 and SRS 703.0 would commence on 31 December 2013, in line with the commencement provisions for the MySuper product dashboard and the PDS requirements for MySuper products, respectively. SRS 702.0, however, was proposed to commence on 30 September 2013 to collect investment performance information about MySuper investment options from 1 July 2013.

2.1.1 Lodgement concerns

Under the new superannuation data collection finalised on 6 June 2013, APRA now requires quarterly forms to be submitted 28 days after the end of the reporting period and annual forms to be submitted four months after the end of the reporting period (until 30 June 2015) and three months after the end of the reporting period (from 1 July 2015 onwards).

Comments received

Submissions reiterated issues raised in previous submissions on APRA's proposed data collection about the difficulties involved in complying with a short lodgement timeframe. Submissions indicated that it is likely that a significant proportion of industry will experience difficulties in lodging *Reporting Form SRF 702.0 Investment Performance* (SRF 702.0) by the due date of 28 October 2013 because the collection of investment performance reports from fund managers, custodians and asset consultants is an extensive, detailed, resource-intensive process and the final reporting requirements would not be available until towards the end of the reporting period.

APRA response

APRA has granted a two-year transition period for the submission of annual data. Allowing the current four-month timeframe to remain in place until 30 June 2015 allows entities to adjust their processes

over time. As such, APRA does not intend to further adjust the annual lodgement requirements.

For the quarterly reporting dates, APRA recognises that it is likely that entities will experience some challenges in fully meeting their compliance obligations under the reporting standard.

APRA is maintaining its existing process for entities seeking adjustment to the lodgement timeframes for a particular form. Where an entity considers that it cannot meet the lodgement timeframe, it should contact APRA Statistics. This request should identify the specific items that cannot be reported by the required date. Such requests will be considered according to the entity's specific circumstances. APRA intends to adopt the same approach in respect of compliance with the three new reporting forms.

2.1.2 Start date in the reporting standards

SRS 700.0 requires RSE licensees to report information about MySuper products that are authorised after 31 December 2013.

Comments received

Submissions sought clarification on the operation of this requirement in SRS 700.0.

APRA response

Paragraph 8(c) is designed to require an RSE licensee to report information to APRA within 28 days after the product is authorised. This approach was taken on the basis that the authorisation date is known both to APRA and the reporting entity, making it an appropriate date on which to base a reporting requirement. The Corporations Regulations require an RSE licensee to have a product dashboard for each MySuper product. The regulations are not specific regarding the commencement of this requirement. APRA considers that, although publication of the product dashboard on the website may occur later when the product is offered, reporting to APRA as at the authorisation date is appropriate. Given that most of the items on the product dashboard will be provided to APRA in draft form as part of the authorisation application, APRA does not view it as a large burden on an RSE licensee to report the final product dashboard information required by SRS 700.0 to APRA within 28 days of authorisation.

2.2 Audit requirements

In its *Response to Submissions: Reporting standards for superannuation*, released on 28 March 2013, APRA outlined the audit requirements for each of the final reporting forms, including *SRF 702.0* and *Reporting Form SRF 703.0 Fees Disclosed* (SRF 703.0). APRA's view was that a limited assurance review of forms relating to MySuper products was appropriate as RSE licensees are still working to embed MySuper products within existing structures and processes. The response paper noted that APRA's ultimate intention, however, was that these forms will be required to be audited on a reasonable assurance basis.

SRF 702.0 and SRF 703.0 have therefore been listed in Attachment B to *Prudential Standard SPS 310 Audit and Related Matters* and must be reviewed on a limited assurance basis. *Reporting Form SRF 700.0 Product Dashboard* (SRF 700.0) is not subject to any specific audit requirements.

2.3 General feedback about the product dashboard requirements

Submissions also raised a number of issues regarding the requirements located in the *Corporations Act 2001* and the Corporations Regulations. These included:

- suggestions that the 'level of investment risk' item should be renamed as 'level of investment volatility'; and
- queries regarding how the product dashboard will apply to choice products.

APRA considers that these are matters for Government and has not addressed them in the final reporting standards.

Chapter 3 – MySuper product dashboard

Draft SRS 700.0 included items covering the elements required to be included on the MySuper product dashboard. Draft SRS 700.0 reflected feedback from previous consultation with industry and discussions with the Government and ASIC and aligned with the new provisions in the Corporations Regulations.

3.1 Definition of representative member

For the product dashboard requirements on SRF 700.0 and the calculation of the net return on SRF 702.0, a representative member is used to convert flat dollar fee amounts into percentages. The representative member is consistent with the updated example of annual fees and costs for MySuper products in the 28 June 2013 amendments to the Corporations Regulations (cl. 211 of Schedule 10). The updates to cl. 211 of Schedule 10 remove the \$5,000 contribution from the example for a MySuper product. As outlined in the instructions to draft SRF 700.0 and SRF 702.0, a representative member is a member who is fully invested in the MySuper product, incurs no activity fees, and has a \$50,000 balance at the end of the period with no contributions.

Comments received

Submissions sought greater clarity on how the representative member concept should be practically applied for the purposes of reporting to APRA. Issues raised included whether the balance is meant to be cumulative (i.e. the balance changes with investment returns over the course of the year) or a flat \$50,000.

APRA response

APRA's intention is that the balance should be a flat \$50,000 throughout the period without any compounding. To assist RSE licensees undertaking the calculation where percentage-based fees apply, APRA has included worked examples in SRPG 700.

3.2 Basis for the return target

Draft SRF 700.0 proposed that the basis of the return target would be an annualised estimate of the percentage rate of net return that exceeds the growth in the CPI over 10 years.

Comments received

Submissions indicated that there are a range of practices across the superannuation industry for setting investment objectives and return targets. Several submissions noted examples where the return target is based on a specific percentile of the RSE licensee's estimated distribution of future returns e.g. the 65th percentile. Submissions asked whether APRA expected RSE licensees to change their existing approaches to calculating investment objectives. Several submissions interpreted the definition of net return to imply the median (50th percentile) was to be used, and indicated that this was inappropriate.

APRA response

APRA's intent is that the return target is a forward-looking estimate of what the RSE licensee expects the MySuper product to earn over a 10-year period. In order to generate this type of estimate, an RSE licensee could apply a statistical distribution of future net returns above CPI growth with the mean of such a distribution to be used to estimate the net return. The mean is a standard statistical measure of the expected value of a distribution.

In light of this, APRA acknowledges that the median would not be the most appropriate measure to use. Similarly, although APRA accepts that some RSE licensees describe the return target to members as a percentile of the distribution, a percentile would also not be an appropriate measure. APRA has therefore decided to require the return target to be reported as the mean.

The instructions to SRF 700.0 now indicate that the return target to be reported is the mean of the distribution of estimated net returns above CPI growth.

3.3 Treatment of predecessor and merged products

SRF 700.0 requires the reporting of historical performance and the moving average return target for all MySuper products, including where the product is replacing a predecessor product.

Comments received

Submissions required clarification regarding how historical performance and the moving average return target should be reported for a predecessor product where the product has, in the past, been merged with another product. Submissions also queried how investment performance of future merged MySuper products would be expected to be reported on both the product dashboard and SRF 700.0. Submissions commented that lack of a standardised approach for the treatment of mergers might result in inconsistency in the information ultimately disclosed on product dashboards and published by APRA.

APRA response

APRA recognises the need for additional guidance for reporting about predecessor and merged products. These issues are reflected in SRPG 700 with worked examples to assist RSE licensees when considering reporting about merged products. APRA does not seek to prescribe an approach for reporting on predecessor and merged products as this will depend on the particular circumstances, as outlined in SRPG 700.

3.4 Clarifications in instructions

A number of submissions provided suggestions for improved drafting of the instructions to SRF 700.0 so that the link to the items in the Corporations Regulations are clearer. The instructions have been restructured to include information on the first page that provides the link to the items in the Corporations Regulations.

In addition, a number of minor inconsistencies and omissions were noted and have been corrected.

Chapter 4 – Investment performance

Draft SRS 702.0 proposed to require an RSE licensee to report information about the investment performance of both MySuper investment options and select investment options on a quarterly basis. The version released for consultation reflected the additional fee items that were included in the PDS requirements.

4.1 APRA's tolerance for estimated data

Draft SRF 702.0 required year-to-date reporting on a quarterly basis of investment, administration and advice fees, costs and taxes. As these items are typically only fully known on an annual basis, the instructions to draft SRF 702.0 required the reporting of accrued amounts for the year-to-date reporting each quarter.

Comments received

Submissions raised a number of specific questions seeking confirmation of the extent to which APRA is willing to accept the reporting of data that involves a level of estimation.

Some submissions suggested that any need to provide estimates rather than confirmed data would be largely a transition issue whilst industry renegotiated its contracts and made other arrangements to allow timely reporting of necessary information between participants; others indicated that there would be an ongoing need to provide data with a level of estimation to APRA.

The specific areas raised included:

- whether indirect performance fees can be reported as estimates because to report anything more certain would require daily performance fee values to be provided by underlying managers;
- whether reporting on SRF 702.0 should be on the basis of taxes that were accrued during the reporting quarter (i.e. accrual movement of realised and unrealised tax), not the actual tax that will ultimately be paid; and
- the level of confirmation required in relation to data obtained on a look-through basis.

APRA response

APRA notes that the industry and its service providers generally operate on a financial year/year of income basis, not a quarterly basis. Any information reported to APRA on a quarterly basis will necessarily contain an element of estimation even if industry does move to greater accuracy (and less estimation) over time.

In respect of investments reporting, APRA's view is that 'hard valuations' data, i.e. valuations that are based on actual final market prices and accounting values at a particular point in time, are to be reported. This is because reporting of 'soft valuations' data reduces the accuracy of the financial statements as various revenue and expense accruals that are normally included in a more comprehensive close are excluded.

Estimation will still be required, however, in items such as tax accruals, performance fee accruals and underlying manager investment fee amounts. APRA expects that processes that are already acceptable for the purposes of determining accruals under Australian Accounting Standards would be sufficient for reporting these items to APRA.

4.2 Publication of investment performance data

Comparability of investment performance, fees and costs is one of the key aims in publishing information relating to SRF 700.0, SRF 702.0 and SRF 703.0. APRA-derived calculations in SRF 702.0 aim to present MySuper product information in a comparable format. SRF 700.0 collects standardised information published elsewhere by an RSE licensee.

Comments received

Submissions raised some issues about the impact of APRA's calculation methodologies and definitions in SRF 700.0 and SRF 702.0 on information required to be disclosed on the product dashboard (in relation to net return targets), noting the impact of publishing the data reported on SRF 702.0 during the first year when there will be different starting dates for MySuper products.

APRA response

In draft SRF 702.0, APRA originally proposed to collect only quarterly year-to-date information. In response to the submissions about part-year reporting, APRA has amended SRF 702.0 to require the quarterly net investment return to be reported in addition to the year-to-date net investment return and to allow the reporting of the date when the information starts. This information will allow APRA to calculate a quarterly net return and year-to-date net return using the fees, costs and taxes information provided.

4.3 Treatment of fees paid by employers

APRA proposed to require the reporting of administration fees, costs and taxes on SRF 702.0 to allow them to be incorporated into the calculation of a representative member net return.

Comments received

Submissions sought greater clarity on the treatment of administration fees that are charged to the member, but which are paid for by the employer, in the calculation of the net return in the context of fees applying to a representative member. Submissions also suggested that the instructions need to state clearly that the highest fee level must be used with no discounts applied.

APRA response

APRA's intent is that the administration fee that is charged to the member, regardless of the source of the payment of this fee, would be used in the calculation of net return. Further, consistent with this, the administration fee reported must be the highest fee payable without any discount applied.

The instructions to SRF 702.0 have been revised to reflect these positions.

4.4 Compounding issues

The instructions to SRF 702.0 specified:

Report percentages as percentages of the assets adjusted for cash flows as they occur (i.e. time-weighted), unless otherwise specified. Cash flows include, but are not limited to, contributions, switches, transfers, rollovers or benefit payments.

Comments received

Submissions queried how percentage-based administration fees should be deducted and what APRA expected the impact of using a flat \$50,000 balance for the representative member would be when compounding (comparing quarterly returns with year-to-date returns).

APRA response

APRA included the language 'time-weighted' to align with language used in the CFA Institute's Global Investment Performance Standards, but considers that further clarity would assist completion of SRF 702.0.

APRA has, therefore, included worked examples in SRPG 700 that illustrate how percentages should be reported.

4.5 Granular reporting of investment fees components

APRA proposed that components of investment fees be required to be reported in draft SRF 702.0. This was designed to provide APRA with information about the portion of investment fees relating to direct investment managers and the portion relating to underlying investment managers. It also sought to provide transparency on the portion of investment fees relating to performance-based payments.

Comments received

Submissions indicated that the range of industry practices mean that some RSE licensees do not charge base or performance fees specifically to members. This means that those RSE licensees would simply report all amounts in item 1.2. 'indirect cost ratio investment costs' without any further breakdown. Other funds, however, would report the more granular information envisaged by the form.

Issues were raised about consistent treatment across the industry and the risk that funds that do report the breakdown of performance and base investment fees might be seen as being more expensive.

APRA response

APRA has amended item 1 of SRF 702.0 to better capture granular data about investment approaches by requiring 'of which' reporting in relation to total investment fees and costs, rather than in relation to just investment fees. The instructions also include additional clarifications to indicate that the 'of which' items do not need to sum to the total value of investment fees and costs, but may only represent a portion of the total fees and costs.

4.6 Application of SRF 702.0 and SRF 533.0 to choice products

SRF 700.0 and SRF 703.0 only apply to MySuper products. APRA expects to create an additional reporting form (proposed to be called *Reporting Form SRF 701.0 Product Dashboard (Choice Products)*) once the Government's position on product dashboard for choice products is finalised. APRA does not intend to collect PDS fees and costs for choice products.

Draft SRF 702.0 applied to MySuper products, lifecycle stages of lifecycle MySuper products and select investment options. *Reporting Standard SRS 533.0 Asset Allocation (SRS 533.0)*, which was released as final on 6 June 2013, also applies to MySuper products, lifecycle stages of lifecycle MySuper products and select investment options.

Comments received

Submissions commented on the application of SRF 702.0 to select investment options even though the requirement to report information about these investment options does not commence until 1 July 2014. It was indicated that the form does not adequately cater for the structures of choice products and, as such, runs the risk of requiring information that may ultimately be misleading if published.

APRA has also received feedback about requiring reporting of strategic asset allocation (SAA) for select investment options in SRF 533.0. Whilst this item is appropriate for a MySuper product or lifecycle stage of a MySuper product, industry has suggested that, as select investment options may not be diverse portfolios, the SAA concept in that context may not always be relevant.

APRA response

The Government has indicated that it will undertake further public consultation on the requirements for choice product dashboards, including whether the net return or net investment return is the more appropriate measure of performance for choice products.

On that basis, APRA will defer finalising the requirements regarding investment performance reporting for select investment options until the Government's consultation has concluded. This will enable alignment between the final requirements in law regarding the product dashboard and APRA's reporting requirements.

SRF 702.0, therefore, applies only to MySuper investment options (non-lifecycle MySuper products and lifecycle stages of lifecycle MySuper products).

With regard to SRF 533.0, now that the baseline collection of the select investment options has been completed, APRA has a clearer emerging picture of the types of select investment options that will be reported to APRA from 1 July 2014. As a result, APRA intends to re-consult on the requirements of SRF 533.0 as they apply to select investment options as part of future consultation on reporting for such options in relation to the product dashboard and investment performance.

Chapter 5 – Fees and costs disclosed

Draft SRS 703.0 proposes to require an RSE licensee to report information relating to the fees disclosed on a PDS relating to a MySuper product. Submissions did not include any material comments in relation to the items relating to disclosed fees and costs. Submissions did, however, raise a range of issues in response to proposed item 6, collecting information about insurance premiums.

5.1 General approach to collecting comparable information about insurance premiums

APRA proposed to collect information on SRF 703.0 relating to insurance premiums for a MySuper product as disclosed on the PDS. Specifically, APRA proposed to collect premium information for combinations of the following member characteristics:

- a 30 year old and a 50 year old;
- male and female; and
- blue collar and white collar.

The premiums that were proposed to be reported were for \$1,000 of life cover, \$1,000 of total and permanent disability (TPD) cover and \$1,000 of monthly income protection cover, all gross of rebates.

Comments received

Item 6 on draft SRF 703.0 was created prior to the permissible features in MySuper insurance offerings being finalised. As the Government has now permitted additional flexibility in insurance for MySuper products, submissions questioned whether an insurance offering that has a wide range of features lends itself to being reported on a quantitative basis. Some of the challenges identified in submissions included how to report:

- different types of income protection insurance, as some products are offered with a range of waiting periods (14, 30, 45, 60, 90, 180, 365, 730 days) and benefit periods (two-year, five-year and to age 65) which affect the premium;
- premiums for products offered by different insurers in the MySuper product, now that the MySuper product rules permit RSE licensees

to offer insurance from a number of different insurers within a single product. This may mean that there could be thousands of rate combinations within a single MySuper product, especially in a large corporate master trust; and

- definitions of different member categories when it is common for RSE licensees to use categories other than blue collar/white collar.

APRA response

APRA is seeking to collect sufficient information about insurance premiums in order to publish comparative information regarding the cost of insurance in MySuper products. APRA is not intending to collect every insurance premium for each sub-group of MySuper members. To align more closely with the final permissible insurance features and provide context for the insurance being offered, APRA will collect a wider range of information.

Item 6 on SRF 703.0 has, therefore, been updated to include:

- selection from a drop-down menu of types of insurance cover to capture all variations of bundled insurance cover to be reported. Adding 'other' as a possibility future-proofs the form somewhat to allow for new types of cover to be added in the future, but it is not expected that data will generally be reported as 'other';
- the reporting of gender as 'male', 'female' or 'either gender' so that where gender is not a determinant, only one row needs to be reported;
- a free text field to describe member categories. Over time, APRA expects this information will help to develop future standardised categories;
- selection of 'own occupation' or 'any occupation' when describing the characteristics of the TPD insurance offering;
- selection of income protection cover types to describe the length of benefit coverage and valuation basis as 'indemnity value' or 'agreed value'; and
- reporting on waiting periods (where they apply).

Given that the Government has allowed insurance to vary across the membership within a MySuper product, there can be differing levels of default cover provided to members who are employees of different employers; different insurance providers can provide cover to different sub-groups within the MySuper product; and the features of the cover may vary. Accordingly, APRA has now included column 13 'membership coverage' in Item 6 to capture the number of member accounts that are offered the premium reported in each row.

Although the flexibility allows for a large number of variations to be reported, APRA's view is that it is unlikely that all of these variations exist within any given fund. The flexibility is, however, expected to enable better comparison across funds and is unlikely to result in an undue reporting burden for RSE licensees.

5.2 Default insurance cover

Comments received

Submissions also suggested that it was important to capture information about the default level of cover provided as this may vary widely, with some submissions arguing that APRA should collect the premium for this level of default cover.

APRA response

There are two common approaches to quoting insurance premiums: per dollars of cover (e.g. \$70 per year for \$100,000 of life cover) and per units of cover (e.g. \$0.16 per year for one unit of life cover, and the dollar benefit provided per unit changes with age). For income protection insurance, the benefit may be quoted as a percentage of salary or a dollar amount.

To reflect these different approaches, APRA will allow RSE licensees to report the default level of cover either in dollars or percentage of salary for the insurance provided. The premium charged for \$1,000 of default cover is to be reported rather than the premium charged for the default amount to facilitate comparisons.

5.3 Publications concerns

Under s. 348A of the SIS Act, APRA is required to publish quarterly information about fees and costs in relation to MySuper products. APRA's view is that whilst s. 348A permits some flexibility in how APRA publishes information about MySuper products, APRA must publish information about insurance that is quantitative in character because of the language used relating to 'fees' and 'costs'.

Comments received

For SRF 703.0, submissions raised issues relating to the publication of insurance premiums. Submissions argued that information proposed to be collected on SRF 703.0 about only selected insurance premiums could be misleading and might create instability in the life insurance industry. RSE licensees are required to disclose a table of insurance premiums as supplementary information to the PDS to allow the complexities of the insurance arrangement to be reflected in the premium structure. Submissions argued, however, that this approach to disclosing information does not lend itself to easy comparison and would not allow easy publication of information about MySuper insurance premiums by APRA.

APRA response

APRA will consult further on how it intends to publish the information reported to it under the new data collection, including on insurance.



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