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General Manager
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Australian Prudential Regulation Authority

By email: superdatatransformation@apra.gov.au

APRA consultation on Superannuation Data Transformation publications and confidentiality

About the Super Members Council of Australia

The Super Members Council of Australia (Super Members Council) is the new collective body created by profit-to-member superannuation funds as a strong voice for 10 million Australians who have more than \$1.4 trillion in super.

Our primary purpose is to protect and advance the interests of super fund members throughout their lives, while earning superannuation and benefitting from it in retirement. The Super Members Council advocates on their behalf to ensure superannuation policy is stable, effective, and equitable.

Support for greater transparency

We welcome the opportunity to respond to APRA's consultation on proposals around the publication and confidentiality of certain data under reporting standards SRS 332.0 Expenses, SRS 550.0 Asset Allocation, SRS 605.0 RSE Structure and SRS 606.0 RSE Profile, and acknowledge the significant body of work that has informed these proposals.

The Super Members Council strongly supports greater transparency in the superannuation industry.

We share APRA's view that greater transparency fosters more informed public discussion of super-related issues, promotes better practice through comparability and peer review, and drives accountability in the industry – all of which will ultimately benefit members. Accordingly, we broadly support the proposals in this consultation.

Publication of profit payments

We support APRA's proposal to publish the total expense margin contribution to related service providers profit by service provider at the fund level.

Profit payments reduce financial outcomes for members and these payments should be publicly disclosed, and funds required to demonstrate they are in members interests.

These payments may reflect inflated costs some funds pay to their related party service providers, to the benefit of these providers (or a common ultimate parent company) and to the detriment of members who bear the cost of higher fees and lower returns.

This has been an area with historically poor data reporting and disclosure by trustees, and regulators and government have long been aware of this issue. For instance, the Productivity Commission's 2018 inquiry into Superannuation and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry both identified that parent companies were benefitting from the use of related party service providers at the expense of members' retirement incomes.

It is therefore critical to improve the transparency around these payments. To ensure the information APRA proposes to publish is accurate, comparable and meaningful for members, the Super Members Council recommends that APRA ensures that funds have a clear understanding of their new reporting obligations in respect of these payments, and closely examines the accuracy of this reporting.

The proposed segmentation of this data by the type of relationship with the service provider is also appropriate. This will allow users of the data to be able to easily distinguish between payments that are still effectively within the control of the fund and can ultimately be used to the benefit of members, from payments that are more likely to be channeled through to the benefit of the fund's parent company or other related party.

Publication of asset allocation data

The Super Members Council also supports the proposed approach to delay the publication of information on investment allocations being published at the fund or investment option level by at least 90 days.

We appreciate that APRA has taken on feedback provided by the funds previously on this issue and agree that this approach will mitigate the risk of publishing market sensitive information and ensure superannuation funds and their members are not disadvantaged compared to other investors.

The Super Members Council supports system settings that maximise financial outcomes for members by ensuring superannuation funds can invest on equal terms to other investors. It is important that this reporting does not require that commercially sensitive information is released to market prematurely.

Profit to member superannuation funds are major investors both in Australia and overseas and any measure that decreases their ability to invest on equal terms will be detrimental to individual members through increased cost and reduced returns.

The approach proposed by APRA is consistent with the approach taken in relation to Portfolio Holdings Disclosure.

Consistency of data

The Super Members Council supports the principle that disclosures on the same expenses under different legislative regimes should be consistent. Lack of consistency may lead to confusion and misinterpretation.

Contacts

The Super Members Council welcomes the opportunity to discuss this submission with APRA.

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Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mel Birks', with a long horizontal flourish extending to the right.

Mel Birks
Executive General Manager, Policy
Super Members Council of Australia