



Response to Superannuation Data and
Payment Standard 2012 consultation
draft

November 2012

AIST Submission

AIST

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$450 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST is a registered training organisation and has recently expanded its education program to encompass the growing and changing needs of all members of the not-for-profit superannuation sector.

AIST offers a range of services including compliance and consulting services, events - both national and international - as well as member support. AIST also advocates on behalf of its members to relevant stakeholders.

AIST's services are designed to support members in their endeavour to improve the superannuation system and build a better retirement for all Australians.

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1 Recommendations

1.1 Introduction

AIST welcomes the opportunity to comment on this draft Standard, Draft Explanatory Statement and associated schedules. The main body of the submission contains higher-level commentary on the Standard – in particular matters of clarity, consistency and alignment with the overall SuperStream framework – while the attachment to the submission contains specific and details questions and comments about the requirements of various aspects of the schedules.

AIST strongly supports the use of the Standard to achieve a more efficient superannuation industry, which will in turn benefit members and employers. AIST notes that the introduction of the Standard for super funds from 1 July 2013, and employers from 1 July 2014 (medium and large) and 2015 (small) will have a significant impact on funds and employers in changing their systems, process and procedures to comply with the Standard.

In particular, XBRL and ebms3.0 are relatively new concepts for funds and employers and AIST strongly believes that Treasury as the lead agency for the Standard Business Reporting program, and the ATO as the lead agency for data and payment standards in the superannuation industry, have a lead role to play in providing educational support for the industry to ensure an orderly introduction of the Standard.

With the introduction of the Standard, the ATO should develop a Data and Payment Standard change management process that clearly outlines roles and responsibilities for all stakeholders, timeframes, includes a feedback process as well as the change management process.

1.2 Draft Explanatory Statement

The comments below are in response to the relevant paragraph number in the Draft Explanatory Statement.

5. It is noted that the Standard covers not just rollovers but also employer contributions and some reporting obligations, with the date of effect being the 1 July 2013 for each of these requirements for superannuation entities.

6. It is noted that the implications of the Standard is more likely to more directly further the interests of members of superannuation entities (rather than beneficiaries) through improved productivity of the system, and the Draft Explanatory Memorandum should be amended to reflect this.

9. It is noted that the Standard covers the trustees of all superannuation entities and RSA providers from the same date (1 July 2013). There is no different date of effect for trustees of SMSFs.

11. The date of effect for small employers remains uncertain for small employers (in reflection of the legislation). It remains AIST's position that the Government should provide certainty for superannuation entities and employers by confirming that the Standard will apply to small employers from 1 July 2015 at the earliest opportunity.

12. This paragraph implies that the compliance cost impacts of the Standard was considered in the Regulation Impact Statement for Stronger Super. This is an overstatement as the Regulatory Impact Statement merely mentioned compliance cost impacts in passing.

13. It is members (rather than beneficiaries) who are the immediate beneficiaries of increased efficiencies of core transactions.

18. The obligations of an employer in relation to the Standard extend beyond minimum data requirements and this should be clarified in the Explanatory Statement. Electronic payment requirements should also be explicitly identified in the Statement. It is noted that employers who do not meet their electronic payment requirements will not have fulfilled their Superannuation Guarantee obligations.

20. The comment regarding the minimum requirements being based on existing industry standards are not particularly useful in that there are elements of the Standard that are not based on existing industry standards. The remainder of the text in this section however is useful and appropriate.

45. The scope of the MIG does not apply to non-monetary contributions. However, for clarity the comment in the Statement that in-specie transfers are not covered by the MIG and "existing processes must be used to enable this activity" should also be repeated within the MIG.

51. The comment that entities can choose a conformance profile based on their IT capabilities is a little one-dimensional. In choosing their profile, an option for an entity that does not currently engage with an intermediary is to determine that it is then most suitable for them to engage with an intermediary. This should be stated in the Explanatory Statement.

53. This paragraph contains the first reference in the Explanatory Statement to a gateway. In addition to referring to gateways per se, the Explanatory Statement also variously refers to:

- Designated gateways
- Registered gateways
- Approved gateways
- Application gateways
- Gateway communities

However, other than the definition of gateway and application gateway embedded in paragraphs 78 to 81, these terms, and the relationship between the terms, are not clearly defined and described.

Who will register gateways and how will they be registered? Is an approved gateway the same as a registered gateway? Will there be a register of registered gateways and will it be maintained by the ATO? Will registration and approval be subject to regular review? Will this be a role of the SuperStream Advisory Council? Can registration and approval be lost, and if so, what are the consequences?

Paragraphs 67, 70, 73 and 76 all refer to requirements for entities to be registered with an approved gateway, without identifying what either the registration or approval process will be. The absence of these definitions will contribute to confusion and uncertainty and should be remedied both within the Standard, Explanatory Statement and in the broader SuperStream consultations and the SuperStream Advisory Council.

54. AIST suggests that the Small Business Clearing House may provide an alternative to these mandatory steps, and, if this is so, this should be explicitly stated in the Explanatory Statement.

59. The Draft Explanatory Statement states that the threshold for additional requirements for very large employers needs further confirmation. In order to avoid confusion and uncertainty, this confirmation should be provided at the earliest opportunity.

Very large employers must be able to construct solutions that they know meet the requirements of the Standard, and fully understand both the level of the threshold and the implications of the additional requirements. This is particularly important for employers in the context of deciding whether to provide their own solution or to engage an intermediary to provide it for them.

62. Where an employer contracts with an intermediary to fulfil its obligations under the Standard, the Explanatory Statement should make it clear that it still and additionally is the responsibility of the employer to have an arrangement with a superannuation entity that provides, or has arrangements to provide, an application gateway. It is noted that this is clearer in paragraph 82.

79. Does this paragraph (and Schedule 5) effectively provide the definition of a gateway?

84. This paragraph provides an exemption to the requirement for APRA funds to receive contribution messages via their gateway where a dedicated employer lodgement portal is maintained by the fund. This suggests the exemption can be permanent (i.e., that it is not a transitional arrangement).

Presumably, this means that funds with direct entry or file upload arrangements with employers can keep these in perpetuity. If so, this should be clarified. Super funds and their administrators must be able to construct solutions that they know meet the requirements of the Standard, and fully understand the nature and extent of exemptions. This is particularly important for commercial operations that will need to assess the viability of their proposed solution against the size of the likely market.

1.3 Schedules

In addition to the comments below, the attachment to this submission contains specific and details questions and comments about the requirements of various aspects of the schedules.

1.4 Schedule 1: Transitional Arrangements

AIST notes that this this schedule is currently under development but emphasises the need for the arrangements in this schedule to be provided as soon as possible in order to provide certainty and avoid confusion.

1.5 Schedule 2: Superannuation Terms and Definitions

AIST notes that these terms have been subject to extensive consultation, and has no further comment to make.

1.6 Schedule 3: Payment methods

AIST has no comments to make on this schedule.

1.7 Schedule 4a: Contributions Message Implementation Guide

3.6. If an employee decides not to provide their TFN to their employer or super fund, the Schedule requires that an *“Entity Identifier must be set to an identifier defined by the employer to uniquely identify the member”*. This is clunky and unwieldy. Employers could inadvertently duplicate a number or use different numbers in circumstances where use of such an identifier is likely to be unusual or exceptional. While it might be the “least worst” solution, it should be subject to further review.

This will be compounded by the receipt of such employer-specific unique identifiers by a super fund. Will the super fund be able to read the unique identifier? For example, what happens if the identifier contains a non-numeric character? If the fund is able to read the identifier, how will it then be able differentiate this identifier from TFNs provided to the super fund.

This point is also applicable to section 3.2 (Table 6: Member rollover transaction context specification) of Schedule 4b.

1.8 Schedule 4b: Rollover Message Implementation Guide

Figure 1 illustrates the stakeholders and the message exchanges required to perform the member rollover business interaction. At the base of the figure it is noted that, whilst not reflected in the diagram, TFN matching will be performed by the ATO when relevant. The footnote at the base of page 8 of the Schedule, the ATO is shown as a possible rollover interaction partner, but is not further defined in the Schedule. Similarly, interactions with ATO validation services are shown for completeness, but are not further defined in the Schedule.

It is anticipated that there will be high levels of activity involving the ATO as a possible rollover interaction partner (e.g. activities associated with account consolidation). For completeness and to avoid confusion, the role of the ATO as such a partner, including appropriate diagrammatic representations should be incorporated in the Schedule as soon as practicable.

1.9 Schedule 5: Message Orchestration and Profiles

AIST notes that the requirement for the transport of business transactions to be performed in a manner consistent with the ebMS 3.0 Messaging Standard, as further prescribed in the relevant sections of the business transaction documents. These are highly technical arrangements and AIST questions if the relationship between ebMS 3.0 and its particular limitation or redefinition by business transaction documents needs to be further reviewed by the technical co-design group, and be subject to further consultation with the superannuation industry.

There also needs to be an explicit process to assist and oversight the selection of appropriate profiles by entities. The ATO should be able to ensure that there is appropriate alignment, and be able to intervene at an early stage to ensure that misalignment does not adversely affect that entities participation in superannuation processes and engagement with other entities.

1.10 Schedule 6: Error Code Management

AIST notes the comment in Section 8 that the error codes in this schedule are not intended to present an exhaustive list of error conditions that may be experienced when using the Standard.

The Schedule allows organisations to elect to implement specific codes that extend the list of errors. AIST believes that this is sub-optimal.

While the schedule goes on to note that harmonisation of organisation specific error codes will be recommended by the SuperStream Advisory Council from time to time where that is considered appropriate, AIST believes that this should be an earlier and higher priority.

1.11 Schedule 7: Conformance Test Protocols

AIST notes that this this schedule is currently under development but emphasises the need for these to be provided as soon as possible in order to provide certainty and avoid confusion.

[Attachment (1)]