



13 July 2012

Dear Trustees

## **SUPERANNUATION FUND DATA INTEGRITY**

To successfully meet their obligations to members, it is essential that trustees have a data management framework that ensures complete, accurate and timely member data. Over recent years APRA has stressed to trustees that they need to pay attention to fund data quality and its management. APRA has also been focussing on the topic during its supervision activities. While there has been some improvement it is APRA's view that funds still have a good way to go before the industry can be considered as handling this issue well.

### **SuperStream proposals**

The issue of superannuation fund data has been acknowledged by government in the current Stronger Super reforms. The SuperStream proposals<sup>1</sup> aim to address inefficiencies in the way in which data and payments are transacted across the industry and allow members to more easily consolidate any multiple superannuation accounts that they may have. Along with the SuperStream reforms, there are also enhancements to APRA's prudential framework that will have implications for trustees and their management of superannuation fund data.

APRA acknowledges that a major factor contributing to data issues has been a lack of common prescribed data standards within the industry, which the SuperStream reforms will now address. Notwithstanding this, trustees have a role to play in ensuring that all existing and new member data is to the necessary standard to enable them to fulfil their obligations to members.

### *Transaction processing*

Under the SuperStream reforms, the new mandated data and e-commerce standard will enable the electronic processing of contributions and rollovers by linking payments and transaction data in a common format.

From 1 July 2013, APRA-regulated funds will be required to use new data and e-commerce standard for the processing of rollovers and for the acceptance of contributions from employers who wish to utilise the new standards before the mandatory start date. Large and medium sized employers will be required to utilise the new standard from 1 July 2014 and small employers from 1 July 2015 when making superannuation contributions.

The *Superannuation Legislation Amendment (Stronger Super) Act 2012* received Royal Assent on 28 June 2012 and establishes a framework to implement the new data and payment standards for rollovers and contributions. Under the legislated changes, minimum data must be sent electronically in an approved format. The Australian Taxation Office (ATO) will be responsible for administering a penalty framework for non-compliance that will apply to employers, self managed superannuation funds and APRA regulated superannuation funds when reporting to the ATO. APRA will have responsibility for administering infringement notices where a contravention of the payment and data standards has occurred within the APRA-regulated fund sector.

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<sup>1</sup> Refer to the ATO website - [Data Standards](#)

## Member account consolidation

The Government has announced legislative changes<sup>2</sup> requiring superannuation fund trustees to establish rules for consolidating duplicate accounts within their fund (intra-fund) when they consider it is in the best interest of affected members to do so. They have also announced a scheme to ensure compulsory consolidation across funds (inter-fund) of members' accounts that are lost or inactive and have a balance of less than \$1,000.

## Enhancements to the prudential framework

APRA released on 27 April 2012, its suite of [draft prudential standards for superannuation](#). The area of data management is addressed in three of the draft prudential standards:

- *SPS 220 - Risk Management*: a RSE licensee's risk management framework must at a minimum include operational risk.
- *SPS 231 - Outsourcing: agreements* involving material business activities must address the form in which data is to be kept and clear provisions identifying ownership and control of the data.
- *SPS 250 - Insurance*: an RSE licensee must maintain records of sufficient detail for a prospective insurer to properly assess the insurance being offered or acquired. This must include relevant insurance related details for the past five years.

The quality of fund data should also form a consideration in the determination of the level of operational risk reserves as required by *SPS 114 - Operational Risk Financial Requirement*.

## APRA's expectations

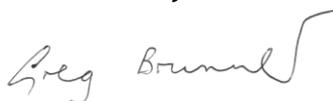
Trustees should be pro-actively preparing for the introduction of these reforms. This would not only involve reviewing their systems and processes for the introduction of new SuperStream data and e-commerce standard, but also ensuring that they have a robust process in place to regularly review and report on the quality of member data for completeness and accuracy. In particular, trustees should be focussing on a number of data items such as members' full name, date of birth, address, mobile phone number, tax file number, date joined fund, beneficiary and gender, which are critical to the accurate and timely calculation of members' benefits.

Trustees will need to demonstrate that they have these processes in place in order to meet the requirements discussed above in APRA's prudential framework. The successful pursuit of these activities will in turn contribute to the success of the government's intentions for the industry to operate with greater efficiency and enable members to more easily consolidate multiple accounts.

## Enquiries

In the event you wish to discuss this letter, please contact your responsible APRA supervisor.

Yours sincerely



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<sup>2</sup> Refer to the ATO website - [Consolidation and use of TFNs](#)