



Response to Submissions

Reporting standards for select investment options

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Preamble

In 2013, APRA released a suite of new reporting standards for the superannuation industry. These standards included requirements for Registrable Superannuation Entity (RSE) licensees to report, from 1 July 2014, information about certain non-MySuper investment options in their business operations, known as select investment options.

Since the release of the final reporting standards, the superannuation industry has identified specific areas of the select investment options reporting requirements that raise implementation challenges or require clarification. In March 2014, APRA deferred the commencement of the select investment option reporting requirements to 1 July 2015 to allow for additional public consultation on these requirements.

On 7 July 2014, APRA released for consultation two proposed revised reporting standards in respect of select investment options, together with a discussion paper outlining the proposed changes to the reporting standards. The proposed revised reporting standards were:

- *Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows* (SRS 533.1); and
- *Reporting Standard SRS 702.1 Investment Performance* (SRS 702.1).

Consultation closed on 15 September 2014 and nine submissions were received.

This paper describes APRA's response to the main issues raised in submissions on SRS 533.1 and SRS 702.1 and outlines the final reporting requirements, including consequential revisions to *Reporting Standard SRS 001.0 Profile and Structure (Baseline)* and *Reporting Standard SRS 601.0 Profile and Structure (RSE)*. Final versions of the reporting standards (incorporating the reporting forms and instructions) are released with this paper.

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Glossary

Term	Definition
APRA	Australian Prudential Regulation Authority
July 2014 consultation package	<i>Discussion Paper: Reporting standards for select investment options and revised draft reporting standards (7 July 2014)</i>
RSE	registrable superannuation entity as defined in s. 10(1) 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
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SPS 160	<i>Prudential Standard SPS 160 Defined Benefit Matters</i>
SPS 310	<i>Prudential Standard SPS 310 Audit and Related Matters</i>
SRF 001.1	<i>Reporting Form SRF 001.0 Profile and Structure (Baseline)</i>
SRF 533.1	<i>Reporting Form SRF 533.1 Asset Allocation and Members' Benefits Flows</i>
SRF 702.1	<i>Reporting Form SRF 702.1 Investment Performance</i>
SRS 001.0	<i>Reporting Standard SRS 001.0 Profile and Structure (Baseline)</i>
SRS 330.1	<i>Reporting Standard SRS 330.1 Statement of Financial Performance</i>
SRS 533.0	<i>Reporting Standard SRS 533.0 Asset Allocation</i>
SRS 533.1	<i>Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows</i>
SRS 601.0	<i>Reporting Standard SRS 601.0 Profile and Structure (RSE)</i>
SRS 702.0	<i>Reporting Standard SRS 702.0 Investment Performance</i>
SRS 702.1	<i>Reporting Standard SRS 702.1 Investment Performance</i>
Stronger Super	Government's response to the Review (December 2010) and additional information pack (September 2011)
the Review	<i>Review into the Efficiency, Governance, Structure and Operation of Australia's Superannuation System</i>

Executive Summary

In 2013, as part of the previous Government's Stronger Super reforms, APRA introduced prudential standards for the superannuation industry. APRA also released reporting standards for the superannuation industry over the course of 2013, to support implementation of the reforms and the prudential standards and to update APRA's reporting requirements, which had remained unchanged since their introduction in 2004. These reporting standards include requirements for Registrable Superannuation Entity (RSE) licensees to report information about certain non-MySuper investment options within their business operations, known as select investment options.

As the superannuation industry and other stakeholders turned their attention to implementing the new reporting requirements, APRA received feedback on a range of implementation issues. In particular, industry identified specific areas of the select investment option reporting requirements that gave rise to implementation challenges or required clarification.

In addition, in November 2013, the Government commenced consultation on its choice product dashboard requirements, which link closely to APRA's select investment options data collection. In its letter of 21 March 2014, APRA indicated that it was deferring the commencement of select investment options reporting until 1 July 2015 and would undertake additional consultation on these reporting requirements.

On 7 July 2014, APRA released for consultation two revised draft reporting standards applying to select investment options, together with a discussion paper outlining the proposed changes to the reporting standards (the July 2014 consultation package). This consultation package took into account the previously-received industry feedback.

Submissions on the July 2014 consultation package were generally supportive of APRA's proposed approach. This approach sought to strike an appropriate balance between providing the information that APRA and other stakeholders require for their purposes and addressing the concerns raised by industry regarding the compliance burden in reporting the information. One submission, however, advocated retaining APRA's 2013 reporting requirements for select investment options.

The submissions raised a number of issues for further consideration by APRA in finalising the reporting requirements. The three major areas that attracted comment concerned the definition of a select investment option, commencement and lodgement timeframes and the information that might be included in APRA's statistical publications.

Following consideration of these submissions, APRA has amended the definition of a select investment option to remove the qualitative limbs relating to investment options underlying a reserve or accrued default amounts. APRA has also adjusted the quantitative limb of the definition, raising the dollar threshold from \$50 million to \$200 million. APRA has also decided to require only quarterly reporting of information relating to investment performance and asset allocation under the two new reporting standards, rather than implementing the original proposal which would have required both quarterly and annual reporting.

In combination, these revisions will significantly reduce the compliance burden on industry in reporting on select investment options while still ensuring timely reporting of information on a significant proportion (around 80 per cent) of superannuation industry assets. APRA has also amended *Reporting Standard SRS 001.0 Profile and Structure (Baseline)* and *Reporting Standard SRS 601.0 Profile and Structure (RSE)* to reflect the changes to the definition of select investment option.

As indicated in the July 2014 consultation package, the select investment option reporting requirements will commence on 1 July 2015. In response to consultation feedback, however, APRA will provide an extension to the lodgement timeframes (from 28 days to 35 days) for a transitional period of 18 months from commencement of the new requirements. This means that the majority of RSE licensees will be required to submit their first quarterly select investment option reporting returns by 4 November 2015.

APRA will consult separately in 2015 on the publication of information reported to it in respect of select investment options. Stakeholders will have an opportunity to comment on the contents of the publications, as they pertain to select investment options, during that consultation process.

Chapter 1 – Introduction

1.1 Background

APRA requires the industries it regulates to report comprehensive statistical data on a regular basis. APRA uses this data for prudential purposes, shares data with other Australian agencies for their purposes and publishes selected information from the data collected. The objective of these data collections and publications is to support APRA's prudential supervision and to provide appropriate transparency and disclosure in relation to the operations of the industries it regulates. Achievement of these objectives benefits all industry stakeholders.

Over the course of 2013, APRA released reporting standards for the superannuation industry to support implementation of the previous Government's Stronger Super reforms and the new prudential standards for the superannuation industry. The new reporting standards also updated APRA's reporting requirements, which had remained unchanged since their introduction in 2004. These reporting standards included requirements for Registrable Superannuation Entity (RSE) licensees to report information in respect of certain non-MySuper investment options within their business operations, known as select investment options.

Two reporting standards, originally intended to commence on 1 July 2014, currently apply to select investment options:

- *Reporting Standard SRS 330.1 Statement of Financial Performance* (SRS 330.1); and
- *Reporting Standard SRS 533.0 Asset Allocation* (SRS 533.0).

Reporting Standard SRS 001.0 Profile and Structure (Baseline) (SRS 001.0) and *Reporting Standard SRS 601.0 Profile and Structure (RSE)* (SRS 601.0) also require RSE licensees to report information about select investment options in their business operations.

In its March 2013 paper, *Response to Submissions - Reporting Standards for Superannuation*, APRA indicated that *Reporting Standard SRS 702.0 Investment Performance* (SRS 702.0) would also apply to select investment option reporting when the choice product dashboard requirements were finalised by the Government.

As the superannuation industry turned its attention to implementing the new reporting requirements, the industry and other stakeholders provided feedback to APRA on a range of implementation issues. In particular, industry identified specific areas of the select investment option reporting requirements that gave rise to implementation challenges or required clarification. Further, the Government's choice product dashboard requirements have not yet been finalised.

Accordingly, APRA indicated in a letter on 21 March 2014 that it was deferring the commencement of SRS 330.1 and SRS 533.0, as applicable to select investment options, until 1 July 2015. APRA also indicated that it would consult further on the select investment option reporting requirements to ensure an appropriate balance between providing data that the Government, APRA and other agencies require for their purposes and the compliance burden associated with reporting that information.

In addition, in its letter to the industry dated 30 May 2014, APRA foreshadowed that SRS 001.0 would be revised in the first half of 2015 to reflect the outcomes of APRA's consultation on select investment option reporting.

1.2 Proposed changes and scope of consultation

On 7 July 2014, APRA released a consultation package outlining proposed revisions to the select investment option reporting requirements, including two draft reporting standards (the July 2014 consultation package). The proposed requirements took into account the feedback provided by industry noted above.

The key proposed changes to the select investment option reporting requirements included:

- amending the definition of select investment option;
- removing the requirement to report under SRS 330.1 in respect of select investment options;
- introducing *Reporting Standard SRS 533.1 Asset Allocation and Members' Benefit*

Flows (SRS 533.1) for select investment options, with some items currently required on SRS 330.1 and SRS 533.0 moved to SRS 533.1 and/or amended; and

- introducing *Reporting Standard SRS 702.1 Investment Performance* (SRS 702.1) for select investment options, to vary the information to be provided to APRA in relation to the investment performance of these options from that required for MySuper products under SRS 702.0.

APRA requested feedback on the new requirements of SRS 533.1 and SRS 702.1 and the proposed changes to SRS 330.1 and SRS 533.0.

1.3 Submissions received

APRA received nine submissions on the July 2014 consultation package. Eight of these submissions were generally supportive of APRA's proposed approach; one submission suggested that APRA maintain the current reporting requirements for select investment options as they were determined in 2013.

The submissions recognised that APRA's proposed approach sought to strike an appropriate balance between providing the information that APRA and other stakeholders require for their purposes and addressing the concerns raised by the superannuation industry regarding the compliance burden in reporting the information. However, the submissions raised some issues for further consideration by APRA.

Chapters 2 and 3 discuss the key issues raised in submissions, including the reporting commencement date and lodgement timeframes, the definition of a select investment option and other specific matters relating to the reporting forms and instructions.

APRA will determine final versions of SRS 001.0, SRS 533.1, SRS 601.0 and SRS 702.1 (as released with this paper) before the end of April 2015. The commencement dates and reporting frequencies of each reporting standard are set out in Table 1 and are discussed further in Chapter 2.

Table 1: Detailed reporting periods and levels: select investment options

Reporting standards for select investment options	Commencement	Reporting frequency
<i>Reporting Standard SRS 001.0 Profile and Structure (Baseline)</i>	30 June 2015	Annually and ad-hoc
<i>Reporting Standard SRS 533.1 Asset Allocation and Members' Benefits Flows</i>	1 July 2015	Quarterly
<i>Reporting Standard SRS 702.1 Investment Performance</i>	1 July 2015	Quarterly (calendar quarter)
<i>Reporting Standard SRS 601.0 Profile and Structure (RSE)</i>	30 June 2015	Annually

Chapter 2 General issues raised in submissions

Submissions on the July 2014 consultation package raised a number of over-arching issues in relation to APRA's proposed approach for select investment option reporting. These are outlined below, together with APRA's response. Attachment A to this paper summarises additional changes to SRS 702.1 not otherwise discussed in Chapters 2 or 3.

2.1 Commencement date

APRA proposed that, once finalised, the revised reporting requirements for select investment options would commence for reporting periods starting from 1 July 2015.

Comments received

Submissions noted that the implementation timeframe for the revised reporting requirements would present challenges to RSE licensees in terms of developing and implementing necessary reporting system design changes.

Submissions also drew links between the select investment option reporting requirements and the Government's choice product dashboard requirements, noting that implementation efficiencies would be gained through aligning the commencement dates of the two sets of requirements.

APRA response

In May 2014, the Government deferred implementing the choice product dashboard requirements until 1 July 2015 but is yet to finalise these requirements. APRA will, at the appropriate time, consult separately on a draft *Reporting Standard SRS 701.0 Product Dashboard (Choice Products)* to support the choice product dashboard requirements.

While it is preferable that the commencement of APRA's select investment option reporting requirements aligns with the Government's choice product dashboard requirements, it is not essential for the effective operation of APRA's requirements.

APRA's view is that commencing select investment option reporting requirements beyond 1 July 2015 is not acceptable, given the significant proportion of superannuation assets that are managed within this regime. Further, a commencement date of 1

July 2015 for SRS 533.1 and SRS 702.1 means that the majority of RSE licensees will not be required to submit their first quarterly select investment option reporting returns until 4 November 2015.

When considered alongside the revisions made to the select investment option reporting requirements, as outlined below, APRA's view is that this implementation timeframe provides sufficient time for RSE licensees to implement system design changes to enable accurate and timely reporting of required data to APRA.

APRA is therefore retaining a 1 July 2015 implementation date for the revised select investment option reporting requirements. As a result:

- reporting of summary information in relation to select investment options under SRS 001.0 and SRS 601.0 will commence on 30 June 2015; and
- reporting of detailed information in relation to select investment options under SRS 533.1 and SRS 702.1 will commence on 1 July 2015.

2.2 Reporting frequency

In the July 2014 consultation package, APRA proposed:

- that *Reporting Form SRF 533.1 Asset Allocation and Members' Benefits Flows* (SRF 533.1) be submitted to APRA on a quarterly and annual basis, in line with the RSE's balance date;
- that *Reporting Form SRF 702.1 Investment Performance* (SRF 702.1) be submitted to APRA on a calendar quarter (31 March, 30 June, 30 September and 31 December) and annual (30 June) basis. The requirement in respect of SRF 702.1 was proposed to apply irrespective of the RSE's balance date; and
- no change in the frequency of reporting under SRS 001.0 or SRS 601.0.

Comments received

Submissions noted that, depending upon the definition of a select investment option, in certain

cases there may be a large number of select investment options within a given RSE so any reduction in the number of submissions required for each select investment option would reduce the costs associated with providing the data to APRA.

As a result, some submissions suggested that data under SRS 533.1 and SRS 702.1 be required to be reported only on an annual basis; conversely, other submissions argued that quarterly reporting, without requiring the same information to be reported on an annual, audited basis, would be more effective in reducing the reporting burden.

APRA response

Quarterly submission of data facilitates timely supervisory analysis and intervention, and supports APRA's prudential supervision needs. In APRA's other superannuation reporting standards, annual submission of quarterly data is required where that data must be audited in line with the requirements of *Prudential Standard SPS 310 Audit and Related Matters* (SPS 310).

In recognition of the nature of the information proposed to be collected under SRS 533.1 and SRS 702.1 and the fact that individual RSE licensees may operate a large number of discrete select investment options, SRS 533.1 and SRS 702.1 will not be subject to specific audit requirements. Instead, APRA expects that these reporting standards will be included in the RSE auditor's review of the RSE licensee's internal processes as required by paragraph 19(b)(ii) of SPS 310.

APRA, therefore, has decided to not require annual submission in addition to quarterly reporting of SRS 533.1 and SRS 702.1. As a result, these forms will be required to be submitted only four times a year, not five.

As it is possible that RSE licensees will use soft close data for the purposes of quarterly reporting, it may be that hard close year-end information results in material differences to the data reported to APRA throughout the year. In this instance, APRA expects that RSE licensees would re-submit the relevant data to ensure the accuracy of the information provided to APRA for prudential supervision and publication purposes.

Under the revised SRS 001.0, RSE licensees will be required to report information on changes to information about an existing select investment option, or when a select investment option ceases to operate. In such a case, *Reporting Form SRF 001.0 Profile and Structure (Baseline)* (SRF 001.0)

must be resubmitted to APRA within 28 calendar days of the change taking effect or the select investment option ceasing to operate.

APRA has made no changes in the frequency of reporting under SRS 601.0.

2.3 Reporting due dates

In the July 2014 consultation package, APRA proposed that the due dates for reporting in respect of select investment options would align with those due dates in the broader reporting framework applying from 1 July 2015:

- in the case of quarterly information - within 28 calendar days after the end of the quarter to which the information relates;
- in the case of annual information - within 3 months after the year of income to which the information relates; and
- in the case of SRS 001.0 - in line with the specific annual and ad-hoc requirements of the reporting standard.

Comments received

Submissions noted that the information required under SRS 533.1 and SRS 702.1 relates, in the main, to sub-RSE level information, some of which will need to be sourced from product-level information. As a result, submissions indicated that reconciliation and collation of this information could not commence until RSE level information had been extracted, resulting in likely difficulties in meeting the proposed quarterly reporting due dates for these forms.

Submissions argued that an increase from 28 calendar days to 35 calendar days would be sufficient to mitigate these difficulties.

APRA response

APRA notes the concerns raised in submissions and considers that a period of transition as the industry embeds new reporting processes is appropriate. In order to provide time for the industry to implement the required processes and maximise the quality of data submitted from the outset, APRA will extend the due dates for quarterly reporting in respect of select investment options to 35 calendar days for reporting periods ending on or before 31 December 2016. From 1 January 2017, the due dates for quarterly reporting in

respect of select investment options will revert to 28 calendar days.

2.4 Alignment with MySuper reporting

APRA's proposals in the July 2014 consultation package were intended to significantly reduce the costs to industry of reporting to APRA.

These proposals resulted in differences between some information required to be provided in respect of MySuper products under *Reporting Standard SRS 330.2 Statement of Financial Performance*, SRS 533.0 and SRS 702.0 and the information proposed to be required under SRS 533.1 and SRS 702.1. Specifically, less detailed information was proposed to be reported in respect of select investment options than for MySuper products.

Comments received

Although the majority of submissions strongly supported the proposed revisions, some argued that APRA should maintain consistency between the MySuper and select investment option reporting requirements. These submissions indicated that reporting less detailed information to APRA in respect of select investment options compared to MySuper products would be more burdensome - not less - as system builds specific to select investment options would be necessary.

One submission suggested improvements to the manner in which items on SRF 702.1 should be totalled and linked to example member fees, costs and taxes.

APRA response

While noting the concerns raised in some submissions, APRA considers it appropriate to implement less-detailed reporting requirements for select investment options than required for MySuper products. The majority of SRS 702.1 remains, therefore, unchanged from the draft reporting standard.

APRA has, however, addressed the specific feedback received on the mechanics of the example member calculation on SRF 702.1 by reintroducing derived 'example member fees and costs' items on this form, to align with the equivalent requirement under SRS 702.0.

2.5 Example member and net return/net investment return

In the July 2014 consultation package, 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 reporting of a range of such fees, costs, taxes and returns.

APRA also proposed to use the terminology 'example member' rather than 'representative member' for select investment option reporting, to make it clearer that the information provided is for comparison purposes only and not intended to be representative of the likely outcomes for any individual or group of members.

Comments received

While broadly supportive of APRA's proposal to require reporting for the highest and lowest scale to capture differences in fees and costs applicable across investment options, submissions expressed reservations about the 'example member' concept. Submissions noted that the net investment return and net return reported on SRF 702.1 may under- or overstate the actual contribution that option level investment performance makes to members' retirement outcomes, given that ultimate outcomes are driven by product-specific unit prices or crediting rates.

APRA response

The example member concept is not intended to provide members with an accurate guide to investment outcomes tailored to their particular circumstances.

Rather, it provides a consistent basis for comparing fees, costs, taxes and investment performance across different investment options. It is analogous with the MySuper 'representative member' concept. The purpose of the example member information will be made clear should this information be published by APRA in the future.

2.6 Confidentiality and publication of data

A number of submissions raised concerns in relation to the publication of data in respect of select investment options.

As outlined in the July 2014 discussion paper, APRA will consult separately on the confidentiality and publication of data submitted about select investment options.

Chapter 3 Definition of select investment option

In the July 2014 consultation package, APRA proposed amendments to the definition of ‘select investment option’.

In practice, an RSE licensee must consider the depth of choice available to members within its investment structure when considering what comprises an investment option within their business operations.

For reporting purposes, APRA considers that an ‘investment option’ includes but is not limited to pre-mixed options, investment vehicles and instruments made available (or which have previously been made available) by the RSE licensee to members for the purposes of directing the investment of their interests. It then follows that select investment options are a subset of investment options that meet a specific criteria.

The select investment option definition and associated thresholds are intended to ensure that information about investment options that could materially affect an RSE is reported to APRA and to allow for enhanced transparency about investment structures. APRA’s objective in reviewing the definition was to strike an appropriate balance between meeting the requirements of users of the data collected and the compliance burden for industry.

The original select investment option definition was:

select investment option means an investment option in an RSE, defined benefit RSE, eligible rollover fund or pooled superannuation trust which:

- (a) underlies:
 - (i) a defined benefit pension within the meaning of *Prudential Standard SPS 160 Defined Benefit Matters* (SPS 160), where that defined benefit pension is currently being paid; or
 - (ii) an interest that entitles the member who holds the interest, when benefits in respect of the interest become payable, to be paid a benefit referred to in the definition of

‘defined benefit member’ in paragraph 7(b) of SPS 160; or

- (b) underlies a pre-MySuper default product that includes at least one accrued default amount (within the meaning given in section 20B of the SIS Act); or
- (c) underlies a reserve; or
- (d) at the most recent 30 June, has assets relating to non-MySuper interests greater than \$50 million; or
- (e) at the most recent 30 June, has assets relating to non-MySuper interests that are less than \$50 million but which represent more than 5 per cent of total assets of the RSE within which the investment option is located.

3.1 Qualitative limbs

The original select investment option definition included three qualitative limbs (as set out in paragraphs (a), (b) and (c) above).

In the July 2014 consultation package, APRA proposed to amend the select investment option definition by removing the limb referring to investment options underlying a reserve (the ‘reserves limb’ in paragraph (c)).

Comments received

Submissions were generally supportive of APRA’s proposal to remove the ‘reserves limb’ and a number of submissions also outlined arguments for removing the ‘defined benefit limb’ (paragraph (a)) and the ‘accrued default amount limb’ (paragraph (b)) of the definition.

In relation to the ‘defined benefit limb’, submissions noted that enhanced information available is available to APRA on defined benefit RSEs and sub-funds via *Reporting Standard SRS 160.0 Defined Benefit Matters* and *Reporting Standard SRS 160.1 Defined Benefit Member Flows*. In particular, some submissions raised concerns as to the relevance and meaningfulness of the information required under SRS 702.1 in respect of a defined benefit only investment option.

In relation to the ‘accrued default amount limb’, submissions noted the limited period between the

intended commencement of the select investment option reporting requirements and when RSE licensees will be required to complete the transfer of accrued default amounts to MySuper products. In this context, submissions queried the limited benefit of reporting in relation to accrued default amounts relative to the compliance costs involved in establishing systems and processes to extract this data.

APRA response

Following consideration of submissions received, APRA has amended the select investment option definition to remove both the 'reserves limb' and the 'accrued default amount limb', but has retained the 'defined benefit limb' with some adjustments.

Where a select investment option underlies only defined benefit interests (i.e. the investment option does not underlie accumulation or pension account interests), RSE licensees will not be required to submit SRF 702.1 in respect of that option. Further, when a select investment option includes defined benefit interests and accumulation/pension account interests, an RSE licensee will not be required to report on SRF 702.1 in respect of combinations of fees, costs and taxes that only apply to defined benefit members and members that are receiving a defined benefit pension.

APRA's view is that as SRF 533.1 includes information of significant prudential value for defined benefit RSEs, RSE licensees will be required to submit SRF 533.1 in respect of all select investment options, including defined benefit only options.

APRA allocates returns to RSE licensees based upon the information reported under SRS 001.0. APRA has amended the instructions to SRS 001.0 to include a reporting hierarchy (refer to Attachment C of SRS 001.0), which sets out the manner in which an RSE licensee must classify each select investment option to ensure accurate allocation of returns for the purposes of reporting select investment options.

3.2 Quantitative limbs

In the July 2014 consultation package, APRA indicated that it was considering the prudential and practical implications of altering the select investment option thresholds of \$50 million and five per cent of total RSE assets. APRA invited submissions on this aspect of the definition with a view to ensuring that only information about

investment options that could materially affect the operations of an RSE is reported to APRA.

Comments received

Submissions were broadly supportive of retaining the five per cent threshold as a measure of materiality of a select investment option. However, submissions generally opposed the retention of a \$50 million threshold, with various alternatives proposed for this limb and some submissions advocating its removal.

In many cases, submissions argued in favour of a moderate increase to the dollar threshold to reduce the compliance burden while retaining appropriate visibility over select investment options that could materially affect the operations of an RSE. One submission proposed a multi-tiered reporting approach, based upon the size of an RSE's assets and of each investment option within that RSE.

APRA response

Following consideration of the submissions, APRA has retained the five per cent materiality limb of the select investment option definition but has increased the dollar reporting threshold from \$50 million to \$200 million.

In determining the dollar reporting threshold, APRA has taken into consideration the expected proportion of industry assets that would be covered by the select investment option reporting based on the threshold, from both a prudential and enhanced transparency perspective.

Based upon information reported to APRA as at 30 June 2014, there are over 42,500 investment options offered within RSEs across the industry. Of these, 2,481 met the original select investment option definition, with 87 per cent of applicable APRA-regulated RSE assets¹ covered by the original select investment option definition and reporting on MySuper assets. Based on the same data, 904 investment options meet the revised definition, and 80 per cent of applicable APRA-regulated RSE assets would be covered by the investment reporting to APRA when MySuper assets are included.

APRA's view is that this level of coverage is appropriate for both prudential and transparency purposes and that the revised definition strikes an

¹ Excludes pooled superannuation trusts, small APRA funds and single member approved deposit funds.

appropriate balance between reporting burden for industry and coverage of industry assets. APRA will periodically review and, if necessary, update this dollar reporting threshold at appropriate intervals, expected to be every three years or so. This will enable the thresholds for select investment option reporting to maintain an appropriate linkage to developments in the superannuation industry over time.

3.3 Final definition

The final definition of a select investment option is therefore:

select investment option means an investment option within an RSE²:

- (a) to which a member of that RSE may select to have all or a part of their interest directed, and that at the most recent 30 June has assets relating to non-MySuper interests which represent:
 - (i) more than five per cent of total assets of the RSE within which the investment option is located; or
 - (ii) less than five per cent of total assets of the RSE within which the investment option is located, but that are greater than \$200 million; or
- (b) which underlies:
 - (i) a defined benefit pension within the meaning SPS 160, where that defined benefit pension is currently being paid; or
 - (ii) an interest that entitles the member who holds the interest, when benefits in respect of the interest become payable, to be paid a benefit referred to in the definition of 'defined benefit member' in SPS 160.

3.4 Other definitional matters

Comments received

Submissions raised questions and requested further clarity in relation to a number of other aspects of

² For reporting purposes, an 'investment option' includes but is not limited to pre-mixed options, investment vehicles and instruments that are made available, or have previously been made available, by the RSE licensee from which members of an RSE can select when determining how their interest is to be invested.

the definition of a select investment option. These included how:

- an investment option would be assessed against the definition of a select investment option at an RSE licensee level, at an RSE level or at a product level;
- single sector or single asset class investment options would be included within the definition of a select investment option;
- member-directed or platform investment options such as individual stocks and instruments would be included within the definition of a select investment option;
- members' interests within 'legacy' or off-sale products would be included within reporting of select investment options; and
- accumulation and pension members' interests would be treated when reporting on select investment options.

Some submissions argued for some of these elements to be carved-out from the definition of a select investment option in order to reduce compliance burden.

APRA response

APRA has made no further changes to the definition of a select investment option but has clarified some of these issues in the reporting instructions. Specifically:

- **Reporting level:** the select investment option reporting requirements must be applied at the RSE level, not at the RSE licensee level or the product level (when determining whether the quantitative limbs of the definition are met). If an RSE licensee operates more than one RSE, each of which invests in the same investment option, that investment option must be reported separately in respect of each RSE for which it meets the definition of a select investment option. Further, if an investment option meets the definition of a select investment option at the RSE level, it must be reported regardless of the number of products that invest into the select investment option;
- **Single sector or asset class options:** APRA notes the submissions in relation to the reporting of strategic and actual asset

allocation information on SRF 533.1 for single sector or single asset class investment options. Nevertheless, APRA's view is that given that it will be very straightforward to report the relevant information for these options on SRF 533.1, the complexity of separate reporting requirements for this sub-set of investment options is outweighed by the benefit of this information being available to APRA. The reporting standards therefore require information for single sector and single asset class investment options that meet the definition to be reported in the same manner as multi-sector or multi-asset class options;

- **Member-directed or platform investment options:** investment options offered within member-directed and platform products are not excluded from the definition of a select investment option. APRA acknowledges submissions made concerning the reporting of member-directed or platform investment options and recognises that some RSE licensees may be required to report large numbers of options that comprise single stocks or instruments, resulting in a significant reporting burden. In determining the dollar threshold applying to select investment options, APRA has considered the current size and likely future growth in member-directed investment options, striking a balance between ensuring the reporting of information about individual options that are material to an RSE's operations and managing this reporting burden. As discussed above, the dollar reporting threshold will be reviewed over time;
- **Legacy and off-sale products:** when determining whether the size of members'

interests within an investment option meets the threshold for reporting purposes, all members exposed to an investment option must be taken into account, regardless of whether the products that invest into the investment option are on-sale or off-sale. To address concerns expressed within certain submissions regarding off-sale products, references to Product Disclosure Statements in the instructions to SRS 702.1 have been amended; and

- **Accumulation and pension members' interests:** in the July 2014 consultation package, APRA noted that it had received feedback that certain select investment options contain member accounts in both the taxed phase and the tax-free phase. As a result, net-of-tax returns vary depending on the member account phase, resulting in some RSE licensees having to report such select investment options as two separate reporting entities to reflect the different after tax-returns. APRA has revised SRS 702.1 to enable RSE licensees to report in respect of both the taxed and tax-free phases on one form, reducing the number of discrete data points required in such a scenario.

Attachment A: Additional changes to SRS 702.1

Reporting Standard SRS 702.1 Investment Performance (Select Investment Options)

In response to submissions, APRA has:

- amended the instructions to SRF 702.1 to make it clear that where a select investment option includes scales that are no longer available to new members and therefore a PDS is not available at the time of reporting, these scales must still form part of the RSE licensee's consideration in determining the highest and lowest scale for an example member;
- removed the requirement to report a start date for each select investment option on SRF 702.1 and will instead collect information on changes to the status of select investment options via SRF 001.0;
- revised the instructions to SRF 702.1 to permit RSE licensees to take into account fee rebates when determining scales for reporting purposes; and
- removed erroneous references to MySuper products from the instructions to SRF 702.1.



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