

29 July 2016

Data Availability and Use
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2600

Lodged online via online portal

Dear sir/madam,

Re: Data Availability and Use - AIST response to Productivity Commission Issues Paper, April 2016

In brief:

Effective use and access to superannuation data is integral to the efficient functioning and integrity of the superannuation system. Superannuation data issues have been raised in previous inquiries and steps have been taken to address especially by the ATO, but significant recurring problems – including all of those identified in the Productivity Commission issues paper – remain and require a higher priority and integrated whole-of-government focus. Increased meaningful public access to data will improve competitiveness and efficiency.

AIST welcomes the opportunity to comment on data availability and use provided by this inquiry, and looks forward to participating further in the next stage of the inquiry.

A key focus of previous inquiries into superannuation and the financial system was the role and use of data, especially around superannuation. AIST believes that this inquiry is crucial to improving this.

AIST seeks that the Productivity Commission inquiry include consideration of issues surrounding access and use of data reported by superannuation funds to public sector agencies, especially the Australian Prudential Regulation Authority and the Australian Taxation Office.

Increased public access to superannuation data held by public sector agencies will increase individual and community confidence in the superannuation system, and the Government's regulation of that system data access. For the regulatory, resource and other reasons set out below, this is high value public sector data whose value is not currently being fully utilised.

The recurring data related themes noted by the Commission in Box 2 of the issues paper are also relevant to superannuation - in fact, they are themes that could have been designed specifically for superannuation:

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- **Insufficient data sharing between agencies.** Sharing of data between APRA, ATO and the ABS does not occur as often or as well as it could. Notwithstanding the data-related recommendations of the 2010 Super System Review¹ and the government's adoption of its recommendations², and the 2014 Financial System Inquiry³ and the government's adoption of recommendations – including for this inquiry – there are markedly different approaches to the collection, dissemination and reporting of data taken by different agencies. This does result in unnecessary duplication of data reporting requirements for super funds.

- **Insufficient dataset linkage.** Insufficient consideration has been given to the potential linkage of administrative datasets in superannuation, although some steps are being taken to remedy this. For example, the ATO is undertaking the Member information eXchange (MiX) project to consolidate various super fund reporting requirements to simplify and streamline super fund reporting arrangements.

However, the ATO (largely because of legislative constraints) has not fully optimised dataset linkages to reduce the incidence of lost and unclaimed super and support the consolidation of multiple accounts through the use of Tax File Numbers and other data matching capabilities. The Inspector General of Taxation has commented on this in their 2010 report⁴, and recommended that related administrative datasets could be linked together to do this. As this has not largely happened, in 2007 the Association of Superannuation Funds of Australia (ASFA) quoted statistics from CHOICE⁵ explaining that that super fund member are paying around \$2 billion in unnecessary account-keeping fees and there remain millions of lost accounts that need not be lost.

The 2016 Federal Budget also announced a range of new transparency measures including the development of pre-filled Tax File Number and Choice of Fund forms for new employees to encourage people to stay in their existing super fund when starting a new job, and allowing proactive Eligible Rollover Fund account consolidation. These are efficiency measures that will result in the better use of ATO data.

The progressive increase in the range, accuracy and up-to-datedness of individual's superannuation data on MyGov is supported by the above initiatives. It also encourages people

¹ Cooper, J., Casey, K., Evans, G., Grant, S., Gruen, D., Heffron, M., Martin, I. and Wilson, B. (2010). *Super System Review Final Report*. [online] Canberra: Super System Review. Available at: <http://tinyurl.com/zfewy9q> [Accessed 28 Jul. 2016] in particular at Recommendations 8.11, 9.14, 10.3, Recommendations in Chapter 4, and Super Policy Principle 5.

² Treasury, The (2010). *Stronger Super*. [pdf] Canberra: The Treasury. Available at: <http://tinyurl.com/hn29u2w> [Accessed 28 Jul. 2016].

³ Murray, D., Davis, K., Dunn, C., Hewson, C. and McNamee, B. (2014). *Financial System Inquiry Final Report*. [online] Canberra: Financial System Inquiry. Available at: <http://tinyurl.com/n7wl3lb> [Accessed 28 Jul. 2016].

⁴ Inspector-General of Taxation, (2010). *Review into the ATO's administration of the superannuation Guarantee Charge*. A report to the Assistant-Treasurer. [online] Canberra: Inspector-General of Taxation. Available at: <http://tinyurl.com/j4z76ch> [Accessed 28 Jul. 2016].

⁵ Clare, R. (2007). *Aggregate and individual costs of multiple superannuation accounts*. [online] Sydney: Association of Superannuation Funds of Australia, p.6. Available at: <http://tinyurl.com/hjl7hao> [Accessed 28 Jul. 2016].

to take an interest in and consolidate their superannuation accounts, and thus increases price and performance awareness of superannuation in the community – thus also increasing the competitiveness and efficiency of superannuation.

This is a means of increasing individual's access to superannuation information about themselves in a format that is integrated with other information of value to them. However, there is also a need to ensure that this functionality provides appropriate consumer protection and supports meaningful decision-making. Changing superannuation funds, for example may have fee, performance and insurance implications that may not be immediately understood by consumers.

• **Little public access to administrative data.** Improved and extended super fund reporting to the ATO and APRA by super funds was intended to be a centre-piece of the Stronger Super package of reforms⁶. Despite the tenfold increase in the level of data reported to the ATO since [2012 – check], the level of publicly available information about superannuation has not increased to the extent that it should. APRA has determined that some information should remain confidential; has only increased the extent of reporting in fits and starts (e.g., in relation to fees); has not resolved all of the inconsistencies in the reported and published data (e.g., in relation to fees); and has recognised but yet resolved issues of data integrity.

Most significant however is the lack of visible progress in relation to APRA Data Dissemination Tool.

Data dissemination tool. In its November 2013 consultation paper and October 2014 response to submissions, APRA stated it was going to use a new data dissemination tool to publicly release industry and MySuper product-level superannuation statistics. The new tool would facilitate the release of more data and statistics and improve users' ability to visualise and compare data, and was widely supported, including by AIST.

Progress on the data dissemination tool has been slow and its current status remains unclear. In a letter to RSE licensees on the publication of superannuation statistics on 27 November 2014⁷, APRA stated:

APRA had previously indicated that implementation of the data dissemination tool would take some time and hence that the fully revised statistical publications and reports would not be available until later in 2015 at the earliest. APRA's intention is, over time, to adopt the same data collection and publication tools and approaches across all APRA-regulated industries. APRA has completed a comprehensive process to specify the detailed

⁶ Treasury, The (2010). *Stronger Super*. [pdf] Canberra: The Treasury. Available at: <http://tinyurl.com/hn29u2w> [Accessed 28 Jul. 2016].

⁷ Rowell, H. (2014). *Letter to RSE licensees: Publication of superannuation statistics*. [online] Apra.gov.au. Available at: <http://tinyurl.com/h7y2bol> [Accessed 29 Jul. 2016].

requirements for the public data dissemination tool in the context of APRA's overall IT strategy. APRA has also undertaken a rigorous selection process to identify preferred software and services vendors.

Following an extensive due diligence and design exercise, however, it has become clear that APRA's current data storage infrastructure will not adequately support the proposed data dissemination tool across all APRA-regulated industries and hence that significant changes to that infrastructure are required. APRA has also recently reviewed its strategic priorities, together with the funding that would be required and is currently available to deliver them. As a result, APRA has decided to adopt an incremental approach to the transformation of its data collection, storage and dissemination tools over a period of years. The first stage in 2015 will focus on the necessary changes to APRA's data storage infrastructure. When this stage is completed, APRA expects to be in a position to determine the next steps and timeframes for subsequent stages of this work, taking into account APRA's overall priorities and available funding.

APRA will provide periodic updates to stakeholders on our progress and plans in relation to superannuation publications. In the meantime, APRA will, on an incremental basis, release as much non-confidential superannuation data as is feasible using its existing technology (i.e. PDFs and Excel). APRA expects that this will enable public access to much of the non-confidential superannuation data by the end of 2015; however APRA's existing tools and processes place some limitations on the data that is able to be released in a useful and useable format.

The 2016 Federal Budget also announced a range of new transparency measures, including \$10 million for APRA to better present superannuation data, presumably including steps toward implementation of a Data Dissemination Tool. While this is welcome, it is a tiny amount compared to the data resources available to other government agencies, such as the ATO, and it remains unclear when or if this will result in the launch of the data dissemination tool.

The lack of public access to this data at the present time is inconsistent with best standards of government transparency, and impedes consumer decision making by preventing the public from obtaining information that could help them make the best choice among superannuation funds.

- **Limited data access for research.** The lack of progress of the Data Dissemination Tool also makes it difficult for researchers to obtain data for use as empirical evidence.
- **Non standardised datasets.** The absence of fully standard formats in which data is presented also inhibit dataset linkage. While there is some level of cooperation and collaboration between public sector agencies about the sharing and standardisation of data, the varying data formats and requirements of the ATO, APRA, ABS and ASIC are inefficient from a reporting perspective,

limit the value of published and publicly accessible data to the public, and make it difficult for researchers to be able to fully compare data and provide analysis that may assist the public.

• **Missed potential for stronger evidence based policy.** As a consequence of all of the factors identified above and to mirror the language used in the issues paper, this inhibits the capacity of evidence-based policy development in superannuation and the provision of retirement incomes. Greater use of this data could help to assess whether policies and programs meet their stated objectives and operate as intended and improve the quality of government regulation and its enforcement.

If you have any further questions regarding this submission, please contact David Haynes, Executive Manager Policy & Research

Yours sincerely,

Tom Garcia
Chief Executive Officer

The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.

As the principal advocate and peak representative body for the \$650 billion not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training 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.