APRA discussion paper: Publication of superannuation statistics and confidentiality of superannuation data

31 January 2013

AIST Submission

AIST

The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose mission is to promote and protect the interests of Australia's $600 billion not-for-profit superannuation sector. AIST's membership includes the trustee directors and staff of industry, corporate and public-sector funds, who manage the superannuation accounts of nearly two-thirds of the Australian workforce.

As the principal advocate and peak representative body for the 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.

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1   Executive summary

AIST generally supports the proposals made in this discussion paper, and the overall approach of limiting the determination of data as 'confidential' as far as is reasonably possible.

AIST supports transparency and openness, and believes that it is in the public interest for the community to know if the superannuation industry is achieving its objectives of providing retirement adequacy.

We propose that the categories of 'for-profit' and 'not-for-profit' be used as the main segments for superannuation funds in the industry, rather than the three categories of public, sector, non-profit and for-profit floated in the paper.

We believe that the conclusions made in this document are generally sound, and well stated.

We wish to make a few very minor recommendations with regards to its enhancement:

- We support the vested benefit index (VBI) estimates being exempt from the non-confidential determination, noting that the actuarial data which underpins this should be properly attached to fund actuarial reports for relevance and context.
- We believe a transition period for publication of ORFR data to be sensible, noting that funds are themselves transitioning to their ORFR levels.
- We believe that data that relates to commercial arrangements between super funds and their service providers should remain confidential.
- AIST supports full disclosure of fee information, including for large employer MySuper products.
- AIST supports quarterly release of data, and uniformity to be applied. Although we support full disclosure now, we recognise that user-friendly front-ends can be appended and additional features built, resulting in something that consumers and other users alike will eventually find useful.

2   Recommendations

AIST shares APRA's views about the purpose of publicly released statistics, that is, to:

1. facilitate and encourage analysis of whether the superannuation industry is achieving retirement income policy objectives over the medium to long term, and
2. contribute to enhanced transparency, accountability and understanding of the superannuation industry.

Accordingly, AIST wants to assess the proposals and answered the issues raised in the discussion paper by reference to these criteria.   However, we also want to identify any commercial or administrative impediments that may outweigh the public interest of disclosure.

Our submission is structured around questions that have been derived from the key issues in the discussion paper and then answered in our submission.

Chapter 4

4.4: Should vested benefit index (VBI) data for defined benefit funds, operational risk financial requirements (ORFR) and information about service providers be treated as confidential? What detriment to member interests or commercial interests might the disclosure cause?

AIST agrees that it is appropriate for quarterly VBI estimates to be exempt from the non-confidential determination. Depending on how the estimates are performed, estimates may neglect to take account of events/experience which can affect the VBI levels.

This is especially relevant for smaller Defined Benefit schemes whose experience can lead to significant volatility of funding levels. Such volatility may lead to misleading information (upon which important decisions could be based), especially when viewed independently of any inherent assumptions. Due to economies of scale, quarterly estimates for larger Defined Benefit funds are not as likely to be as sensitive (noting that some of these funds publish quarterly estimates on their website). Notwithstanding this, it is important that APRA takes a consistent approach to the publication of this information.

Further to this, quarterly VBI estimates do not require the same rigour or actuarial guidance as the annual / triennial VBI levels shown in an actuarial report. Differences in estimation techniques across funds therefore mean it is questionable whether the quarterly figures can be appropriately used for comparing VBI levels across different schemes.

We therefore support the view that that the actuarial assumptions underpinning these should form information that is attached to VBI data, all be published together in the actuarial report.

In addition, we note that APRA are proposing to make ORFR data non-confidential until 1 July 2016 and be non-confidential thereafter. Although it is AIST's position that full transparency would be preferential from the outset, we also recognise that this information may not necessarily be consistent, and may represent a 'work in progress'. We understand that there exist different methods to ensure that RSE licensees are able to meet the deadline with regards to ensuring that their ORFR is in place. We therefore support this transition period being extended to the confidentiality of this data item.

Finally, we note that APRA's view on publishing data that relates to commercial arrangements between funds and external service providers should remain confidential. We support the proposal to name the entities contracted to provide services in the interests of transparency, however, we agree with APRA's assessment that further details should not be considered to be non-confidential.

4.5: Should any other data APRA propose as non-confidential be determined to be confidential? What data is this and why? What detriment to member interests or commercial interests might the disclosure cause?

AIST supports full disclosure in the interests of members of superannuation funds, and believes that APRA's reasoning regarding what is considered to be confidential and non-confidential to be sound. Therefore we submit that no other information should be determined to be confidential.

In particular, we support the full disclosure of all fee information. This should include disclosure of all MySuper fees, including large employer MySuper products, and of all investment options.

Chapter 5 – Proposed quarterly superannuation statistics

5.1: APRA propose an option segmenting funds into three types: for profit, non-profit and public sector funds. APRA's current fund type segregation between corporate, industry and public sector funds is not always clear or consistent. Might it be clearer and more consistent for funds to be segmented into two types: for profit and non-profit funds?

AIST notes that existing labels attached to funds can be inconsistently applied.

In the discussion paper, APRA proposes segmentation into public sector/non-profit/for-profit/small. AIST opposes the separation of public sector from (other) not-for-profit funds, on the grounds that it is an artificial division (with lots of existing blurring and inconsistency) that suggests a different approach to not-for-profit amongst public sector funds. If there is a genuine public sector-related distinction to be made it is between EPSSSs and APRA regulated funds – although the vast majority of public sector workers now belong to an APRA-regulated fund.

AIST proposes that APRA formally segment funds into three categories: not-for-profit, for-profit and SMSF types (recognising that the ATO has responsibility for regulating SMSFs).

This both reflects the actual, practical segmentation of the Australian superannuation system and overcomes the blurring and inconsistency between the corporate, industry, public sector funds. The extent

of this blurring and inconsistency is easy to see. For example, is AustraliaPost Super an industry fund, public sector or corporate fund? And are other funds structured in the same way contained in the same market segment?

The way APRA currently segments funds into five types (corporate/industry/public sector/retail/small (SMSF & SAF)) is already different from regulatory segmentation into seven types (ADF/ERF/EPSSS/PST/SAF/public offer & non-public offer).

This is about more than just statistical segmentation, as the way in which the super industry is reported by APRA is likely to become how it is perceived in the media and by the general public.

AIST considers that the segmentation that we have proposed in our submission is both relevant and useful to a variety of audience groups.

5.2: APRA proposes to release product-level MySuper data in a quarterly statistical report. What are your views on this, and on the proposed content of the report?

AIST supports the release of this data quarterly. However, we also propose a degree of uniformity in the data reported and provided.

We note that the data provided currently, is provided in three different reports, for which different reporting periods are available. We look forward to an online data dissemination tool which would allow users to search through different reporting periods, and go to different levels with the data available.

AIST believes that a core audience for the new tool will be engaged members of the public, looking to compare superannuation funds in various different areas. We believe that this audience has the most to gain from a user-friendly set of statistics.

Although we in the industry are used to looking at APRA statistics in terms of a relatively dry series of tables of numbers, in time, we recognise that user-friendly front-ends can be appended and additional features built, resulting in something that consumers and other users alike will find incredibly useful.