Melbourne
Casselden
Level 39, 2 Lonsdale Street
Melbourne VIC 3000

Canberra
Level 3,
39 Brisbane Ave
Barton, ACT 2600

Ms Cathy Bates
Director
Financial Statistics Section
Australian Bureau of Statistics
By email to: cathy.bates@abs.gov.au

Superannuation data collection for the Australian Bureau of Statistics – Changes to the proposed reporting standards

Industry Super Australia (ISA) welcomes the opportunity to comment on proposed changes to new superannuation reporting requirements which the Australian Bureau of Statistics (ABS) has proposed for statistical purposes.

We also welcome the proposed arrangements under which additional data collection will be administered by Australian Prudential Regulation Authority (APRA), and collected using the Direct to APRA (D2A) reporting system, which is already used by RSE Licensees to report data to APRA.

We acknowledge that the APRA and the ABS have sought preliminary feedback on the proposed changes released on 27 January 2015 and have revised the proposals in response to industry feedback.

ISA is generally supportive of the changes to the draft reporting standards, issued by the ABS on 1 April 2015. However, despite the changes, Industry SuperFunds continue to have a range of concerns about:

- The level of detail about investment reporting that is proposed
- Potential overlap with existing APRA data collection requirements
- Additional costs to comply with the new requirements
- The need for adequate transitional arrangements

These concerns are set out below.

1. ISA Comments on draft proposals

Proposal 1: Improve alignment of reporting basis with existing reporting requirements
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

ISA welcomes the decision by the ABS to modify its original proposal that required the consolidation of internal trusts or wholly-owned investment subsidiaries. The original proposal, which was inconsistent with existing SRS 320.0 and accounting standards, would have resulted in a significantly higher compliance burden and made it more difficult for Industry SuperFunds to reuse data and cross-check data reported across different forms.

ISA supports the revised proposal, under which the draft standard will apply only to directly-held investments.

ISA also welcomes the decision by the ABS to modify the original proposal that draft SRS 720.0 must be completed on a calendar quarter basis. This was inconsistent with SRS 320.0, which is required to be completed quarterly based on the RSE's actual year of income. Requiring different reporting dates would have resulted in a significantly higher compliance burden for Industry SuperFunds, by making it impossible to reuse existing data.

ISA supports the revised proposal, under which the reporting period will be aligned with SRS 320.0.
Finally, ISA supports the decision by the ABS to modify the original proposal so that the valuation principles in the draft standards specifically reference the Australian Accounting Standards. This will also enable Industry SuperFunds to reuse and cross check existing data.

Proposal 2: Reduce reporting requirements about non-resident members
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

Proposed column 3 required RSE licensees to disaggregate income and expenses to identify flows attributable to non-resident members. ISA welcomes the decision to remove this requirement. RSE licensees are not required to keep records relating to the residency status of all members, do not use information about the income and expenses attributable to non-resident members for business purposes and do not have this information. Under the modified proposal, an additional question will instead be included in draft SRS 720.0, requiring RSE Licensees to estimate the proportion of members who are non-resident members and the proportion of the liability for members' benefits which may be attributed to non-resident members. Because Industry SuperFunds are not required to keep data about the residency status of members and do not do so for any other reason, preparing reasonable estimates of the proportion of members who are non-residents and the proportion of the liability for members' benefits attributable to non-residents will impose an additional compliance burden on Industry SuperFunds. For this reason, ISA does not support this. Instead, information about members' residential addresses on the annual member contribution statement lodged by RSE Licensees with the ATO should be used to collect data about non-residents.

If, despite ISA's opposition to this additional question, it is included in the proposed SRS 720.0, funds will need guidance on what steps they are required to take to produce an estimate that satisfies the proposed obligation.

Proposal 3: Reduce duplication with existing reporting requirements
Proposal 3(a) That ABS make 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 of existing reporting form; and (c) that proposed SRS 730.0 only apply to RSEs with defined benefit members

ISA supports the proposal that the ABS make greater use of information from SRS 330.0 as a result of Proposals 1 and 2.

Under this proposal, RSE Licensees would still be required to report the following additional data items that are not already available on SRS 330.0:

Item available on SRS 330.0	Additional detail required on SRS 730.0 or another form
1.3 Defined benefit contributions	*of which*: Employer defined benefit contributions *of which:* Member defined benefit contributions
1.5 Contribution tax	*of which:* Tax on employer contributions *of which:* Tax on salary sacrifice contributions *of which:* Tax on member contributions
8 Operating income	*of which:* Scrip lending *of which:* Underwriting activities *of which:* Fees and commissions
9.6 Other investment expenses	*of which:* Property maintenance *expenses*
10.6 Other operating expenses	*of which:* Interest expenses *of which:* Management fees (other than investment management) *of which:* Staff salary costs

ISA further welcomes the commitment by the ABS to investigate whether data available in SRS 330.1 on defined benefit members could be used to approximate the income and expenses attributable to defined benefit members.

2. Other concerns about the draft reporting standards

The revised proposals announced by the ABS on 1 April 2015 address some industry concerns about the draft reporting standards, however, a range of other concerns held by Industry Super Funds have not yet been addressed. These are set out in the next section of this submission.

2.1 Potential overlap with existing reporting requirements

At the the roundtable discussion on 5 March 2015, industry stakeholders emphasised the importance of eliminating duplication in data already collected by APRA under existing reporting standards, and the draft reporting standards. Despite the changes to the proposed reporting standards released on 1 April 2015, there continues to be potential overlap with existing reporting requirements.

2.2 Investment reporting

Proposed SRS 720.0 would require Industry SuperFunds to report on investments at an extremely granular level. Neither Industry SuperFunds nor their custodians currently hold data on investments at a level that would support compliance with the proposed new requirements. The industry would require new data providers to collect this information from the relevant investment entity plus custodians to amend their systems to be able to capture this data. One Industry SuperFund has received a high level estimate for the ongoing costs of obtaining this data and providing the forms. This was estimated at between $50,000 to $100,000 per annum. This is in addition to any upfront costs for system changes.

2.3 Additional cost

While super funds have built the systems to be able to report information to APRA through D2A, the new requirements will require amendments to those systems as well as new queries at administrators and system changes at custodians. The costs associated with these system changes are difficult to estimate until the requirements are further understood.

One Industry SuperFund has obtained estimates from custodian and administrators as well as estimated the additional internal time needed to complete these forms annually. The fund estimates an ongoing cost of between $100,000 and $200,000 to complete the proposed new forms. This is in addition to the upfront costs.

2.4 Lack of clarity

There is currently no industry consistency in the classification of assets. Different respondents will classify and report on the same asset differently. For example, the proposed reporting standard would require separate reporting of listed and unlisted shares issued by general insurance companies and other financial institutions (proposed SRS 720.0 Item 6). Some large financial entities could be classified in either of these categories and different respondents will classify them differently. Further guidance is required to overcome this, to ensure the integrity of the data reported and ultimately, the integrity of the ABS publications that incorporate APRA superannuation data.

2.5 Transitional arrangements

The final standards are due for release on 31 July 2015, with the new reporting requirements to commence from 1 January 2016. As a result of Proposal 1 (above), RSE Licensees would need to start reporting quarterly from their year of income after this date, it is unlikely that Industry SuperFunds will be in a position to comply by this time because of the IT build required. This work cannot commence until there is certainty about requirements.

Industry SuperFunds support a 12-month transition period. In addition, at the roundtable discussion on 5 March 2015, APRA and the ABS advised of an intention to extend the draft reporting requirements to Authorised Deposit-taking Institutions (ADIs). It is likely that feedback from ADIs during this process will result in further refinement to the data required to be reported. Therefore, it would make sense to defer the commencement of the proposed new reporting standards for superannuation funds so that they commence for all sectors at the same time.

If you have any questions about this submission please contact Ailsa Goodwin on (03) 9923 7172.

Yours Sincerely

Ailsa Goodwin
Senior Manager, Regulatory Policy