



Investment & Financial Services Association Ltd
ACN 080 744 163

29 June 2009

Mr Barton Ashcroft
Manager, Superannuation Statistics
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Dear Mr Ashcroft,

Re: APRA Discussion Paper: Enhancing Superannuation Statistics Collections

IFSA welcomes the opportunity to comment on the Discussion Paper and is supportive of APRA's intention to enhance its annual data collection.

We hope that through the collection and publication of more meaningful and less aggregated data, APRA will be able to more accurately inform stakeholders about the structure, fees and performance of superannuation funds.

However, in considering how best to move to an enhanced annual data collection regime, the Discussion Paper covers a broad range of complex issues that will require further analysis and ongoing discussion with stakeholders.

Indeed, IFSA has a number of concerns with the breadth of the information being considered and the lack of clarity between the information that will be used by APRA for internal purposes versus that which APRA intends to publish.

A key recommendation in IFSA's submission is therefore that APRA establish a superannuation statistics 'Steering Committee' with representatives from all superannuation fund types and sectors which is able to provide ongoing advice to APRA regarding:

- what type of information should be made public and how it should be presented;
- the cost and practicality of specific data collection requests;
- how data can most efficiently be collected, including the frequency of collection – such as one-off, annually or quarterly;
- what data may be commercially sensitive and therefore should be retained by APRA for internal purposes;
- how any publicly available data should be presented;

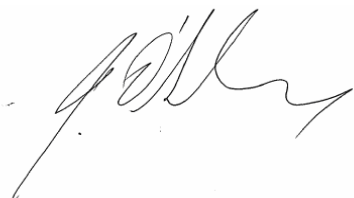
- avoiding overlap and confusion between any APRA publications and information provided by superannuation funds in their Product Disclosure Statements and Periodic Statements; and
- ongoing refinement, including whether any additional data should be collected or cease to be collected as the case may be.

IFSA suggests that given the complexity of the issues and the difficulty of conveying industry's views solely via written submissions, APRA should arrange a series of consultation meetings with various industry bodies and stakeholders to discuss particular issues arising out of this first round of consultation.

Following consultation with members, IFSA believes that if APRA's enhanced annual data collection regime is not modified to reflect practical industry concerns, it could pose a significant additional cost burden on the industry and superannuation fund members. IFSA therefore does not agree with APRA's assessment that "the costs to the industry should be minimal".

We welcome the opportunity to discuss the matters raised in this submission as well as any other matters APRA may wish to discuss with respect to the Discussion Paper.

Yours sincerely



John O'Shaughnessy
Deputy Chief Executive Officer

Purpose

The clearest statement of purpose for APRA's intended enhanced data collection appears in Chapter 1 where APRA states that the purpose of the enhanced data collection is to "better understand funds and trustees" in light of funds having become "considerably larger and more complex".

Based on the questions in Chapter 2, APRA is seeking to delineate between data that can help it:

1. understand the *internal structure* of funds
2. achieve a better understanding of funds' *investment performance*; and
3. achieve a better understanding of the *non-investment drivers of member benefits*.

Given the large volume of data requested, however, it is not clear what APRA's intended audience for the enhanced data collection is – policy makers, public/superannuants, industry, commentators, all of the above, etc.

IFSA believes it would greatly assist the industry in commenting on APRA's proposals if it could more clearly articulate how the data is intended to be used, who the key audience for the data will be and what objectives they hope to meet by collecting and possibly publishing the information.

IFSA also suggests that APRA develop guiding principles to support the disclosure of its enhanced superannuation statistics. These principles would assist APRA in determining what and how information should be disclosed. A clear statement of principles could include a commitment by APRA to:

- monitor the use of its published information to ensure it is assisting consumers to make more informed decisions about their superannuation;
- monitor the use of its published information by third parties to ensure it is not taken out of context or used to mislead consumers;
- ensure timeliness of reporting;
- minimise the costs of data collection; and
- maintain competitive neutrality in the collection and presentation of data.

Being clear about these factors will help guide APRA and the industry in the decisions that will need to be made over the coming months, particularly in relation to the publication of data.

IFSA does not challenge the importance of data to support APRA's regulatory oversight of the industry. However, IFSA considers that there is a clear difference between information that assists APRA to carry out its regulatory prudential mandate and information that is relevant to and assists consumers.

Consequently, IFSA believes that careful consideration needs to be given to the information that is intended to be made public. Any such information should be presented in a way that improves member understanding, provides a more accurate basis for comparing funds, products and investments and thereby supports members in making better quality decisions.

Additionally, any public disclosure needs to clearly explain how it is relevant to consumers and how it relates to other information that consumers are provided by

funds in accordance with meeting their regulatory obligations, particularly under Chapter 7 of the Corporations Act.

A related concern for industry is the uncertainty with respect to what information will be treated by APRA as 'commercial in-confidence'. IFSA believes that APRA should engage with the industry to clarify what information should be treated as 'commercial in-confidence' and what information can appropriately be made available to the public.

IFSA therefore seeks clarification from APRA regarding what data is intended for public release versus internal review and looks forward to working with APRA on designing a more targeted and useful public disclosure framework to support the enhanced data collection.

Recommendation: APRA to work with the industry to develop objectives and principles to guide enhanced data collection and reporting.

Timing and need for an appropriate transition period

APRA's Discussion Paper does not outline a commencement date for the proposed enhanced data collection regime.

However, IFSA believes that based on:

- the level of consultation that is still required to ensure that practical industry concerns are addressed; and
- the necessary systems and process changes that are likely to be required to comply with the regime;

a minimum transition period of 12 months, from the date that the details of the enhanced data collection regime are finalised, is appropriate.

IFSA therefore does not envisage the enhanced annual data collection regime will commence before the end of the 2010 calendar year.

Legacy products

Consultation with members indicates that it will be even more costly and difficult, possibly impossible, to provide the type of information that APRA is requesting for legacy products.

IFSA's preference is, therefore, that they be excluded. However, should APRA wish to include legacy products as part of its enhanced statistics collection, IFSA requests that APRA consult separately on developing a possible workable approach in this area that takes account of the significant practical difficulties.

Frequency

IFSA believes there is considerable scope to tailor the frequency with which the information requested by APRA is collected.

IFSA believes that in a number of cases, one-off data requests may be more appropriate on a cost/benefit basis. These arrangements would also allow APRA to be more responsive to market and economic conditions.

Terminology/definitions

Terminology

In consulting with members, it is clear that there is considerable uncertainty regarding some of the terminology used in the Discussion Paper, particularly in relation to the difference between “sub-funds”, “investment options” and “products”.

Wherever possible, labels consistent with those used in the industry should be adopted. This will ensure consistency with the language used between the industry and its customers as well as between the regulator and the industry and other stakeholders.

For this reason, IFSA supports the use of investment option level data and encourages APRA to simplify the data collection by focussing on investment option performance rather than fund or sub-fund level performance.

Should APRA nevertheless wish to use this terminology, IFSA suggests additional guidance be developed in consultation with the industry to allow the industry to better respond to the Discussion Paper and any subsequent data requests.

Consistency and comparability

Similarly, if APRA wishes to collect data relating to “composite” investment options (for example, “conservative”, “balanced”, “growth”, “high growth” investment options), APRA should define these terms including their components – that is, what constitutes a “defensive asset” versus a “growth asset” and the relevant ratios of each which make up the above composite investment options.

An attachment to this submission contains a draft table outlining the “growth” versus “defensive” categorisation of various asset classes. This table could be used as the basis of APRA’s definitions underpinning its enhanced data collection regime.

The Global Investment Performance Standards (GIPS),¹ of which IFSA is the Australian Country Sponsor, state that “consistency of input data is critical to effective compliance...and establishes the foundation for full, fair, and comparable investment performance presentations.”

The GIPS also acknowledge that “achieving comparability among firm’s performance presentations requires uniformity in methods used to calculate returns.” Consequently, the GIPS mandate the use of certain calculation methodologies to ensure comparability.

With respect to composites, the GIPS notes that “creating meaningful, asset-weighted composites is critical to the fair presentation, consistency, and comparability of results over time and among firms.”

¹ The GIPS are a set of ethical principles that establish a standardised, industry-wide approach to how investment firms should calculate and report their investment results to prospective clients in a way that ensures fair representation and full disclosure.

IFSA supports compliance with the GIPS through IFSA Guidance Note No.1 which formally adopts the GIPS as a Guidance Note for IFSA members.

IFSA Guidance Note No.1: <http://www.ifsacom.au/public/content/ViewCategory.aspx?id=619#G1>
GIPS: <http://www.gipsstandards.org/standards/current/index.html>

IFSA believes that the same imperative exists in the area of composites offered by superannuation funds and recommends APRA adopt a similar approach to its enhanced data collection.

Interaction between APRA's enhanced data collection and IFSA's Super Charter

Under the IFSA's Super Charter, IFSA members that provide superannuation products will be required to publish on their websites and make available to research houses or regulators performance data for all investment options on a monthly basis.

The default investment option must also be tagged accordingly. Past performance must be disclosed once a month based on end of month data. Super members will be able to see the percentage return the investment options have experienced, with the focus being medium to long term returns (3, 5 and 7 years), as well as how these percentages apply to indicative member account balances.

Importantly, the past performance of investment options must be calculated consistently across the industry – net of all maximum non discretionary dollar and percentage based fees. Consistency across the industry would be greatly enhanced if APRA adopted the same basis for performance calculations.

IFSA therefore soon commence work with third party researchers, industry, regulators and government to ensure that all investment options are categorised consistently and only compared with other options within that category e.g. balanced, growth, Australian equities, International equities, etc.

IFSA will also work with the industry to develop standard and relevant information that will help members understand performance differentials.

As part of this new performance reporting regime, IFSA members will provide full disclosure of:

- Redemption policies and pricing policies – with a requirement that these policies be consistent e.g. superannuation product providers with daily applications should also have a redemption policy based on daily pricing.
- Asset allocation for each investment option – including the percentage given to listed versus unlisted assets (or liquid vs. illiquid assets).
- Valuation policies that relate to unlisted assets (or illiquid assets) – including the frequency, methodology and approach used.

Regulatory support

IFSA is seeking to work with APRA to ensure that there is appropriate regulatory support, including supervision, to ensure that the industry calculates and communicates performance information in a consistent and effective way.

In particular, the industry welcomes the opportunity to work with APRA to secure industry-wide consistency with respect to:

- How underlying assets are defined and how those definitions are applied across the industry.
- How funds are categorised into peer groups.
- How the web based disclosure regime is complied with.

- The methodology and frequency for the valuation of unlisted (illiquid) assets.
- How unit pricing methodology is applied across the industry.
- The matching of application/redemption policies and pricing policies.

Timetable for implementation

The policies outlined in IFSA's draft Charter are open for discussion and comment until Monday 14 September 2009. The IFSA Board hopes to formally adopt the Charter at their meeting on Wednesday 28 October 2009.

While IFSA's member companies will be encouraged to implement IFSA's Super Charter as soon as practicable, once adopted the policies outlined in this document will formally come into affect on 1 July 2010. There will be a will be a managed transition period to ensure full implementation is complete by 1 July 2012.

Recommendation: IFSA welcomes the opportunity to brief APRA on the performance reporting aspects of IFSA's Super Charter and to discuss in more detail how the Charter can best complement APRA's approach to enhanced superannuation statistics.

CHAPTER 3 - ACHIEVING A BETTER UNDERSTANDING OF THE INTERNAL STRUCTURE OF FUNDS

Entity details

Fund Type

IFSA believes that the current sector level descriptors used by APRA are out dated.

As an example, the label “industry funds” is no longer accurate. “Industry funds” are often public offer funds open to all members of the public and not just the members of a specific industry. Additionally, some “retail funds” are now expressly listed as eligible default funds in Awards for particular industries. This suggests that they could be included under the “Industry fund” category as opposed to the “retail fund” category.

As a result, IFSA believes that a series of criteria could instead be used to group funds. Criteria such as the following may provide a more meaningful description of the fund/sub-sector:

- Whether a fund is public offer or not public offer.
- Size: Either by number of members or FUM.
- Fund structure: Including whether the fund is Defined Benefit, Defined Contribution or some form of hybrid.
- Personal or corporate plan/employer sponsored: Whether the fund is offered directly to individual members or only to employees under a corporate plan or employer sponsored arrangement.
- Organisational structure: On the basis of meaningful, industry agreed, descriptors.

Sub-funds

IFSA believes that any data that is published must be fit for public consumption – that is, using terminology that is primarily meaningful to superannuation members.

Publishing the performance of overall “funds” or “sub-funds” will not provide consumers with an accurate indication of the performance of their super fund.

IFSA therefore strongly prefers “product” and/or investment option names, over sub-fund or fund names.

IFSA suggests that APRA continues to consult with the industry to ensure that any labels that are developed are relevant and well understood, both across the industry and by APRA.

Investment options

The collection of investment option information by APRA is welcomed. If collected and presented effectively, this information will lead to the development of meaningful investment performance league tables – something IFSA has openly called for.

While APRA suggests asking funds to detail their top 15 investment options by members or assets, from as early as July 2010, IFSA will require all members to

publish performance data on all investment options in a consistent way on a monthly basis.

IFSA also notes that some aspects of the suggested 'look-through' analysis and reporting suggested by APRA present significant challenges for IFSA members and we recommend that these requirements be the subject of further consultation with industry.

See also comments below relating to "Member data" which includes additional comments on Table 3.

Recommendation: IFSA would like to work closely with APRA to ensure consumers are not unnecessarily confused by the publication of IFSA member monthly data and APRA's Annual Statistics.

Benchmarks

It is unclear how this information is of use to APRA from a prudential oversight perspective. IFSA therefore does not believe that the collection of this information is justified on a cost-benefit analysis.

However, should APRA wish to collect benchmark information, IFSA strongly believes that investment performance benchmarks are only relevant at an investment option level.

In IFSA's view, benchmarks at a fund level are meaningless as no super fund member invests at the fund level – instead they invest in an investment option, or combination of options.

Payments to financial advisers

IFSA wishes to make some general comments in relation to the collection of data with respect to payments to financial advisers and any inferences that may be drawn regarding the value of advice provided to members based solely on their investment performance.

Financial advice is paid for in a number of ways by superannuation fund members, with up front fees, ongoing fees, and less direct methods such as subsidies paid out of the fund all being mechanisms currently used.

To reflect this, IFSA prefers the term "payment of fees for financial advice and related services" as opposed to "payment of fees and commissions to advisers" as used in the Discussion Paper. As noted above, this label more accurately reflects the variety of remuneration models in the industry.

It should also be noted that IFSA's Super Member Charter introduces significant reforms to the payment of financial advice within superannuation and that these changes should be reflected in APRA's data collection in this area. Under these reforms, commissions will no longer be payable for financial advice in superannuation.

Specifically, IFSA has introduced a Member Advice Fee (MAF) and a Plan Service Fee (PSF).

Under the MAF, super members that receive personal financial advice will be asked to agree both the amount and method of payment. If members wish to cease their relationship with their financial planner they will be able to turn this fee off. No member will be charged for personal advice unless they actually receive that advice and agree to the charge.

The mechanism of payment may be either one or a combination of the following:

- An agreed ongoing dollar or percentage based fee paid by the member from either their super account or outside the super account (the member will be able to 'turn the fee off' if they wish to cease the relationship with their adviser).
- An agreed up-front dollar or percentage based fee paid by the member from either their super account or outside their super account.

The PSF recognises the levels of service provided by financial advisers to corporate plan members. Those members will be able to see the fee they pay for the support services provided by their corporate plan's financial adviser and after an initial period of time will be able to opt out of receiving these services and therefore paying for them.

IFSA therefore believes that if APRA is seeking to gain a better understanding of the nature of payments made to advisers, it should ensure that, in the interests of comparability and neutrality, it collects data relating to all forms of expenses associated with the provision of advice to super fund members, including through "salaried advisers" or other fund employees which deliver advice services to fund members.

Additionally, IFSA queries the rationale for collecting payment details solely in relation to financial advisers and not for other service providers that provide benefits to members.

In relation to making assessments about the value of the advice, financial advisers provide advice based on a range of personal circumstances relevant to their client, having regard to age, appetite for risk, income, assets, retirement expectations and estate planning. The superannuation fund, product and investment option recommended by the financial planner will consider all these factors. It would therefore be incorrect to consider that the value added by financial planners can be measured solely by the performance of the investment options in which they place their clients.

Recommendation: IFSA to work with APRA to develop an approach which covers all forms of payments to advisers or fund employees that deliver services to fund members.

Default strategy

Consistent with our comments above, IFSA believes that to solely focus on one form of remuneration provided to a financial adviser or other service provider will not provide accurate comparability between funds.

IFSA therefore believes that APRA should also consider collecting data relating to expenses associated with "salaried advisers" or other fund employees which deliver services to fund members in default investment options.

Awards

IFSA notes that superannuation funds are usually not in a position to provide the requested information as it is not currently collected. If funds were required to collect this information it would effectively impose a new compliance obligation on employers.

Additionally, IFSA is unsure how this information is of use to APRA. IFSA looks forward to discussing with APRA the benefits to prudential oversight of this information being collected.

Member details

Member data

The information outlined in Table 3 is both extremely difficult and costly to obtain from existing superannuation fund administration systems. Collecting this information at an investment option level would likely require a high degree of manual processing in addition to a significant IT spend.

IFSA also notes that collecting member details at an investment option level may prove meaningless, as a large number of super members will be invested in multiple investment options – resulting in a significant level of “double counting”.

IFSA therefore believes that further consultation is required to enable APRA to better determine the type of information that can more readily be provided as well as the level at which it should be provided – that is, investment option, sub-fund or fund level.

Switching data

IFSA understands the potential relevance of switching data to APRA. However, this information is not widely available and the level at which it is collected may need to be further considered in order to ensure it is meaningful for APRA purposes.

IFSA therefore suggests that APRA further consult with the industry to better understand the need for this information and to find a workable approach to obtaining this kind of data, which may include one-off surveys as opposed to ongoing annual data collection.

We also have similar concerns to those raised below in relation to “Exposure concentrations”.

Insurance data

IFSA is unsure how this information is of use to APRA and looks forward to discussing the benefits to prudential oversight of this information being collected.

Balance sheet

Reserves

IFSA supports the collection of information with respect to reserves at a whole of fund level.

Exposure concentrations

IFSA understands the potential relevance of concentration level data to APRA. We note, however, that this type of data is exceedingly difficult to extract from existing systems. IFSA therefore suggests that APRA further consult with the industry to find a workable approach to obtaining this kind of data, which may include one-off surveys as opposed to ongoing annual data collection.

IFSA is also concerned that this data could be misunderstood if analysed in isolation.

We have long emphasised that superannuation is often only one component of an individual's personal balance sheet. Consequently, when individuals receive financial advice, that advice may result in them taking a less diversified or more targeted approach to their superannuation on the basis that it is appropriate given their broader financial circumstances and needs.

Under a Choice of Fund and Choice of Investment superannuation regime, IFSA does not believe it is appropriate for a fund trustee to over-rule the investment choices made by fund members, especially where they have been developed with the aid of a licensed/authorised financial adviser.

IFSA therefore alerts APRA to the risks of drawing any adverse conclusions with respect to the appropriateness of individuals having a high asset class or investment option concentration within their super.

Cash flows

IFSA members generally support the collection of this additional information.

However, we note the important practical limitations on funds reporting salary sacrifice amounts and employer contributions. These are not currently separately "tagged" by employers.

If funds were required to collect this information it would effectively impose a new compliance obligation on employers.

CHAPTER 4 - ACHIEVING A BETTER UNDERSTANDING OF THE INVESTMENT PERFORMANCE OF FUNDS

The main concerns raised by the superannuation industry in relation to performance comparisons published by APRA relate to the aggregation of the data, rather than the issues listed by APRA in this Chapter.

By collecting information at an investment option level, APRA will be in a position to facilitate the publication of better quality and more credible performance comparison information.

However, as has been outlined in our earlier high-level comments, IFSA believes it is crucial that, in addition to the use of consistent terminology, APRA ensures there is consistency in the way that composite investment options are categorised.

As the table below shows, there is currently a lack of consistency applied by research agencies and as such within the industry more broadly. There are at least three approaches to constructing and naming peer groups, namely:

Chant West (Multi Manager Survey)		SuperRatings (Fund Crediting Rate Survey)		Morningstar (Online categories multi sector funds)	
Conservative Growth	21% - 40% Growth	Cons Balanced	41% - 59% Growth	Moderate	21%-40% Growth
Balanced Growth	41% - 60% Growth	Balanced	60% - 76% Growth	Balanced	41% - 60% Growth
Growth	61% - 80% Growth	Growth	77% - 90% Growth	Growth	61% - 80% Growth
High Growth	81% - 100% Growth	High Growth	91% - 100% Growth	Aggressive	81% + Growth

A related challenge is defining the growth and defensive characteristics of the underlying assets and then securing consistency in the application of those definitions across the industry.

APRA has scope to take the lead in both of these areas, driving consistency across the industry and therefore supporting super members and other stakeholders in being able to compare like with like. IFSA again notes that the draft standard 'growth' and 'defensive' asset class categories (attached) could form the basis of APRA's approach in this area.

This would allow funds to provide consistent investment option performance information to APRA, without APRA needing to undertake any additional calculations.

Through the implementation of IFSA's Super Charter, IFSA hopes to assist APRA in meeting these challenges.

Consistency of valuation methodology and frequency

Inconsistencies in the industry's approach to valuing assets and crediting returns to super accounts has the potential to cause member inequity as well as lead to the misreporting of returns. IFSA supports the industry moving to a more consistent and equitable basis for both valuation of assets and crediting of returns.

Relevantly, IFSA's Super Charter will require:

- *The matching of application and redemption policies with pricing policies:* Where public offer funds are open to daily applications and redemptions, they should be required to implement a uniform daily pricing regime. Without this members have little certainty about the value of their assets going into or coming out of a fund. It should be noted that many industry funds are moving to daily crediting rates, a move that is welcomed provided there is a consistent and transparent methodology being used (as is the case with daily unit pricing).
- *Consistency in the way that daily unit pricing/crediting rates methodology is applied across the industry:* Both daily crediting rates and unit pricing should be subject to the same methodology, checks and balances and regulatory approach.
- *Investment options with a strategic allocation of more than 25% of FUM in illiquid/unlisted assets should review their applications and redemption policies:* Where a large proportion of assets are not dynamically priced and are not easily liquidated, it is important for the equity of all members within that option that the application and redemption policies are appropriate for that investment, possibly beyond the SIS Act 30 day rule.

In 2005, *IFSA's Standard No. 6: Calculation of Past Performance* sought to ensure that all IFSA members applied a consistent approach to the calculation of past performance in promotional material. The aim of this was to ensure that investors were able to compare the past performance of investment options across the industry on a consistent basis.

Standard No.6 is currently under review but will continue to stipulate that past performance should be calculated net of all maximum non discretionary fees. The Standard provides a sound basis for investors to compare managed funds as most funds managers are members of IFSA and are required to comply with this standard. The standard is also used by researchers such as Morningstar and Standard and Poors' to support their ratings and research.

Unfortunately the same level of consistency has not been delivered across the superannuation industry as many funds outside of IFSA's membership (particularly those that charge a dollar based administration fee) report performance net of investment fees but gross of administration fees.

Recommendation: Given the inconsistent approaches to performance reporting and calculation, IFSA recommends APRA reviews IFSA Standard No. 6 and the IFSA Super Charter to require that all funds report their investment option performance in line with this methodology.

Investment options with illiquid and/or unlisted assets

IFSA welcomes APRA's intention to collect information on the frequency of independent valuations of assets for which there is not a transparent daily market price.

As per the commentary above, IFSA supports consistency in the approach used to value illiquid or unlisted assets as well as a review of whether investment options with a strategic allocation of 25% of FUM or more to unlisted or illiquid assets should have more appropriate redemption policies, possibly beyond the SIS Act 30 day rule.

CHAPTER 5 – ACHIEVING A BETTER UNDERSTANDING OF THE NON-INVESTMENT DRIVERS OF MEMBER BENEFITS

Financial advice is one of a number of possible benefits a fund may provide to its members. A range of other services commonly provided by funds to employers and fund members, include:

Employer
Online administration assistance
Online education/face to face tutorials
Banking/product discounts
Clearing house facilities
Insurance coverage above the minimum legal requirements
Free fund transition assistance
Employee
Online education, calculators, seminars
Access to Financial advice
Product features such as ‘transition to retirement’
Free rollover assistance
Telephone/ online assistance
Banking, Lifestyle and Entertainment Discounts
Family member benefits and discounts
Timeliness and frequency of fund reporting

IFSA believes that to focus solely on financial advice will not provide APRA with a comprehensive understanding of the “non-investment drivers of member benefits”.

Fees

IFSA is concerned at the use of inconsistent terminology on fees in APRA’s Discussion Paper. In particular, fees described in table 13 as: “trustee fees”, “administration costs”, “family law fees” and “financial planner commissions” are inconsistent with those under Chapter 7 of the Corporations Act.

The Corporations Act contains a detailed fee and cost disclosure regime which, among other things, requires super funds to disclose standardised information on fees by way of:

- A ‘Fee and Cost Template’ that is underpinned by consistent fee terminology and definitions.
- An ‘Example of Annual Fees and Costs Table’ which is based on a \$50,000 account balance and an annual contribution of \$5,000.

For more information see: Schedule 10, Corporations Regulations 2001.

IFSA members and ASIC have spent considerable effort in complying with these requirements and educating consumers. Adding new terms which may/may not be

consistent with the existing terminology in Product Disclosure Statements and Periodic Statements is therefore likely to be counterproductive.

In relation to fees paid by fund members to financial advisers, we reiterate our earlier comments regarding the use of appropriate terminology, including the need for consistency with IFSA's Super Charter which introduces a Member Advice Fee and a Plan Service Fee as the only fees payable for financial advice within super.

Representative members

Under IFSA's Super Charter, IFSA members that provide superannuation products will be required to publish on their websites performance data for all investment options on a monthly basis, with the default investment option tagged accordingly.

Under this web-based disclosure, super members will be able to see the percentage return the investment options have experienced, with the focus being medium to long term returns (3, 5 and 7 years), as well as how these percentages apply to indicative member account balances.

We also note relevant reforms currently being considered by the Government regarding requirements for trustees of regulated superannuation funds to provide disclosure of 5 and 10 year returns in Periodic Statements.

IFSA would like to work with APRA to ensure that its approach to 'representative members' is consistent with these reforms and IFSA's Super Charter.

Insurance data

IFSA is unsure how this information is of use to APRA and looks forward to discussing the benefits to prudential oversight of this information being collected.

CHAPTER 7 – LEGAL AND COST/ BENEFIT CONSIDERATIONS

Following consultation with members, IFSA understands that collecting all of the proposed enhanced superannuation data would impose a considerable additional compliance cost on the industry.

Overall, members have indicated that these enhanced requirements represent a significant increase in current compliance costs in this area. Some members have estimated that it could require up to 2 additional full time positions, in addition to the cost of systems changes and possible upgrades that may be required.

This cost would likely translate into increased fees for super fund members, an outcome IFSA members would like to prevent.

Importantly, IFSA believes that these costs can be significantly reduced if:

- APRA's data collection more closely reflects data currently housed in IFSA member systems.
- Frequency of collection of various aspects of the proposed enhanced data collection is reconsidered.
- APRA's approach more closely aligns with that outlined in IFSA's Super Charter which will also impose system related costs on the industry.
- Legacy products are excluded.
- APRA provides an appropriate transition period before imposing the new data requirements.
- APRA is able to partially offset the cost of the new data collection against savings from removing existing data collection obligations.

IFSA would like to discuss the above in more detail to assist APRA and the industry to find the most cost-effective way of enhancing data collection in the superannuation industry.

Attachment

Proposed Standard 'Growth' or 'Defensive' Asset Class Categories

GROWTH ASSETS
Australian Shares - always growth
International Shares - always growth
Listed Property - always growth
Unlisted Property - always growth
Private Equity - always growth
Hedge Funds - always growth
Infrastructure - always growth
DEFENSIVE ASSETS
Cash - always defensive. To be classified as cash: <ul style="list-style-type: none">• the portfolio be comprised of only debt securities;• the average duration of the portfolio must be less than 180 days; and• the weighted average credit quality (rating) of the debt securities be AA or higher and there must be less than 5% sub investment grade debt.
Australian Bonds - always defensive unless 25% (or more) of the bond portfolio are "non-traditional" bonds. "Non-traditional" bonds include: <ul style="list-style-type: none">• Sub investment grade debt;• Unrated debt;• Emerging country sovereign debt;• Un-hedged international bonds Where a portfolio comprised more than 25% "non-traditional" bonds that portion in excess of 25% must be classified (and reported) separately as growth assets. Notwithstanding the above, where investment options comprise more than 5% "non-traditional" bonds this should be disclosed.
International Bonds - always defensive – subject to the same conditions/criteria as Australian bonds.