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17 April 2015

Subject: Superannuation – ABS reporting in APRA reporting 700 series (full submission)

Dear Sir/Madam

The Financial Services Council (FSC) writes in relation to the recent release by the Australian Prudential Regulation Authority (APRA) the draft forms for statistical reporting to the Australian Bureau of Statistics (ABS) as contained in SRS 720.0, SRS 721.0, SRS 722.0 and SRS 730.0.

The FSC supports APRA's enhanced prudential and data collection powers in relation to superannuation funds. The FSC also supports the ABS goal of tracking and reporting on this sector of the market for international comparative purposes. The growth of funds under management in the system underlies its importance to the Australian economy, as well as individuals' financial wellbeing in retirement.

The FSC welcomes both ABS's and APRA's open and pragmatic approach to consultation and dialogue on the new data collection forms. In particular, we welcome the proposed changes tabled in the letter from the ABS to RSEs dated 1 April 2015.

This document is the full FSC submission to that consultation. It should however, be read in conjunction with a FSC letter of 13 March 2015 (attached as an appendix to this submission) which covered technical issues in the draft forms that we thought would be worth bringing to your attention *prior* to the closing of the consultation (some of which have now been addressed). That letter covered:

- The start date of reporting;
- Reporting for Non-Resident Members (SRS 730.0);
- Potential reuse of ATO data;
- Reporting Volumes;
- Cross reference / heat map; and
- Defined Benefit reporting basis.

In this full submission, we cover other issues raised by our members and our response to the ABS letter dated 1 April 2015. Broadly, the topics we address are:

- Submission dates;
- Confidentiality of submitted data;
- Duplicate book-keeping;
- D2A cross form validation;
- Impact of S29QC;
- Complexity of SRS 720.0;
- Meaningfulness of data;
- Derivative reporting;

- Defined Benefits; and
- Further guidance on 'careful estimates'.

Please feel free to contact me on 02 8235 2566 if you have any further questions or comments in relation to this submission.

Yours sincerely



BLAKE BRIGGS
SENIOR POLICY MANAGER

1.0 RECOMMENDATIONS FROM FSC LETTER SENT IN MARCH 2015

Attached to this submission (refer to the appendix) is the letter dated 13 March 2015 outlining issues our membership felt was critical to raise *prior* to the closing of the ABS consultation. We have no intention to re-examine the issues raised, however to ensure these issues are not overlooked, we restate below the recommendations contained within that letter. We note that some of these issues have been addressed in the ABS letter dated 1 April 2015 and therefore add our support or additional comment to the ABS proposals (as appropriate) below each of our previously tabled recommendations.

March cover letter Recommendation:

- Implementation of the forms be no earlier than 12 months from date of tabling final standards.
- Despite the proposed simplification of the reporting (particularly in regard to SRS 730.0) this timing is still an issue for us. For large RSEs, it takes considerable time to analyse and implement systems changes.

March letter Appendix A Recommendation:

- Remove the columns relating to “Of Which: Attributed to non-resident members” within SRS 730.0 (column 3 items 1, 2 and 3).
- We support the ABS Proposal #2: (a) that column 3 be removed from proposed SRS 730.0; and (b) that an additional item (proportion of non-resident members and members’ benefits) be added to proposed SRS 720.0.
- We note that a single annual percentage of non-residency members could be provided by RSEs but this can be based on either the percentage of overall members as a number, or the percentage of member funds under management. Initial limited analysis indicates both figures will provide a consistent outcome based upon the information RSEs have on hand regarding a member’s country of residency. We therefore support ABS Appendix 2 where both numbers are reported.
- We note that within SRS 720.0 item 28.4.1 “of which: attributed to non-residents” should also be addressed by the ABS at the same time that ABS Proposal #2 is implemented.

March letter Appendix B Recommendations:

- Remove the columns relating to “Of Which: Attributed to non-resident members” within SRS 730.0 (column 3 items 1, 2 and 3).
- ABS to retrieve data supplied to the ATO by RSEs and cross check it to member’s tax forms. ABS to then apportion data from SRS 330.0 rather than collecting it from RSEs under SRS 730.0.
- As above, we support the ABS Proposal #2.
- We support data linking and integration of MCS data with personal income tax data. We note that the ABS says this is likely to be a longer-term opportunity, however, as RSEs will need to each build this functionality for their first reporting, and therefore the cost to Australian superannuants will be multiplied across the industry, then it would make sense for the industry as a whole for the ABS to expedite the build at the outset to prevent the sunk cost across each RSE.

March letter Appendix C Recommendations:

- Revert to annual data collection for the three quarterly reports;
- Simplify the SRS 720.0 annual report to streamline submission;

- ABS to re-use data from the submitted SRS 330.0 form to reduce the burden on RSEs;
 - ABS to re-use (via aggregation) data from the submitted SRS 330.1 forms to reduce the burden of Defined Benefit reporting on RSEs; and
 - Allow RSEs to do ABS form lodgement 5 (business) days after other APRA lodgement.
- Annual reporting is still a recommendation we request the ABS to consider.
 - We appreciate the comment that the ABS is considering the level of data proposed to be collected in SRS 720.0 to identify whether reduced granularity in these data items would still allow the ABS to meet its obligations under the National Accounts. We look forward to the resolution of this issue because it is a large issue for the industry.
 - We support ABS Proposal #3: (a) that ABS make greater use of information from SRS 330.0; (b) that column 1 be removed from 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.
 - We note that the ABS is investigating whether aggregated 330.1 data could potentially be used to approximate the income and expenses attributable to defined benefit members and we encourage this endeavour as SRS 730.0 would then virtually disappear.
 - Permanent 5 business day deferred ABS lodgement (post other APRA reporting) is still a recommendation we request the ABS to consider.

March letter Appendix D Recommendations:

- ABS / APRA to provide as soon as possible (preferably before the closing of the consultation), a heat map or cross reference to show where a field is the same as a field from another form, or where it has a different definition or where it is new. As such, the heat map or cross reference would show (green, amber, red) ideally with the associated APRA form listed.
 - Alternatively, adjust the new ABS draft forms to show in each definition “this should be the same as what is reported in SRS 330.0 item xyz”.
 - Provide a heat map in any revised ABS forms.
- In light of the ABS proposals for SRS 730.0, we largely agree a heat map/cross-reference based on the originally proposed standards would not be relevant. We concur that a majority of the data items in common could be eliminated as a result of the changes proposed.
 - However, we note the words “a majority of the data items” therefore where a field is common to another form (i.e. re-used or where it should match) we request text in the revised forms to state “this should be the same as what is reported in SRS ###.# item xyz”.

March letter Appendix E Recommendation:

- ABS/APRA to immediately announce alignment of initial reporting date for the SRS 720/730 series so that it coincides with the AASB 1056 start date (i.e. commences for annual periods beginning 1 July 2016).
- We believe this is still an issue and recommend that the ABS reconsiders the launch date to coincide with AASB 1056.
 - We support ABS Proposal #1(c) that the valuation principles in the proposed standards specifically reference the Australian Accounting Standards.

2.0 SUBMISSION DATES

It is noted that the new ABS forms specify that for quarterly information, submission of data is due within 28 calendar days after the end of the quarter; and for annual information, submission is due within three months after the end of the year of income to which the information relates.

However, in other APRA forms, allowance has been made for a transition time. For example, from SRS 330.0:

(a) in the case of quarterly information:

(i) for reporting periods ending on or after 31 March 2014 but before 1 July 2015 – within 35 calendar days after the end of the quarter to which the information relates; and

(ii) for reporting periods ending on or after 1 July 2015 – within 28 calendar days after the end of the quarter to which the information relates; and

(b) in the case of annual information:

(i) for reporting periods ending on or after 31 March 2014 but before 1 July 2015 – within four months after the end of the year of income to which the information relates; and

(ii) for reporting periods ending on or after 1 July 2015 – within three months after the end of the year of income to which the information relates;

Given the volume of APRA submissions now being experienced (as discussed in our March letter), the industry would like a transition period similar to that granted in SRS 330.0.

Finally, as much of the data for the ABS forms is contingent upon the data being submitted in other APRA forms, a short time lag between APRA form submission and ABS form submission is still requested.

Recommendation:

- Allow a transition period with extended due dates for the first submissions of each form.
- Permanently allow RSEs to do ABS form lodgement 7 calendar days (5 business days) after other APRA form lodgement.

3.0 CONFIDENTIALITY OF SUBMITTED DATA

The draft Reporting Standards 720.0, 721.0, 722.0 and 730.0 will be made under section 13 of the Financial Sector (Collection of Data) Act 2001. Section 57(2) of the APRA Act provides that:

“(2) APRA may determine, by legislative instrument, that:

(a) all or a specified part of a relevant reporting document contains, or does not contain, confidential information; or

(b) all or a specified part of relevant reporting documents of a specified kind contains, or do not contain, confidential information.”

However, Section 57(3) of the APRA Act also provides that:

“(3) APRA must not make a determination under subsection (2) unless APRA gives interested parties for the determination a reasonable opportunity to make representations as to whether or not the relevant reporting document contains, or relevant reporting documents of that kind contain, confidential information.”

In November 2013, APRA issued a discussion paper seeking feedback on APRA's proposal that all MySuper product data be treated as non-confidential, and they proposed to determine all but a limited sub-set of other reported data to be non-confidential. The data proposed not to be determined non-confidential included data relating to the Vested Benefits Index, Operational Risk Financial Requirement (for a limited period) and financial or other commercial data relating to service providers. The industry was informed that direct access to data would be made available to the public via a Data Dissemination tool (for ad hoc user queries).

For that consultation response, FSC members spent much time determining what fields could be misleading, controversial, would breach confidentiality or could be misused.

Subsequently, a second limited consultation took place on confidentiality of submitted data, and, as a result, as outlined in the October 2014 response to submissions, APRA announced it would implement a phased approach to the determination of data to be non-confidential and hence the publication of non-confidential data.

In November 2014, APRA announced:

- they would consult RSE licensees and other interested parties on draft annual superannuation statistical publications and reports in early to mid-2015, following submission and analysis of the first collection of the revised annual data collection in October 2014;
- they would consult on the publication of the additional quarterly information due to be submitted to APRA from 1 July 2014;
- they would separately consider and consult on the publication of select investment option data following the commencement of reporting of this data from 1 July 2015; and
- they were deferring the Data Dissemination tool.

When this confidentiality topic was raised at the ABS Roundtable, the APRA representative indicated that no consultation would occur on the confidentiality of submitted ABS data.

FSC members are therefore cautious about the potential future dissemination of data reported to APRA for the use of ABS (as reported within SRS 720.0, 721.0, 722.0 and 730.0) either in APRA publications or, far more importantly, through any future Data Dissemination tool.

For example:

- In SRS 730.0 Section 1 column 3 there are problems where Members' Benefits are attributed to non-resident members. In general the whole of item 1 is aggregated and we have little issue with that however in column 3 where there might be few or even only a single overseas member, this could expose that member's benefits. Where data is aggregated across all RSEs (per the ABS reporting) we have no issue, however should APRA publish the information in the Data Dissemination tool and that information is therefore attributed to an RSE, member's privacy can be breached.
- In SRS 730.0 item 1.8 (2) and 2.2 "Rollovers attributed to DB members", there are generally few members rolling over funds with respect to Defined Benefits. While ABS publication of this information would be fully aggregated with other Defined Benefit RSEs and would not jeopardise

confidentiality, release of the information into any APRA searchable data base (Data Dissemination tool) could inadvertently expose member details as it would be attributable to a particular RSE.

- In SRS 730.0 there are issues in publishing items relating to Investment expenses associated with:-
 - 9.1 and 9.2 Investment Management;
 - 9.3 Custodian;
 - 9.4 Investment Consultant; and
 - 9.5 Associated with Service Provider.

While ABS publication of this information would be fully aggregated across the industry and would not jeopardise confidentiality, release of the information into any APRA searchable data base (Data Dissemination tool) could breach the RSE's commercial confidentiality agreements.

- In SRS 720.0 item 27.1 (1) "ORFR Reserve" we note that while ABS publication of this information would be fully aggregated with other RSEs and would not jeopardise confidentiality, release of the information into any APRA searchable data base (Data Dissemination tool) would be undesirable as ORFR Reserves are subject to confidentiality (as previously determined by APRA).

The examples above (not a comprehensive review) have highlighted a wide variety of confidentiality breaches that could occur. We also note that in the 1 April 2015 letter, the ABS proposes to greatly simplify SRS 730.0 which is where many of the example issues (above) reside. Therefore it is very clear that FSC members cannot thoroughly consider the confidentiality issue while the ABS forms are in draft mode and subject to change. We therefore request consultation at a later date on the confidentiality and potential APRA publication of this ABS information particularly as it relates to the planned Data Dissemination tool.

Recommendation:

APRA to consult (generally) with the industry regarding the confidentiality of ABS data (contained within final APRA 700 series ABS reporting forms).

4.0 DUPLICATE BOOK-KEEPING

The FSC notes a number of items within the new ABS Reporting Standards have raised concerns, where standards would require superannuation funds to maintain multiple sets of books.

Hedge Accounting

SRS 720.0 Reporting instructions provide specific direction regarding the use of Hedge Accounting:

In national accounting, consolidation refers to the elimination of transactions which occur between two transactors belonging to the same institutional sector or subsector. In a commercial accounting sense, this process is applied to entities where a parent/subsidiary relationship exists. Report derivatives distinct from the corresponding contract that is being hedged. Do not use hedge accounting on SRS 720.0.

With the introduction of new accounting standards in 2018, and with early adopters potentially adhering to the revised standard on or after 1 July 2016, members may adopt hedge accounting practices. In order to report accurately against the ABS 720.0 form a second set of accounts will need to be generated.

Consolidation

The proposed SRS 720.0 requires the consolidation of internal trusts or wholly-owned owned investment subsidiaries, whilst SRS 320.0 does not require the consolidation of legal entities other than the RSE. This could result in the need for duplicate book-keeping.

Report Timing and basis (730.0)

The SRS 730.0 form states that it must be reported “*on an annual basis for each year ending 30 June¹*”. The SRS 330.0 form reports for “*each year of income of the entity*”. For RSEs that do not have 30 June as the reporting year this could be problematic as it could require duplicate book-keeping.

Result

Therefore, to reduce the potential for duplicate book-keeping, we support ABS Proposal #1: (a) that the proposed standards 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.

Recommendation:

- Review the impact of future AASB regulations on the reporting within SRS 720.0.
- Ensure alignment of hedge accounting methodology reporting obligations/instructions between SRS 320.0 and SRS 720.0 (per ABS Proposal #1 (a) and (c)).
- Ensure alignment of Entity reporting years (per ABS Proposal #1 (b)).
- Ensure alignment between SRS 320.0 and SRS 720.0 of methodology for consolidation of internal trusts or wholly-owned investment subsidiaries reporting obligations/instructions (per ABS Proposal #1 (a)).

5.0 D2A CROSS FORM VALIDATION

When entering data into D2A, errors and warnings occur that must be adjusted in real time and under deadline pressures. In addition, APRA has various additional data checks and spends time with RSEs working through cross form validations (post submission).

Given that the data being submitted to ABS/APRA is on the basis of “careful estimates” the industry would like to understand in the final forms what cross form validations will occur (if any) so that business rules can be specified up front.

Recommendation:

- Itemise cross form validations in the final reporting standards.

6.0 IMPACT OF S29QC

Section 29QC of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) imposes consistency requirements between the reporting standards of the Australian Prudential Regulation Authority (APRA) and the information given by licensees of registrable superannuation entities (RSE licensees). Under s29QC, if an RSE licensee provides information that APRA requires to be calculated in a particular way under a reporting

¹ SRS 730.0 Instructions page 1, Reporting basis of Measurement

standard made under the Financial Sector (Collection of Data) Act 2001, and the licensee gives the same or equivalent information to another person, including on a website, the licensee must ensure that this information is calculated in the same way as the information given to APRA.

The s29QC requirement was enacted with a commencement date of 1 July 2013. Following concerns expressed by industry, ASIC then deferred by Class Order the operation of s29QC until 1 July 2015. ASIC has recently consulted with industry to address uncertainty about how to comply with s29QC in its current form, while also providing possible options for modifying the scope and application of s29QC. That consultation paper (CONSULTATION PAPER 227: Disclosure and reporting requirements for superannuation trustees: s29QC) proposed the issuing of a Class Order to limit the scope of s29QC.

As noted in the FSC submission to that consultation, *“The FSC and its members fully support the objective of consistency as envisaged by s29QC Superannuation Industry (Supervision) Act 1993 (s29QC) however it is the broad and uncertain application and resulting heavy penalties in respect of s29QC that are of significant concern to FSC and its members.”*

Without pre-supposing an outcome from the ASIC consultation (CP227), the FSC members wish to point out that without s29QC Class Order relief, the ABS forms SRS 720.0, SRS 721.0, SRS 722.0 and SRS 730.0 that are submitted to APRA would be subject to s29QC which would potentially negate the “careful estimate” and audit relief that ABS has allowed for in the new reporting forms. A quick review of the draft forms do not highlight any cases where reported fields are calculated *“in a particular way”* however, as we expect some changes between the draft and final forms, it is worth ensuring specifically that these ABS forms are not caught by s29QC.

Recommendation:

- ABS to immediately work with ASIC to exclude ABS forms from s29QC (via any new Class Order being drafted resulting from CP 227).
- For avoidance of doubt, instructions within each ABS reporting form should clearly state that data submitted on these forms is not subject to s29QC.

7.0 COMPLEXITY OF SRS 720.0

SRS 720.0 introduces the requirement to classify assets at a detail not currently practiced across the Superannuation industry. Where funds are managed through a single statutory fund of life companies this does not represent a significant overhead to business, however within the platforms space where members are able to directly invest across a broad range of direct and indirect investments this becomes a significant undertaking. Platform products commonly offer up to a thousand assets per RSE with direct access to up to 4000 shares. Some examples of extended asset classifications:

- Section 6.0 Shares

Potentially up to 4000 shares are available at any given time on a platform, within current systems these assets are classified as Shares, however under 720.0 item 6.1 these need to be further classified into one of 11 sub types. Note: The ABS classification does not currently align with the International GIC Standard. We note that the classification of equities was well covered in the FSC’s March 2015 letter and we appreciate the ABS response that they are looking into it.

- Section 7 Units in trusts

Currently up to 1000 trusts are classified within the SRS 530.0 as retail listed trusts. Under section 7.1 of SRS 720.0 each trust then needs to be further classified into 3 sub types which is problematic. The other trust classifications required in 7.2, 7.4, 7.5, and 7.6 are also an issue.

At present there is no data provider within the market who is able to provide the extended classification information, nor is it currently maintained by Super Funds. In lieu of this service, individual superannuation funds would be required to undertake a onetime exercise in classifying all assets resulting in differing interpretations across the industry, as well as implementing onerous ongoing processes to review and maintain this data on a quarterly basis, with in excess of potentially 500 new assets being added each year.

While the above relates to assets, a similar issue exists in receivables:

- Section 11 Receivables

For receivables, accounting systems would need to be potentially amended to support the new reporting obligation. In particular, accounting systems do not generally track expected contributions and this would be a large change.

FSC members therefore appreciate the comment that the ABS is considering the level of data proposed to be collected in SRS 720.0 to identify whether reduced granularity in these data items would still allow the ABS to meet its obligations under the National Accounts. Prior to the introduction of a revised SRS 720.0, the ABS should also review any new proposed classifications with industry data providers including the timing of when the classification information could be made available to RSEs. We look forward to the resolution of this issue because it is a large issue for the industry.

Recommendation:

- Work with RSEs and industry data providers regarding the classification of assets prior to the finalisation of the SRS 720.0 form.
- Work with RSEs and industry data providers regarding the classification of receivables prior to the finalisation of the SRS 720.0 form.
- Defer the introduction of SRS 720.0 until such time as a robust asset classification offering has been deployed to the market by industry data providers.

8.0 MEANINGFULNESS OF DATA

The ABS requested specific feedback during the February Industry Roundtable on the meaningfulness of data items within the proposed forms. FSC members have highlighted to us, amongst other things that within the existing SRS 730.0 (which may now undergo major change) several items are worthy of noting.

Contributions for Defined Benefit members

Within SRS 730.0, Salary Sacrifice Contributions within Employer contributions attributed to Defined Benefit Members (Item 1.1.1) is a meaningless number. The concepts of 'Salary Sacrifice' and defined benefits are incompatible and therefore Contributions Tax attributed to Salary Sacrifice Contributions is also meaningless (item 1.5.1.1) for Defined Benefit members.

In addition:-

<p>Item 1.2 Member Contributions Item 1.2.1 Kiwi Saver Contributions Item 1.2.2 Government Co-Contributions</p>	<p>Within the standard Defined Benefit structure, these contributions for defined benefit members would be classed as “defined contributions” and would therefore be excluded always resulting in a nil submission within the Defined Benefit column.</p>
<p>Item 1.10 Units Issued (PST Only) Item 2.5 Payments to Unit Holders (PST only)</p>	<p>Within the typical Defined Benefit Structure, Units Issued (PST Only) would not apply. This would always result in a nil submission within the Defined Benefit column.</p>

Contributions Tax

Within the proposed SRS 730.0 and then in Appendix 1 of the 1 April 2015 letter, the ABS has requested
Contribution tax
of which: Tax on employer contributions
of which: Tax on salary sacrifice contributions

Existing systems in use within most RSEs do not separately record such taxes. Contributions tax is deducted but it is retained and accounted for as a single number. At best, this could only be roughly approximated as 15% of contributions.

Change in liability for members’ benefits

The FSC recommends the removal of the RSE level (column 1) items for:

- 20 Net Change in liability for members’ benefits,*
- 20.1 of which: current service increase and*
- 20.2 of which: past service increase*

These RSE values will only ever be applicable to Defined Benefit interests (column 2). Non Defined Benefit liabilities (Column 1) will always be zero or will be the same as what is reported in Column 2.

<p>Recommendation:</p> <ul style="list-style-type: none"> • Reconsider the contributions data capture for Defined Benefit members. • Reconsider capturing contributions tax at a level lower than that currently reported on SRS 330.0. • Remove from SRS 730.0 items 20.0 through to 20.2 at the RSE level.
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9.0 DERIVATIVE REPORTING

The FSC notes that APRA has recently written to superannuation trustees to advise there will be deferral of the commencement date and further consultation in relation to SRS 534.0 (Derivative Financial Instruments). The FSC therefore submits that it would be appropriate for derivatives to be excluded from this consultation until the revised SRS 534.0 is released and finalised. This requires consultation on SRS 722.0 to be postponed and for further consultation at a later stage.

10.0 DEFINED BENEFITS

SRS 720.0 and SRS 730.0 require the breakdown of information to be reported which is attributable to defined member benefits. The FSC would like to raise a number of concerns related to this including the confusion of terms relating to defined benefits between the proposed ABS reporting standards and other APRA Superannuation Reporting Standards, and the duplication of reporting on SRS 730.0 to that already undertaken across SRS 330.1, 160.0 and 160.1.

Confusion of Definitions and Meanings of Terms Relating to Defined Benefits

There are various terms and meanings in other APRA Superannuation Reporting Standards for Superannuation which appear to differ to those used within SRS 720.0 and SRS 730.0. The following terms are specifically called out:

- Sub-Fund
- Defined Benefit Member
- Defined Benefit RSE
- Defined Benefit Scheme

The confusion surrounding these terms is discussed below:

- SRS 730.0 introduces the term 'Defined Benefit Member' within which the term 'defined benefit scheme' is used. Whilst there is no separate meaning of 'defined benefit scheme', it is presumed that this is possibly meant to be a reference to 'Defined Benefit RSE' which is defined in the Interpretation section of the Standard but has little meaningful use elsewhere in the Instructions.
- Within other APRA reporting standards (e.g. SRS 330.1, SRS 160.0), the term 'Sub-Fund' is used. The meaning of this term is:

Sub-Fund: *means a defined benefit sub-fund within the meaning given in Prudential Standard SPS 160 Defined Benefit Matters.*

Within the new standards for ABS Reporting the definition of 'Sub Fund' is not referenced. We understand that this may be deliberate because of the way that the ABS reports attribute data to 'Defined Benefit Members' (SRS 730.0) or to 'Defined Benefit Members Benefits'

- In APRA Superannuation Prudential Standard SPS 160.0, 'Defined Benefit Member' means:

a member who:

(a) is being paid a defined benefit pension; or

(b) is entitled, on retirement or termination of employment, to be paid a benefit defined, wholly or in part, by reference to either or both of:

(i) the amount of:

A. the member's salary at the date of the termination of the member's employment or of the member's retirement or an earlier date; or

B. the member's salary averaged over a period before retirement;

Or

(ii) a specified amount.

Within the proposed SPS 730.0, the definition of 'Defined Benefit Member' is as follows:

Represents member flows attributable to members who are part of a defined benefit scheme.

For members who have both defined benefit and defined contribution schemes, please segregate the components accordingly so that the defined benefit component is reported under this category.

As noted above, there is no separate definition of 'defined benefit scheme'. We note also that the above refers to "...members who havedefined benefit....scheme" which casts doubt as to our presumption that this term might be similar to 'Defined Benefit RSE'. Furthermore, not all members of defined benefit Sub Funds may have defined benefit interests, having only defined contribution components, the above results in a differing definition of Defined Benefit Members between the existing APRA reports and the new ABS reports.

- We note also that in SRS 720.0, items 26 and 27 require the reporting of both 'Defined Benefit Members Benefits'. The definition of 'Defined Benefit Members Benefits' is:

Represents the present value of expected future benefit payments to defined benefit members and beneficiaries arising from membership, measured using actuarial assumptions and valuations where appropriate. Reference: Australian Accounting Standards.

Where a defined benefit member has both defined contribution and defined benefit components, the above definition is ambiguous as to whether or not both components of the member's benefit should be combined and reported (as this makes up the member's total benefits).

We recommend that APRA and the ABS revisit and review the terminology used in the proposed standards to ensure that there is consistency of terminology across all reporting that relates to defined benefit arrangements. Ideally, the dimensions of defined benefit reports should be the same for APRA and ABS reporting. Any inconsistencies between fundamental segmentation of defined benefit data (e.g. 'sub-fund' related reporting vs. reporting for 'defined benefit members') should be avoided.

Liability for Members Benefits

Items 20.0 through to 20.4 inclusive of SRS 730.0 will require additional information to be sourced from the actuaries for each defined benefit arrangement. In this regard, the FSC notes that the ABS has sought to minimise the need for sourcing additional data at further expense to Trustees and members as outlined in the January Letter to Trustees:

"The proposed reporting standards have been designed to collect data that RSE licensees have available for existing reporting, without the need for significant system rework."

We are uncertain as to the rationale for the for the data relating to 'liability for members' benefits and question whether data currently provided under SRS 160.0 and 160.1 might provide information that would satisfy the ABS's needs. Based on our current interpretation of 'liability for members benefits' we believe that the information required for items 20.0 to 20.4 will require significant system rework.

Furthermore, we question whether aggregation of this data across an RSE such as an employer master trust with multiple defined benefit arrangements with individual actuarial oversight of each arrangement, will provide meaningful information. For example, changes in one defined benefit arrangement (sub-fund) within the master trust might be attributable to 'changes in actuarial assumptions' whilst in another sub-fund, changes might be attributable to 'past service increase'. Is aggregation of data what was intended?

For the record, we understand that from year ending 30/6/2017 onwards Defined Benefit funds need to estimate (Actuarial or otherwise) the Defined Benefit Member's benefits every year under the new Superannuation Entity Accounting Standard AASB 1056. From that time forward, it might be possible to report such data but RSEs might not have the data available if this new ABS standard is effective for the year (or any portion thereof) ending before then.

Recommendation:

- Review all definitions, interpretations and terminology related to Defined Benefit reporting across the new reporting standards and ensure consistency with the existing APRA reporting standards.
- Remove items 20.0 through to 20.4 at Defined Benefit level, with further review for inclusion within SRS 330.1 at Sub Fund Level
- Postpone implementation of Defined Benefit (item 20) reporting until after AASB 1056 is implemented.

10. FURTHER GUIDANCE ON 'CAREFUL ESTIMATES'

The FSC recognises that the Reporting Standards are designed to give comfort to RSE licensees that a careful estimate may be used where exact values are not available, and importantly, funds are not required to expend disproportionate time and resources ascertaining unknown values. While this approach is welcome and appropriate, we consider that it is essential that the Reporting Standard states that RSE licensees are not expected to expend significant resources and system changes to "chase down" non-material values. The FSC seeks guidance as to the level of inquiry beyond which RSE licensees are not expected to go, given that there is a cost impact to funds and therefore potentially fund member costs in seeking to estimate values which are not actually known and which may be so insignificant as to not justify the cost of estimation (of a value which is not actually known or is otherwise unable to be readily obtained).

We suggest that the search, system, process and procedure costs of ascertaining values which are not material (where otherwise not actually known by the issuer/trustee) will in certain cases not be justified from a cost of estimation perspective. We seek principles-based guidance as to when the trustee could reasonably form the view, on the grounds of information actually available, that the value is likely to be non-material and the cost of estimating such items is likely to exceed the benefit of disclosure of the additional value.

Recommendation:

- Provide further guidance on applying 'careful estimates' and when a value is non-material for reporting.