



11 December 2015

To All RSE licensees

**Consultation on proposed amendments to product dashboard requirements:
revised reporting standards**

Background

The Government has recently released for consultation proposed changes to the *Corporations Act 2001* (Corporations Act) and *Corporations Regulations 2001* (Corporations Regulations), as outlined in the Superannuation Legislation Amendment (Transparency Measures) Bill (the Bill) and accompanying material.¹ The changes are intended to amend existing product dashboard requirements for MySuper products and to put into effect requirements for product dashboards for qualifying choice investment options.

The Government proposes that a trustee of a regulated superannuation fund with five or more members will be required to produce a product dashboard for the fund's 10 largest choice investment options, as measured by funds under management. The dashboard will be required to be publicly disclosed on the fund's website, in accordance with the Corporations Regulations. RSE licensees will also need to prepare a product dashboard for each lifecycle stage of a qualifying choice investment option where the aggregated amount of the funds under management across each lifecycle stage falls in the fund's 10 largest choice investment options.

The draft Bill proposes that RSE licensees will not be required to produce a dashboard for investment options where the individual member is able to vary their investment mix (certain 'platform' products) or for pooled superannuation trusts and eligible rollover funds.

The Government has indicated that the legislative changes are expected to take effect on 1 July 2016.

Draft reporting standards

Detailed requirements about the content and presentation of the information in the product dashboard will be set out in the Corporations Regulations. Similar to the legislative framework for MySuper product dashboards, the Corporations Regulations will require that the measures in the product dashboard are determined in accordance with APRA's data reporting standards.

¹ <http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2015/Improved-Superannuation-Transparency>

APRA proposes to revise two reporting standards as follows:

- (a) proposed amendments to *Reporting Standard SRS 700.0 Product Dashboard* (SRS 700.0) to allow it to cover both MySuper and choice product dashboards and to reflect the proposed amendments to the dashboard requirements; and
- (b) draft *Reporting Standard SRS 702.1 Investment Performance (Non-MySuper Investment Options)* (SRS 702.1).

The draft reporting standards are released with this letter. Once the content of the legislation and regulations is finalised, APRA will release updated reporting standards for a further round of consultation early in 2016.

Draft Reporting Standard SRS 700.0 Product Dashboard

The Government has indicated that, to the extent possible, MySuper and qualifying investment choice option dashboards should include the same set of metrics. Accordingly, APRA proposes to extend existing SRS 700.0 so that it also applies to qualifying choice investment options.

Proposed dashboard metrics

The draft Bill proposes six measures for inclusion in the product dashboard for qualifying choice investment options²:

- the net return target;
- the net actual returns for previous financial years;
- a comparison between the return target and the net actual returns for previous financial years;
- the level of investment risk;
- a statement of fees and other costs; and
- investment mix pie chart.

Of these measures, all except the investment mix pie chart are currently required to be included on MySuper product dashboards, with these metrics calculated and reported in accordance with SRS 700.0.

The Government has proposed that the 'statement of fees and other costs' be split into its component parts, namely investment, administration and advice fees and indirect costs. This proposal is reflected in proposed items 4.1 to 4.3 of draft SRS 700.0.

Other than some minor changes to terminology to reflect the Government's proposals, requirements relating to the remaining metrics in draft SRS 700.0 remain unchanged.

² Refer to [proposed r. 7.9.07N, Corporations Regulations 2001] (as described in the Superannuation Legislation Amendment (Transparency Measures) Regulation 2015)

Proposed additional metric for MySuper product dashboards

As noted above, the Government has proposed an additional metric for both the MySuper and choice product dashboards - an investment mix pie chart.

As indicated in the explanatory memorandum to the Bill, the Government and ASIC are of the view that APRA's asset class definitions, as reflected in *Reporting Standard SRS 533.0 Asset Allocation* (SRS 533.0), are an appropriate starting position for setting the requirements for this pie chart.

As a result, proposed item 5 of draft SRS 700.0, which relates to the pie chart proposal, includes definitions that are aligned with those in SRS 533.0, subject to a minor distinction in equity reporting by domicile and the combination of the asset classes 'commodities' and 'other' into a single 'other' class.

Lifecycle qualifying choice investment options

The Government proposes to require RSE licensees to prepare a product dashboard for each lifecycle stage of a qualifying choice investment option where the aggregated amount of the funds under management for the lifecycle stage falls in the fund's 10 largest choice investment options.

SRS 700.0 currently collects data about lifecycle stages in respect of the factors defined in the Superannuation Industry (Supervision) Regulations 1994³:

- (a) *the member's:*
 - (i) *account balance; and*
 - (ii) *contribution rate; and*
 - (iii) *current salary; and*
 - (iv) *gender; and*
- (b) *the time remaining, in the opinion of the trustee, before the member could be expected to retire.*

Even though the regulations do not prescribe these factors for qualifying choice investment options, APRA considers that as these factors facilitate analysis and comparability across lifecycle stages, they are important to capture.

As such, APRA proposes to extend the collection of data for these factors in draft SRS 700.0 to lifecycle stages of qualifying choice investment options.

Draft Reporting Standard SRS 702.1 Investment Performance (Non-MySuper Investment Options)

In January 2015, APRA released an updated version of SRS 702.1 following public consultation during 2014. Feedback received subsequent to the release of that version of the reporting standard suggested that APRA should reconsider its planned approach for collecting investment performance information on select investment options. To better integrate the choice product dashboard requirements into APRA's reporting framework, APRA announced that it would consider collecting information on investment performance for select investment options, as well as a breakdown of administration, advice and other fees, costs and taxes, in conjunction with the choice product dashboard requirements. As a result, APRA deferred the collection of SRS 702.1 so the investment performance and

³ Refer r.9.47 SIS Regulations

fees and costs data it is to collect could be considered during the development of the choice product dashboard obligations.⁴

Application of draft SRS 702.1 to select and qualifying choice investment options

APRA's definition of select investment options differs from the proposed definition of qualifying choice investment options.

Draft SRS 702.1, attached to this letter, therefore applies to **both** APRA's select investment options and qualifying choice investment options.

APRA's view is that applying draft SRS 702.1 to a greater proportion of members' benefits than the proposed qualifying choice investment options is important for its prudential supervision of superannuation. To provide greater coverage, and therefore visibility, of a fund's total assets APRA proposes to apply draft SRS 702.1 to both types of options. APRA will give further consideration to the potential for streamlining reporting obligations applying to both types of investment options once the Government's consultation has concluded. APRA will consult further on any proposed amendments to SRS 702.1, if necessary, as part of the second round of consultation.

Alignment with recent amendments to Reporting Standard SRS 702.0 Investment Performance

In light of the feedback received earlier this year and the Government's proposed choice dashboard requirements, APRA now proposes some technical amendments to draft SRS 702.1.

(a) Removal of references to APRA look-through reporting

The January 2015 version of SRS 702.1 required that fees and costs be reported on a 'look-through' basis.

As APRA has now removed references to 'APRA-look-through reporting' from the components of the net return calculation in *Reporting Standard SRS 702.0 Investment Performance* (SRS 702.0), equivalent references in draft SRS 702.1 have also been removed.

(b) Quarterly reporting of return information

The January 2015 version of SRS 702.1 required RSE licensees to report net investment return and net return data on a quarterly basis. Since its release, industry has raised concerns about the difficulties associated with reporting detailed net investment return and net return data on a quarterly basis.

APRA acknowledges that the data provided under SRS 702.1 may be based on 'best-estimates'. However, APRA remains of the view that quarterly submission of data facilitates timely supervisory analysis and therefore supports APRA's prudential supervision needs. However, in recognition of the concerns raised, APRA proposes that the reporting of relevant data for draft SRS 702.1 need not be undertaken in accordance with Australian Accounting Standards. An RSE licensee will have to ensure, however, that the information

⁴ <http://www.apra.gov.au/Super/Pages/Superannuation-reporting-standards-April-2015.aspx>

reported in respect of each quarter is the most accurate information the RSE licensee has available by the reporting due date.

(c) Reporting the net actual return

Following consultation on APRA's superannuation reporting standards earlier this year⁵, SRS 702.0 was revised to require RSE licensees calculate and report the net return rather than APRA deriving the net return from other items on SRS 702.0. To respond to queries relating to the impact of the valuation basis on the net return, SRS 702.0 also makes clear that quarterly reporting under that standard does not have to be completed in accordance with Australian Accounting Standards. The equivalent provisions in draft SRS 702.1 reflect these amendments to SRS 702.0.

Reporting of the highest fees

During consultation on SRS 702.1 in 2014, APRA proposed that, to aid comparability where multiple fee and cost scales exist within a select investment option, it would require reporting of net return and net investment return at both the highest and lowest applicable fee and cost scale in respect of an example member, resulting in the reporting of a range of such fees, costs, taxes and returns. The January 2015 version of SRS 702.1 therefore referred to the 'highest' and 'lowest' fee and cost scales.

The *Superannuation Legislation Amendment (MySuper Measures) Regulation 2013* (MySuper Measures Regulation) introduced, amongst other matters, changes to product disclosure statements and periodic statements. These measures include a template for disclosure of fees and other costs for superannuation products and other prescribed disclosure matters. The MySuper Measures Regulation requires that '...if there is a range in the amount of administration/investment fees that may be charged for an investment option offered by a superannuation entity, the example must use the highest administration/investment fees in the range'.

Consistent with this approach, APRA proposes to replace the current 'highest' and 'lowest' scales with a requirement to report only the 'highest' administration/investment fee in the range. APRA's view is that aligning reporting under SRS 702.1 with the Product Disclosure Statement requirements, to the extent possible, will provide adequate transparency while also streamlining reporting and disclosure obligations for industry.

Consequential amendments to *Reporting Practice Guide SRPG 700 Superannuation Disclosure Reporting*

Reporting Practice Guide SRPG 700 Superannuation Disclosure Reporting (SRPG 700), initially released in September 2013, provides guidance on particular areas of APRA's reporting requirements to assist completion of reporting forms. Specifically, it assists RSE licensees in complying with the '700 series reporting standards' which includes SRS 700.0, SRS 702.0 and *Reporting Standard SRS 703.0 Fees Disclosed* (SRS 703.0).

Once the Government's consultation on the changes to the dashboard requirements has concluded and its outcomes are known, APRA will update SRPG 700 to provide guidance on completing the requirements in the new reporting standards relating to the dashboard for qualifying choice investment options accompanying this letter, and any changes made to SRS 700.0, SRS 702.0 and SRS 703.0.

⁵ APRA Letter to RSE licensees – Revisions to superannuation reporting standards (31 July 2015)

Next steps

APRA invites comments on the proposals in this letter. Written submissions on this letter should be forwarded by 22 January 2016 preferably by email, to:

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Yours sincerely



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