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1 May 2015

Subject: Superannuation – ABS reporting in APRA reporting 700 series (additional feedback)

Dear Sir/Madam

The Financial Services Council (FSC) writes in relation to the January 2015 release by the Australian Prudential Regulation Authority (APRA) of draft forms for statistical reporting to the Australian Bureau of Statistics (ABS) as contained in SRS 720.0, SRS 721.0, SRS 722.0 and SRS 730.0.

This document is an addendum to the full FSC submission to that consultation. While this letter covers the additional questions raised on 17 April, it should be read in conjunction with our prior submissions on this topic which have covered:

FEEDBACK SUMMARY		
FSC Preliminary Letter (13 March 2015)	FSC Full Submission (17 April 2015)	FSC Response to ABS Query (15 April 2015)
<ul style="list-style-type: none"> The start date of reporting; Reporting for Non-Resident Members (SRS 730.0); Potential reuse of ATO data; Reporting Volumes; Cross reference / heat map; and Defined Benefit reporting basis; 	<ul style="list-style-type: none"> Submission dates; Confidentiality of submitted data; Duplicate book-keeping; D2A cross form validation; Impact of S29QC; Complexity of SRS 720.0; Meaningfulness of data; Derivative reporting; Defined Benefits; and Further guidance on 'careful estimates' 	<ul style="list-style-type: none"> Re-use of data from SRF 160.0 to attribute values between Defined Benefit Members' Benefits and Defined Contribution Members' benefits.

This letter does not cover the above issues except where they relate to the questions APRA / ABS have raised regarding potential further changes to SRS 720.0 via email dated 17 April 2015.

The FSC is heartened by both ABS's and APRA's open and pragmatic approach to consultation and dialogue on the new ABS data collection forms. We thank APRA and the ABS for allowing further time to comment on the additional SRS 720.0 proposal.

Please feel free to contact me on 02 8235 2566 if you have any further questions or comments in relation to this submission.

Yours sincerely



BLAKE BRIGGS
 SENIOR POLICY MANAGER

1.0 APRA/ABS PROPOSED CHANGES

The originally tabled SRS 720.0 has the following Members' Benefits questions:

	RSE (1)	attributed to: defined benefit members' benefits (2)	attributed to: defined contribution members' benefits (3)
26. Net assets available to pay benefits			
27. Reserves			
27.1. ORFR reserve			
27.2. Investment reserve			
27.3. Self-insurance reserve			
27.4. Administration reserve			
27.5. Other reserves			
27.6. Total reserves			

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28. Liability for members' benefits		
28.1. Liability for members' benefits		
28.2. Unallocated contributions		
28.3. Unit holders' funds (PST only)		
28.4. Total		
28.4.1. of which: attributed to non-residents		
29. Surplus/deficit in net assets		
29.1. Underlying reason for surplus/deficit in net assets:		
29.1.1. Differences between investment valuations and financial statement amounts		
29.1.2. Differing assumptions between funding and financial statements purposes		
29.1.3. Accrued benefits that are over (under) funded		
29.1.4. Other reasons		

In the communication of 17 April 2015, APRA/ABS made the following suggestion:-

Proposal: (a) that all Members' Benefits questions, excluding the rephrased Item 28.4.1, be removed from SRF 720.0; and (b) that three additional questions - **a split of Net assets available to pay benefits** between Defined Benefit and Defined Contribution members; a split of Total reserves between those applicable to Defined Benefit and Defined Contribution members, and the Underlying reasons for surplus/deficit in net assets be relocated to elsewhere in the reporting collection.

Our understanding of the above proposal for SRS 720.0 is that:

- Question 26 would be satisfied by question 21 of SRS 320.0 with questions to be added to that form to split the Net Assets between Defined Benefit members benefits ('DB') and Defined Contribution members benefits ('DC');
- Questions 27.1 thru 27.5 disappear;
- Question 27.6 would be satisfied by question 22.2 of SRS 320.0 with questions to be added to that form to split the Total Reserves between DB and DC;
- Most of question 28 disappears (except a redone 28.4.1); and
- Question 29 is satisfied by question 24 of SRF 320.0 and question 29.1 would become an additional question on that form.

The additional questions would effectively shift data from a form that allows "careful estimates" and is unaudited to a form that does not allow "careful estimates" and is audited.

2.0 DETAILED RESPONSE

- We support the removal of all Members Benefits questions (questions 26 to 29).
- Regarding question 26 (Net assets available to pay benefits):
 - It would seem that question 26 column 1 (on SRF 720) is fully satisfied by item 21 (Net assets available for members' benefits) on SRF 320.0.
 - For columns 2 and 3 of item 26 (attribution to DB and DC):
 - The FSC's prior submission provided significant feedback on the differing definitions and segmentation of data between ABS and APRA forms related to Defined Benefit data. We would expect the revised questions would have regard to that feedback.
 - In addition, we suggest that attribution of Net Assets between DB and DC could be derived from data in SRF 160.0 (items 1.1.1 and 1.1.2), as proposed by the FSC in response to ABS question on 15 April in regard to similar attribution in SRF 730.0.
 - We support the proposal that question 26 be removed on the basis that the ABS needs will be satisfied by using item 21 of SRF 320.0. We do not believe additional questions should be necessary on SRF 320.0 if the ABS uses the attribution approach noted above.
- Regarding question 27.6 (Total Reserves) being moved:
 - RSE level reserves (column 1) are satisfied by item 22.2 (Total reserves) on SRF 320.0.
 - The attribution of this amount to DB (column 2) could be derived by apportioning the aggregated value of all sub-fund level reserves (item 4 on SRS 320.1 for each sub-fund of an RSE) using data in SRF 160.0 (items 1.1.1 and 1.1.2). The amount attributable to DC (column 3) is then the Total Reserves less the column 2 amount.
 - Based on the above, we support the proposal that question 27.6 be removed on the basis that the ABS needs will be satisfied by using item 22.2 of SRF 320.0. We do not believe that additional questions should be necessary if the ABS uses the apportionment approach suggested above.
- We agree with the removal of most of question 28 (Liability for member's benefits), however we note that:
 - The FSC supported Proposal #2 in the ABS communication of 2 April 2015 to incorporate two additional two items on SRF 730.0 with the proportion of non-resident members and member benefits.
 - The 17 April 2015 proposal regarding item 28.4.1 looks to duplicate this value again on another form.
 - Therefore, we believe question 28.4.1 should be removed with the rest of question 28 unless it is also removed from SRS 730.0 (contrary to 2nd April Proposal #2).
- Regarding question 29:
 - We note that in question 29 (Surplus/deficit in net assets) of SRS 720.0 is satisfied by question 24 of SRF 320.0. We assume that the ABS will rely on this value.
 - We agree that relocation of question 29.1 (Underlying reason for surplus/deficit in net assets) by adding questions to SRF 320.0 is appropriate.

3.0 CONCLUSION

In summary, our response to the ABS Proposal is as follows:

- We support the removal of all Members Benefits questions (items 26 to 29).
- We support the proposal that question 26 be removed on the basis that the ABS needs will be satisfied by using item 21 of SRF 320.0.

- We support the proposal that question 27.6 be removed on the basis that the ABS needs will be satisfied by using item 22.2 of SRF 320.0.
- We believe that the ABS could attribute Net assets available to pay benefits (question 26) and Total Reserves (question 27.6) between Defined Benefit members' benefits and Defined Contributions members' benefits using data from other APRA forms. Additional questions need not be added to any forms.
- We believe question 28.4.1 should be removed with the rest of question 28 unless it is also removed from SRS 730.0 (contrary to 2nd April Proposal #2).
- We agree that relocation of question 29.1 (Underlying reason for surplus/deficit in net assets) to SRF 320.0 is appropriate.