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Dear Emily and Julia,

**Feedback on Superannuation Data Transformation (SDT) project Phase 1: Minor Amendments**

We are pleased to have the opportunity to provide feedback on the SDT project, Phase 1 Minor Amendments under consideration by Australian Prudential Regulation Authority (APRA) in relation to expenses reporting in accordance with **SRS 332 Expenses** standard and **SRS 706 Fees and Costs Disclosed** standard.

**Executive Summary**

We support the APRA's objective to increase industry transparency and to enable meaningful insights for comparisons and to enhance member confidence. The proposed amendments to **SRS 332** improve the original standard that was applied in financial years ending on 30 June 2021 and 2022.

Overall, we support the proposed amendments and view these changes positively as they will ease the reporting burden for the industry. However, we believe some proposed amendments will need further guidance on the implementation, and the definitions within **SRS 101 Definitions for Superannuation Data Collection** to be clarified. More specifically, believe they could be further improved to:

- (a) ensure classifications are mutually exclusive
- (b) ensure definitions are clear and not circular, and updates of **SRS 101** match that of **SRS 332**
- (c) not limit classification categories to 'RSE licensee', as funds have different operating structures
- (d) focus on how the Trustee is spending members' funds through its operations, rather than member activities

This feedback is provided in more detail together with recommendations for APRA's consideration in **Appendix 1 and 2**. We appreciate the time you took to meet with us on Wednesday 30 November, and this feedback is aligned to the discussion we had at that meeting. However, please reach out to [REDACTED] if you need further clarification or context.

Yours sincerely,

[REDACTED]

[REDACTED]

[REDACTED]

# APPENDIX 1

Feedback comments on APRA proposed amendments to reporting under SRS 332.0 *Expenses* standard are detailed below:

## A. Restructure of Expense Group Classification

### 1. Expense Group Type

APRA has elevated expense type 'Profit' to an expense group type in Table 2 and Table 3, as well as the expense type 'Advice' in Table 2.

#### Feedback to ARPA

##### **Advice (expense group type)**

Our understanding of expenses in relation to "Financial Planners" and "Financial Planning Payments to Externals" is that these exclude payments for the provision of intra fund advice (as this is a separate category), and therefore that these are intended to capture fees payable from a members account to a financial planning provider for the provision of comprehensive advice. On this basis, these expenses are different from 'Administration' expenses and therefore should not be included in Table 2 of **SRS 332.0 Expenses**, on the basis that:

- The provision of comprehensive advice to member(s) is a member directed activity, independent from the operations of the RSE, unlike 'intra fund advice'. Comprehensive advice services are only provided at the direction of the members and charged to individual members' accounts and are therefore more similar in nature to insurance premiums. From an accounting perspective (**AASB 1056 Superannuation Entities**), advice fee deductions from member accounts are reported in *Statement of Changes in Member Benefits* outside of the *Income Statement*, as its member transactions rather than the operations of the RSE.

Whilst APRA's **SRS 330.0 Statement of Financial Performance** combines member activities (e.g. contributions, redemptions etc.) with the RSE's activities (investment income & expenses, administration expenses etc.), in our view comprehensive advice fees deducted from member accounts should not be included into **SRS 332.0 Expenses**, which is focused on transparency of the operating expenses to run the fund.

- **SRS 332.0** is expected to reconcile to **SRS 330.0**. That is:

<b>SRF 332.0 Expenses</b>	<b>SRF 330.0 Statement of Financial Performance</b>
Table 3 Investment management expenses	Item 9. Investment expenses
Table 2 Admin & other expenses	Item 10. Admin & operating expenses
	Item 11. Advice expenses

Advice expense is reported in item 11 as "Advice expenses", outside of item 10 "Administration and operating expenses" (in SRF 330.0), so should not be included into Table 2 Admin and other expenses (in SRF 332.0). Our recommendation is, to remove 'Advice' from **SRS 332.0 Expenses**, as it is not an expense driven by RSE licensee's operation of the Fund.



## A. Restructure of Expense Group Classification (continued)

### Feedback to ARPA (continued)

#### **Profit (expense group type)**

This is defined in **SRS 101.0** as “the expense for which, for each related connected entity, that entity’s profit is attributable to that expense amount”.

We understand this term is not new in **SRS 332.0**, but the definition requires clarification from APRA. Our interpretation is that this is the mark-up/margin charged by related party to the RSE (if any). We note this cannot be the surplus, as that would overstate expenses from financial reporting perspective.

Our recommendation is, to clarify this term OR remove it completely from Table 2 and Table 3 of **SRS 332.0**.

## B. Service Provider Type and Materiality

### 2. Service Provider Type

One of the proposed changes in the draft SRF 332.0 is the introduction of a new “Service Provider Type” (in Table 1 Service Providers) to enable the identification of the payee type relevant to the materiality threshold:

<b>Service Provider Type</b>	<b>Materiality application</b>
Industrial Body Industry Association Material Service Provider RSE licensee <del>Other Service Provider</del>	No materiality
Other Payee (i.e. Multiple Payees)	Materiality applicable

### Feedback to ARPA

We agree with differentiating payee types to help apply the concept of materiality, while understanding APRA’s requirement for more granular reporting for certain payees. Our feedback on the specific list of valid types is set out as follow:

Industry Body	<ul style="list-style-type: none"> <li>○ This is not defined. Instead, <b>SRS 101.0</b> has “Trade Bodies”;</li> <li>○ <b>Recommendation:</b> align the definition of an “Industry Body” to the Annual Member Meeting (<b>AMM</b>) reporting (SIS Act) definition that refers to the <i>Fair Work (Registered Org) Act 2009</i></li> </ul>
Industry Association	<ul style="list-style-type: none"> <li>○ Definition in <b>SRS 101.0</b> is unclear, more guidance required to differentiate from “Industry Body” (above);</li> <li>○ <b>Recommendation:</b> is to remove this from the “Valid values” list and update the <b>SRS 101.0</b> definition on “Industry Body” term, to align with AMM reporting by referring to “<u>all</u> payments made to industry bodies <u>or</u> trade associations, which are required to be registered under sec 26 of the <i>Fair Work (Registered Orgs) Act 2009.</i>”</li> </ul>
Material Service Provider	<ul style="list-style-type: none"> <li>○ Definition in <b>SRS 101.0</b> references <b>SPS 231 Outsourcing</b> standard on ‘materiality concept’. This is a positive change to promote consistency.</li> </ul>
Service provider Service Arrangement	<ul style="list-style-type: none"> <li>○ “Service Provider” is defined in <b>SRS 101.0</b> as an entity that fulfils a “Service Arrangement”.</li> <li>○ <b>Recommendation:</b> The definition of a “Service Arrangement” in <b>SRS 101.0</b> needs more clarity. Particularly given all expenditure of an RSE is required to be (directly or indirectly) incurred in relation to the function or</li> </ul>

	responsibility of an RSE licensee for its duties under the governing rules.
RSE licensee	<ul style="list-style-type: none"> <li>No change, as definition is the same as SIS Act.</li> </ul>
Other Service Provider	<ul style="list-style-type: none"> <li>This is not defined in <b>SRS 101.0</b></li> <li>Clarify the distinction between "Other Service Provider" and "Other Payee"</li> <li><b>Recommendation:</b> is to remove this from the "Valid values" list, OR alternatively, apply the materiality threshold to this term and remove "Other Payee" from Valid values list.</li> </ul>
Other Payee	<ul style="list-style-type: none"> <li>This is defined in <b>SRS 101.0</b> as "<i>a Service Provider that is not material to the operations of a super fund</i>" – which implies any entity that is not a "Material Service Provider" will be classified into this category.</li> <li><b>Recommendation:</b> is to avoid duplication to "Other Service Provider", by having only either one term (with materiality threshold applied to the retained term).</li> </ul>

### 3. Changes to Materiality and Aggregation

The proposed amendments allow for a materiality threshold to be applied when identifying small payees. The previous materiality threshold has since been replaced with the option to aggregate where the following is true:

- Service Provider is "Other Payee",
- Is not a related party,
- Is not a political donation,
- And total marketing expenses to that supplier is <\$10,000

#### Feedback to ARPA

We support this materiality threshold approach applicable for non-material Service Provider(s). This puts in place an appropriate balance between APRA data collection needs and reduces administrative burden to fund. This approach supports all varying sizes of funds, by removing the reliance on a fixed amount/or fixed percentage to define materiality threshold and achieves consistency with **SPS 231** requirements.

Our recommendation is, to remove the duplication between 'Other Service Provider' and 'Other Payee' (as noted above) and for the materiality threshold to apply to the retained term. However, if it is preferred to retain these two payee types, to clearly delineate the definitions and ensure that a materiality is applied to both payee types given the significant operational burden that would likely eventuate if there was no materiality for either of these two payee types.

## C. Look-through requirements and Related Party indicator

### 4. Alignment of definitions with SIS regulation

APRA has aligned definition with the updated SIS regulation for the Annual Member Meeting (AMM) disclosure requirements. This includes the following:

- the 'related party' definition, per AASB 124 Related Party Disclosures;
- the 'political party donations' (expense type) definition, to that of political donations;
- the 'marketing' (expense group) definition, to that of 'marketing and sponsorship' under AMM reporting.

#### Feedback to ARPA

We agree and support the alignment of definitions, to other reporting and regulatory disclosure requirements to reduce burden on RSE licensees and will improve consistency and comparability of expense classifications.

### 5. Related Party Indicator

APRA has added a new "Related Party Indicator" to both, Table 2 Administration Expenses and Table 3 Investment Expenses, of SRS 332.0 to indicate whether the expense is included in the "Aggregated related party payments" for the purpose of the AMM disclosure requirements.

#### Feedback to ARPA

We do not believe this proposed new "Related Party Indicator" to both Table 2 and Table 3 (in addition to Table 1) is necessary as it is likely to create duplication and confusion for preparers and users of the information.

We note, each "Service Provider Identifier" (in Table 1) is already required to have its "Service Provider Type" and "Service Provider Relationship Type" (including related party indicator) identified. The "Service Provider Identifier" (in Table 1) is then used as the nexus to the expense reporting in Table 2 and Table 3 of SRS 332.0.

Our recommendation is to remove the Related Party Indicator. Given APRA proposes to align definitions to the updated SIS regulation, this proposed new "Related Party Indicator" (in Table 2 and Table 3) no longer serves its original intended purpose.

## D. Rationalisation of Expense Type Classification

### 6. Expense Type and Service Arrangement Engagement Type

APRA has restructured some expense type classifications in Table 2 and Table 3 and updated 'Service Arrangement Engagement Type' category to avoid having classifications which are not mutually exclusive in the same category. These include:

- *Consultant Fees;*
- *Staff wages;*
- *Accounting Adjustments;*
- *Travel Entertainment and Conferences;*
- *Director Remuneration*
- *Ongoing Payment to Service Provider; and*
- *Other payments*

#### Feedback to ARPA

We support restructuring the "expense types" and the updated "service arrangement engagement type" to ease reporting in instances where classifications are not mutually exclusive and appreciate the additional guidance in the amended standard on the classification (firstly by "expense type" & "engagement type"; and separate to those in relation to central functions).

Our feedback on the specific list of valid types is set out as follow:

<b>Service Arrangement Engagement Type</b>	
Other Payments	<ul style="list-style-type: none"> <li>○ <b>SRS 101.0</b> defines "other payments" as one-off expense; and "ongoing payment to service provider" as ongoing expenses. We note, this overlaps with other valid options in the <b>Service Arrangement Engagement Type</b> category– and are not mutually exclusive.</li> <li>For example, ongoing travel expenses, clarification on whether this should be classified into "RSE Licensee Travel Entertainment and Conferences" or "Ongoing Payment to Service Provider" in the <i>Service Arrangement Engagement Type</i> category.</li> <li>○ <b>Recommendation:</b> is to clarify the definitions and provide guidance on order of priority; OR remove the ongoing/one-off distinction from the "Valid values" list but retaining "Other Payments" term.</li> </ul>
Ongoing Payment to Service Provider	
RSE licensee Staff Wages	<ul style="list-style-type: none"> <li>○ <b>SRS 101.0</b> defines this as "payment of wages to staff employed by the <i>RSE licensee</i>"</li> </ul>

	<ul style="list-style-type: none"> <li>○ This assumes staff of superannuation funds are employed by the <i>RSE licensee</i> only. However, the <i>RSE licensee</i> is often the trustee of the Fund and often have limited activities, other than acting in the capacity as the trustee.</li> <li>○ <b>Recommendation:</b> is to remove the reference to <i>RSE licensee</i> and only retain "staff wages"</li> </ul>
Accounting Adjustments	<ul style="list-style-type: none"> <li>○ This option is not available in Table 3 (only in Table 2)</li> <li>○ <b>Recommendation:</b> is to add this option into the "Valid values" list of the <i>Service Arrangement Engagement Type</i> category of Table 3 in <b>SRS 332.0</b></li> </ul>
RSE Licensee Travel Entertainment and Conferences	<ul style="list-style-type: none"> <li>○ <b>SRS 101.0</b> defines this as "payments relating to travel, entertainment or conferences for staff employed by the <i>RSE licensee</i>"</li> <li>○ This assumes staff of superannuation funds are employed by the <i>RSE licensee</i> only. However, the <i>RSE licensee</i> is often the trustee of the Fund and often have limited activities, other than acting in the capacity as the trustee.</li> <li>○ <b>Recommendation:</b> is to remove the reference to <i>RSE licensee</i> and only retain "Travel, Entertainment, and Conferences"</li> </ul>

Expense Type	
Financial Planners  Financial Planning Payments to Internals	<ul style="list-style-type: none"> <li>○ This is not defined.</li> <li>○ Instead, <b>SRS 101.0</b> has "Financial Planning Payments To Internals", and defines such as "<i>expense incurred for the provision of financial planners employed by the RSE licensee</i>", which assumes staff are employed by the <i>RSE licensee</i> only.</li> <li>○ <b>Recommendations:</b> <ul style="list-style-type: none"> <li>(a) update the term to align with <b>SRS 101.0</b> and remove reference to <i>RSE licensee</i>; and</li> <li>(b) clarify, if these are for "comprehensive advice" only. If <u>so</u> it should be excluded from <b>SRS 332</b>; OR if not then the valid options are not mutually exclusive and</li> <li>(c) clarify, where financial planning are provided by a related party of the Fund, whether that is reflected as 'internal' or 'external'.</li> </ul> </li> </ul>
Promoter	<ul style="list-style-type: none"> <li>○ We note this is not a new term, but still needs clarification from APRA on its definition and its difference to the "Advertising or Marketing" expense.</li> <li>○ <b>SRS 101.0</b> defines this as "<i>expense incurred for any promoter expense</i>", a circular definition which does not provide insight to its meaning.</li> </ul>





	<ul style="list-style-type: none"><li>○ <b>Recommendation:</b> to provide clarification on its distinction from advertising or marketing expense.</li></ul>
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The below is proposed to separate function from service:

<p><b>Administration Services</b></p> <ul style="list-style-type: none"> <li>• Complaints And Feedback Handling</li> <li>• Member Communication</li> <li>• Insurance Administration</li> <li>• Member Account Administration</li> <li>• Other</li> </ul> <p><b>Advice</b></p> <ul style="list-style-type: none"> <li>• Intra Fund Advice</li> <li>• <del>Financial Planners</del></li> <li>• <del>Financial Planning Payments To Externals</del></li> </ul> <p><b>Member Services</b></p> <ul style="list-style-type: none"> <li>• Call Centre Services</li> <li>• Development And Maintenance Of Website And Other Digital Tools</li> <li>• Research and Data Analytics</li> <li>• Member Education</li> <li>• Online Calculators</li> <li>• Member Wrap Platform</li> <li>• Other</li> </ul> <p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>• Advertising Or Marketing</li> <li>• Consumer Testing</li> <li>• Member Campaigns</li> <li>• Promoter</li> <li>• Research and Data Analytics</li> <li>• Sponsorship</li> <li>• Other</li> </ul> <p><b>Trustee Board:</b></p> <ul style="list-style-type: none"> <li>• Board And Board Committees</li> <li>• Training</li> <li>• Other</li> </ul> <p><b>Fund Operations and Corporate Overheads</b></p> <ul style="list-style-type: none"> <li>• Accounting and Finance</li> <li>• Actuarial Services</li> <li>• Accounting Adjustments</li> <li>• Capital Expenditure</li> <li>• Conferences</li> </ul>	<p><b>Service Arrangement Engagement Type</b></p> <ul style="list-style-type: none"> <li>• Other Payments</li> <li>• <del>Ongoing Payment To Service Provider</del></li> <li>• Consultant Fees</li> <li>• RSE Licensee Staff Wages</li> <li>• Accounting Adjustments</li> <li>• RSE Licensee Travel Entertainment And Conferences</li> <li>• Director Remuneration</li> </ul>
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<ul style="list-style-type: none"> <li>• Research and Data Analytics</li> <li>• Entertainment</li> <li>• External Audit</li> <li>• Internal Audit</li> <li>• IT Service</li> <li>• Human Resources</li> <li>• Legal</li> <li>• Memberships</li> <li>• Merger Investigation</li> <li>• Merger Implementation</li> <li>• Motor Vehicles</li> <li>• Political Donations</li> <li>• Premises</li> <li>• Professional Indemnity</li> <li>• Regulatory Levies</li> <li>• Risk and Compliance</li> <li>• Strategy And Planning</li> <li>• Training</li> <li>• Travel</li> <li>• Other</li> </ul> <p><b>Profit</b></p> <ul style="list-style-type: none"> <li>• Profit</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>• Other</li> </ul>	
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## APPENDIX 2

Feedback comments on APRA proposed amendments to reporting under SRS 706 *Fees and Costs Disclosed* standard are detailed below:

### A. Basis of Preparation

#### 7. Forward-looking basis

*APRA has in its proposed amendments for 706.8 that: An RSE licensee to which this Reporting Standard applies must provide the information required by paragraph 6 on a forward-looking basis.*

#### Feedback to ARPA

Our preference would be to provide this information as follows:

- (a) Investment fees and costs be provided on a historic basis;
- (b) Transaction costs be provided on a historic basis; and
- (c) Administration fees and costs, and all other relevant fees and costs (not including investment fees and costs and transaction costs) be provided on a forward-looking basis.

This aligns to standard reporting on fees and costs within the business, and the requirements under ASIC Regulatory Guide 97.