

AIST

7 July 2022

Redacted

General Manager

Data Analytics and Insights

Australian Prudential Regulation Authority.

Email: **Redacted**

Dear **Redact**,

APRA Discussion Paper March 2022 – Direction for data collections

Brief

AIST supports APRA's direction for data collection, suggesting there should be a clear ongoing focus of improving member outcomes in relation to data collection, better articulation of the purpose and intended use for each element of data collection, and priority identification of key data requirements. AIST also proposes a structure and timetable for managing major reporting changes

AIST strongly supports measures to improve the transparency, accountability, and member focus of the whole superannuation system. Improving the comprehensiveness, consistency, comparability and quality of data is a key to meeting these objectives and maintaining the integrity of the system. Robust and efficient data collection is fundamental to good data management.

About AIST

Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public sector superannuation funds.

As the principal advocate and peak representative body for the \$1.8 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST advocates for financial wellbeing in retirement for all Australians regardless of gender, culture, education, or socio-economic background. Through leadership and excellence, AIST supports profit-to-member funds to achieve member-first outcomes and fairness across the retirement system.

Recommendations

AIST supports the direction proposed in the APRA discussion paper.

We make the following proposals to benefit industry and APRA in delivering on its intended outcomes.

1. Improving superannuation member outcomes through better data collections should be a primary guiding principle for superannuation;
2. APRA should more clearly articulate the purpose for each element of data collection, and the use to which they will be put;
3. While having an iterative timetable is appropriate, there should be greater clarity about the priority identification and addressing of the data requirements with the greatest impact on achieving better member outcomes;
4. AIST also proposes a structure and timetable for managing major reporting changes

Submission

Improving superannuation member outcomes through better data collections should be a primary guiding principle for superannuation

AIST appreciates the detailed explanation given by APRA in the discussion paper (and elsewhere) of its proposed approach to data collection, and the ongoing recognition that better data is fundamental to the maintenance of high standards in the financial sector.

While we recognise that the discussion paper covers banking, insurance and superannuation; where it addresses superannuation there should nonetheless be explicit recognition that a focus on member outcomes is needed in data collection - as it is in relation to other parts of APRA's superannuation jurisdiction.

Data collection is not just a mechanical (or electronic) task: the way in which data collection is structured and scheduled will impact on the nature of the data is collected and when (and whether) financial products are assessed.

The specific references to member outcomes in the discussion paper relating to the Superannuation Data Transformation project should be incorporated in the 'intended destination' and the 'guiding principles' for data collection.

AIST suggests increasing the member outcomes focus of data collections in superannuation by adding the following as a subheading to the 'intended destination'.

- A data collection system in relation to superannuation that facilitates accurate assessments of member outcomes and comparability of all superannuation products.

Similarly, in the section stating 'guiding principles' there should be a sub-bullet point to the principle of 'design with outcomes in mind':

- Design a data collection system that facilitates accurate assessments of outcomes and comparability across all superannuation products.

AIST recognises there might also be aspects of banking and insurance that need to be made explicit in the destination and principles statements but will leave these for representatives from those industries to address.

Rollout of superannuation data transformation

AIST recognises and supports APRA's transformation in how it collects data, and appreciates this has been challenging for APRA, as it has been for the superannuation industry.

We acknowledge APRA's resolve to efficiently collect and use data from *all* products issued by RSEs, and support this but are concerned about announcements that delay reporting for some non-MySuper products.

While APRA has been updating its superannuation reporting standards and is progressively collecting product level data to facilitate accurate assessments of outcomes and comparability across funds, we also remain concerned about the delays in addressing outstanding matters from Phase 1 of Super Data Transformation. This is relevant for both data reporting and collection.

The recent three-month extension to the reporting due date for single sector and direct investment options is also of concern. The inability to provide data on products and options such as this has consistently been used as the rationale to stagger the reporting of these products, and for them to be placed at the end of the queue – not just for data reporting but also for performance assessment.

The discussion paper doesn't identify structural problems that have impeded the development of efficient data collections in the past, and that still impact on APRA's ability to deliver on legislated requirements.

- APRA data projects have taken longer than originally envisaged, and many of the issues and omissions identified in the 2010 Super System Review remain unresolved (albeit that an end may now be in sight for many of these);
- As a consequence, the lack of data about the underperformance of many choice superannuation products, primarily in the retail sector, has enabled this underperformance to continue, to the detriment of the retirement savings of millions of Australians.
- The sequencing of data projects to address MySuper products first may well reflect the better quality data available on these products but it had the effect of deflecting attention from underperforming choice products for many years – or even from the fact that they have been underperforming.

APRA should more clearly articulate the purpose for each element of data collection, and the use to which they will be put

Over the past decade, APRA has increasingly become a product regulator as well as a prudential regulator. As a consequence of this, there has been an increased regulatory burden on super funds some to meet the requirements of ever-increasing data reporting about their products.

Increasing scrutiny is understandable in the context of transparency, the Consumer Data Right, performance reporting etc. but needs to be accompanied by a clear articulation of the purpose of requesting the data elements. Data collected for its own sake can muddy interpretation and risks missing the nuance of the question it is trying to address. A well-articulated purpose will glean far more relevant and targeted information and higher quality of analyses.

We believe that there should be greater clarity about the priority identification and of those data requirements with the greatest impact on achieving better member outcomes. The timetable for data collections should reflect this.

Response to discussion questions

Direction

The transition to APRA Connect is an important contributor to the improvement of data reporting arrangements. Previous delays to alternate data collection systems have been a drag on the introduction of modern and efficient data collection, and APRA's current commitment to full superannuation transition to APRA Connect by the end of 2024 is welcomed. This should be subject to the early and satisfactory resolution of SDT Phase 1 issues.

Within the superannuation industry, it is widely felt D2A is clunky and inefficient, and so its replacement has long been sought. As the risk of cyber-attacks has increased, it is increasingly important that D2A be retired as soon as possible.

Superannuation funds are concerned to ensure that each phase be rolled out with sufficient time to consult in depth and address issues in advance. Any data provision needs to be accurate, relevant, and fit for its intended purposes.

Implementation

APRA should answer all outstanding questions from Phase 1 of SDT as a priority, including those relating to Fund Expenses, and the alignment *if any* of data reporting requirements with Annual Member Meeting notification requirements.

Following the submission of the first round of SDT Phase 1 data, APRA should convene an industry 'look back-look forward' roundtable to identify issues, how they have been addressed, whether they could be addressed in any another way in the future. Either this roundtable, or a follow up discussion held shortly thereafter, should then be held to discuss the timetable for Phase 2 implementation (including in relation to transition to D2A).

Longer consultation and implementation timeframes, sequenced to permit the learnings of each Phase to inform the next, will produce a better tested and integrated end result than an overlapping and piecemeal approach where entities are playing catchup on early problematic rollouts while simultaneously preparing for new phases.

APRA recent consultations on transition to APRA Connect and implementation of SDT Phase 1 have been inclusive, detailed and generally responsive. However, faster publication of FAQs and dissemination of matters arising from industry forums (that do not involve all RSEs) would be appreciated.

AIST proposes the following structure and timetable for major reporting changes:

- Ongoing commitment from APRA to introduction of change in a cost-effective with a reasonable implementation timetable for industry.
- Establishment of an ongoing APRA/superannuation industry data management committee to meet at least half-yearly to address high-level data management issues and to make recommendations for their resolution. This committee should comprise industry, business and technical representatives from RSEs, industry associations, APRA, ASIC and the ATO. Treasury should also be involved where the changes relate to legislative changes.
- Consultation on preparation of business case for change, including statement of intention, likely cost to industry, and measures of success.

- Publication of a discussion paper providing details of proposed changes, outlining at least a 12 month program of work leading to implementation of reporting changes and at least 18 months for data collection changes that require system modifications.
- Establishment of issue specific working groups where appropriate (similar to those set up during SDT Phase 1).

Anticipated costs and benefits

AIST is engaging with our member funds to ascertain the cost of implementing SDT Phase 1. The calculation is complicated by expenditure being a mix of project and recurrent expenditure, and the cost of transition to APRA Connect being difficult to identify. Our preliminary estimate is that the implementation cost to profit-to-member funds has been \$15 million.

APRA consultation with industry over the implementation of SDT Phase 1 has resulted in some efficiencies for industry, as some scheduling, sequencing and definitional issues have been addressed.

APRA has been accessible and helpful in dealing with these issues; directly with AIST, in industry forums and its FAQs (although it would be appreciated if each FAQ can be date-stamped). While APRA is generally timely and responsive in issues raised with it, the lack of resolution of some SDT Phase 1 residual issues remains problematic.

While there has been a positive and continuing engagement with APRA, the overall cost impact on super funds is substantial. While the cost may be justified, it is still a significant additional cost that is ultimately borne by super fund members.

Engagement

APRA's current stakeholder engagement model is generally working well, and AIST's comments on improving engagement around data collection has already been answered in our previous comments about the optimal lead time for reporting changes.

An ongoing issue in relation to data collections and reporting for all stakeholders is getting the balance right between appropriate technical, business and policy inputs into the change process.

Engagement with technical experts is fundamental and critical. However, stakeholders with a business perspective can better address issues of cost, prioritisation and integration with other programs of work, and policy experts can add value by providing an industry view and identify strategic consequences of different approaches (e.g, in the scheduling of different industries or products).

For further information regarding our submission, please contact **Redacted**

Redacted, at **Redacted**

Yours sincerely,

Redacted

Eva Scheerlinck

Chief Executive Officer