



Consultation on superannuation data
collection for the Australian Bureau of
Statistics

17 April 2015

AIST Submission

AIST

The 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 funds.

As the principal advocate and peak representative body for the \$600 billion not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training, consulting services and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.

Contact

Karen Volpato, Senior Policy Advisor

0419127496

Tom Garcia, Chief Executive Officer

03 8677 3800

1 Executive summary

In brief: AIST wishes to thank both APRA and the ABS for their consultation on superannuation data collection for the ABS. AIST strongly recommends that further consultation take place, based on the outcomes of an analysis to be undertaken of the differences and similarities in APRA and ABS reporting, removing reporting duplication, and preparation of a Regulatory Impact Statement. AIST also recommends a longer lead time is necessary.

2 Recommendations

2.1 Introduction

AIST wishes to thank both APRA and the ABS for their consultation on superannuation data collection for the ABS. AIST notes the substantial consultation which has been – and is still – taking place regarding APRA data collection. Such consultation processes are greatly appreciated, as they help contribute to the end production of better data. As such, these consultation processes are iterative. AIST thanks the ABS for the additional clarifications outlined within the ABS letter to RSE licensees dated 1 April 2015.

AIST notes its continued support for superannuation funds providing data.

2.1.1 What is needed to better assess requirements

2.1.1.1 Objectives

The cost of providing data, in effect, comes from members' retirement savings. Accordingly, the outcomes of providing the data need to be balanced against the cost as well as the value to the taxpayer. It is critical that there is:

- Clarity regarding why the data has to be provided.
- Certainty as to what data is to be provided.
- Certainty that the data is collected and provided in the most efficient manner.
- Clarity so that the data collected is at the highest quality at the lowest possible compliance cost.

2.1.1.2 Additional information needed to better meet objectives

To assist assessing the draft ABS reporting form requirements, AIST (as well as other stakeholders) requested a heat map or cross-reference of the requirements showing:

- Differences and similarities between the draft ABS reporting requirements and APRA reporting requirements, especially given that ABS forms will be part of the APRA reporting regime.
- Requirements flowing from international data reporting standards, as AIST assumes these standards will be applied.
- Requirements from Australian Accounting Standards.
- Information identifying what was required for prudential requirements as compared with data collected for more general purposes.
- Whether same data points could be used for both APRA and ABS reporting (and if not, why not).
- Whether any other data sources could be used. AIST notes that regarding other data sources, the letter from the ABS of 1 April 2015 partially addresses this.

While AIST and its member funds greatly appreciate and endorse the new proposals outlined in that letter, AIST finds it difficult to answer the questions raised at the end of that letter (e.g. do the proposals outlined in this letter address at least in part some of the concerns raised by the industry) without having such a heat map or cross reference document. The letter addresses the ‘known knowns’, and we reiterate our strong appreciation for this. However, the letter does not address the ‘unknown unknowns’ as we have not analysed the data reporting requirements flowing onto the ABS through, for example, international data reporting standards. This is in the province of the ABS.

In further support of this point, AIST notes that when the *Financial Sector (Collection of Data) Act 2001* (FSCODA) was introduced, the Explanatory Memorandum indicated that FSCODA provided an opportunity to co-ordinate and rationalise the collection of data. While AIST appreciates that the ABS may have additional data reporting needs, the drivers for this can only be demonstrated if the ‘heat map’ or cross-reference document as outlined above is presented.

In addition, given the considerable amount of resources required to implement the proposed ABS reporting, AIST recommends that a Regulatory Impact Statement be prepared. Such a step was undertaken with APRA data reporting standards (Regulation Impact Statement OBPR ID:14624).

AIST would greatly appreciate a further workshop consultation, which takes these issues into account. We believe that this would result in the quality data being provided in the most efficient and cost effective manner.

AIST now turns to consistency of reporting, data reporting design, efficiency of reporting (including the elimination of duplication), impact on defined benefit funds, estimated costs, implementation timing and future work.

2.2 Consistency of reporting

2.2.1 Classification of assets

AIST understands from workshops held as part of the consultation process that the ABS is required (owing to international reporting standards) to delineate both parties to a transaction as well the nature of the transaction. This requires the data to be broken down in a certain way.

AIST reiterates its earlier comments that a cross-reference document would greatly assist with clarifying ABS and APRA requirements. For example, such a cross-reference document would assist superannuation funds to better understand why there is a need for a greater breakdown of asset types in draft SRF720.0, as well as any need for different definitions in draft SRF720.0 when compared with SRS533.1. AIST also queries whether, in addition to the data APRA collects from banks and insurance companies and shares with the ABS, there are (or will be) separate data collected by the ABS from these entities. From recent consultations, it would appear that such equivalent obligations are not in place.

2.2.2 Audited and non-audited data

AIST recommends that the differences in approach throughout the draft forms between requiring audited data and accepting 'careful estimates' should be reviewed.

AIST notes that while the draft forms refer to 'careful estimates', there is no reduction in effort as the funds, administrators and custodians will still undertake due diligence on any items reported to APRA. AIST draws attention to the fact that a number of other APRA reporting forms are not required to be audited. However, the same due diligence processes apply.

Underpinning this comment are the requirements of *Prudential Standard 220 – Risk Management* (SPS 220). SPS 220 requires a declaration that the RSE licensee has adequate reporting systems and internal controls. AIST seeks clarification as to the impact of this requirement as regards the proposed ABS reporting requirements.

2.2.3 Fund reporting periods

AIST strongly supports Proposal #1:

Proposal #1: (a) that the proposed standard apply only to directly held investments; (b) that the proposed standards be completed according to the year of income of the RSE; and (c) that the valuation principles in the proposed standards specifically reference the Australian Accounting Standards.

2.2.4 Internal trusts

AIST notes that the ABS letter of 1 April 2015 outlines that any requirement to look-through or consolidate internal trusts or wholly-owned investment subsidiaries is to be removed, so that only assets which the RSE directly holds are required to be reported.

AIST welcomes this proposed change.

2.2.5 Section 29QC reporting

AIST notes that given that the investment information to be reported to the ABS differs to that being reported to APRA, member funds have raised how this will affect section 29QC requirements.

In its recent submission regarding section 29QC¹, AIST recommended that the section 29QC requirements be further delayed until 1 January 2016. AIST recommends that the impact of section

¹ AIST, (2015). *ASIC Consultation Paper 227: Disclosure and reporting requirements for superannuation trustees: s29QC*, 16 March 2015. [online] AIST. Available at: <http://tinyurl.com/k789k4a> [Accessed 11.April. 2015].

29QC on the requirements of ABS data reporting also be part of any further workshop consultation. AIST recommends that there be a specific exemption from section 29QC regarding ABS data reporting.

2.3 Data reporting design

2.3.1 Non-residents

AIST notes that the proposed SRS 730.0 will require new information about non-resident members to ensure compliance with international statistical standards.

As is noted in the ABS letter dated 1 April 2015, currently superannuation funds do not keep records regarding the residency status of members. However, superannuation funds do remit to the ATO annual member contribution statement (MCS), which includes certain information such as the residential address of members.

As an initial step, AIST agrees on balance with proposal #2 as outlined in the ABS letter of 1 April 2015, namely:

Proposal #2: (a) that column 3 be removed from proposed SRS 730.0; (b) that an additional item (proportion of non-resident members and members' benefits) be added to proposed SRS 720.0.

However, AIST notes the following:

- Member funds are happy for column 3 of SRS 730.0 to be removed.
- However, the inclusion of the new items in SRS 720.0 still poses an issue (reference Appendix 2 of the ABS letter of 1 April 2015). While the resident/non-resident data requirements have been cut down significantly (and AIST greatly appreciates this), member funds still do not have a way to 'estimate' the proposed data points. For example, our member funds have noted that their systems do not record a member's residency status, even if funds were to use the member's residential address (also stated in the MCS form to the ATO) as more likely than not, members will only provide their Australian residential address. Given this, there simply isn't enough information held to 'estimate' non-resident member proportions.
- AIST also seeks clarification as to what liability of member benefits for non-resident defined benefit members is needed.

As a longer term view, AIST agrees that the MCS data could potentially be used to estimate the residency status of individual superannuation members through data linking and integration of MCS data with personal income tax data. This data could be used by the ABS without the need for further involvement from superannuation funds. The ATO could provide a resident/non-resident membership split, and the ABS could then apply this to fund asset/liabilities. This would also provide more accurate data. AIST also queries whether there is a possibility of using data held by the Immigration Department regarding visas issued to foreign nationals.

2.3.2 Thresholds

AIST believes that the need to report threshold of RSEs with total assets equal to or greater than \$200M at the end of the most recent complete year of income at the time of reporting is appropriate.

2.3.3 Changes to accounting standards

Given the forthcoming changes to accounting standards, AIST believes that any further workshop consultation should also address what impact these changes may have on ABS reporting requirements. For example, the measurement of *Fair Value* will change when AASB 1056 is adopted. AIST also notes that the new Financial Instruments accounting standards on may cause variations in measurement between years.

2.4 Efficiency of reporting and removal of duplication

2.4.1 Duplication of effort

AIST welcomes Proposal #3 in that the ABS seeks to reduce duplication by making greater use of information collected under SRS 330.0 and relocating a number of unique data items from column 1 of proposed SRS 730.0 to somewhere in the reporting collection (see Appendix 1 of ABS letter 1.4.15).

Proposal #3: (a) that ABS makes greater use of information from SRS 330.0; (b) that column 1 be removed from proposed SRS 730.0 and unique data items from column 1 be relocated to elsewhere in the reporting collection, either a separate or existing reporting form; and (c) that proposed SRS 730.0 apply only to RSEs with defined benefit members.

However, consideration should also be given to using the information contained in SRF330.1. Our defined benefit funds gave us feedback that for them, SRF330.1 will contain the majority of defined benefit data required by the ABS in SRS 730.0 and as such, also reporting in SRS330.0 would be a duplication of reporting. AIST suggests that this issue also be examined as part of any further workshop consultation.

2.4.2 Use of other data sources

In order to better ensure consistency of data and lower reporting costs, AIST requested during the consultation process that an examination be conducted as to whether ATO data could be used for some items. While the ABS letter of 1 April 2015 does refer to (as a longer term issue) the possibility of using MCS data for non-resident information – and AIST strongly endorses Proposal #3 - AIST believes an examination of the following would assist avoid duplication:

- Whether ASIC's collection of data on OTC derivatives could be repurposed for the ABS.
- Whether the reporting of securities lending could be combined with SRF 535 rather than a separate form 721.

This examination could also be part of any further workshop consultation.

2.4.3 Uploading data

AIST seeks the views of both APRA and ABS regarding their expectations of funds using D2A for this reporting, given that it has a reputation for instability.

2.5 Defined benefit funds

AIST recommends that a separate reporting form for defined benefit funds is needed. In addition:

- Defined benefit data for item 20 in SRF 730.0 is not captured on any ledger system so it would be necessary to increase the scope of the actuary's report to provide these data points.
- AIST believes that guidance is needed regarding reporting of contribution holidays.
- Guidance is needed on how to report hybrid funds – presumably hybrid funds simply report the defined benefit element of their fund at item 20. Where funds have multiple defined benefit arrangements, presumably the aggregated amounts should be shown.
- Under the proposed SRS 730.0, additional information on the sources of change in liability for defined benefits is sought. AIST understands that this requirement is associated with SNA requirements for specific information on the actuarial changes in liability, including current and past service increases, change in scheme structure, and changes to actuarial assumptions. AIST seeks confirmation that this does not imply a need to separately track accumulation and defined benefit costs in those funds which have both types of scheme structures.

2.6 Costs and timing of implementation

2.6.1 Costs

Given the increased reporting needs regarding investment assets in particular, AIST notes that this will impose system and process changes for funds.

2.6.2 Resources

AIST believes that completion of the proposed ABS forms will take a considerable amount of time and resources. Feedback from superannuation funds includes that additional resources have been allocated to meet the requirements of the APRA reporting framework. Funds anticipate that further resources will need to be allocated to the requirements of the proposed ABS reporting forms. Our member funds have not yet gained cost estimates from custodians. The expected increase in costs is already being anticipated by third party suppliers, who are approaching superannuation funds to gauge whether funds are interested in an 'ABS reporting package'.

2.6.3 Implementation timeframes

As mentioned above, AIST believes that longer lead times are needed to ensure certainty of reporting. This is also necessary to ensure that better quality of data reported to ABS.

Additionally, superannuation funds are also in the throes of implementing further SuperStream data reporting requirements. AIST recommends the following:

- A staggered implementation is suggested so that the volume of data points reported is increased over the first 3 years.
- 28-day submission timing is difficult, given that funds must gain information from, eg. custodians. AIST recommends that a submission time of 35 days be used at the starting phase, with this reducing as cycle times improve.
- Custodians and administrators need 12 months lead-time to design and test data extraction and reporting.

2.7 Future work

AIST welcomes APRA's further work through updating FAQs as supplements to APRA instructions for ABS forms. There being only one point of contact is extremely efficient and helps consistency.

AIST would welcome further consultation workshops regarding ABS data reporting, and would be very happy to participate in these.

* * *