

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 120

Topic: Fund Returns

Hansard Page: Written

Senator Bushby asked:

I note that at the last Estimates, ABS indicated that it had no knowledge of the controversy which has long surrounded the publication of super fund returns. (sustained criticism in trade and general media of APRA's methodology in formulating super fund return data).

- Doesn't APRA consult with ABS on its Super Fund collections, including fund returns?
- Has the fund return issue been placed on the APRA/ABS meeting agendas?
- Has APRA given thought to using ABS expertise in its future data collection so as to enhance its super fund return data, and thereby minimise the controversy and noise which surrounds the release of APRA data?
- Has APRA considered allowing ABS to sample return data and thereby produce quarterly and reliable and up to date (APRA data is 12 months stale by the time it is released) data based on representative samples of super funds from the various segments, including self managed super funds?
- What is the annual internal cost of APRA's super fund return data collection, and what would it cost to outsource this function to an external provider who would collect the data from a representative sample and publish same within one month of each data period close?

Answer:

APRA collects data primarily for the purpose of prudential supervision. APRA may release data in the form of industry statistics or, where allowed to do so under section 56 of the APRA Act, in the form of data at the fund level for the individual funds it supervises.

APRA may provide the data it collects to the ABS. The ABS may use these data to compile statistics so long as data about individual funds is not discernable.

APRA consults the ABS when determining its data collections to ensure that the collections meet the needs of the ABS as well as APRA's needs for supervision.

APRA is required to consult trustees when determining the data collections.

While not required to, APRA publically consults when introducing new industry-wide statistics or fund-level data publications.

The fund rate-of-return (RoR) figure is calculated by APRA based on the data it collects. APRA publishes this figure at an industry-wide level and at an individual superannuation fund level. It represents the average rate-of-return achieved by the trustee of a superannuation fund towards furthering the retirement savings of members across the superannuation fund. Saving for retirement is the primary purpose of superannuation.

It is argued by some that because members of a fund are allowed by a trustee to choose from a menu of investment options provided by the trustee, this abrogates the trustee of responsibility and accountability for the outcomes for members. The argument continues that therefore the RoR should not be used as a measure of trustee performance. While APRA accepts that the individual risk appetites and choices of those members who actively choose will have some effect on the RoR, the main determining factors for RoR are the costs of the fund and the selection of products and investment options, all of which are under the trustees' control. Thus the RoR is currently the best available measure of trustee's overall performance towards furthering retirement savings.

Notwithstanding the above, the Government's Stronger Super reforms will clarify trustee's responsibilities with regard to MySuper and choice products. APRA will, as part of the reforms, review the data it collects and the measures of trustee performance. APRA will also determine what data to collect and publish about the performance of individual products and options. Individual product/option data are not currently collected by APRA nor are they available on a comprehensive and comparable basis elsewhere to assist employers and members to choose an appropriate product/option for themselves. APRA will consult widely when reviewing fund-level data collection and introducing product/option level data collections and publications.

- Doesn't APRA consult with ABS on its Super Fund collections including fund returns?

APRA consults the ABS on its superannuation fund data collections. APRA publically consults on its superannuation statistics publications that include fund returns.

- Has the fund return issue been placed on the APRA/ABS meeting agendas?

APRA's publication of RoR has not been specifically discussed at formal meetings between APRA and ABS.

- Has APRA given thought to using ABS expertise in its future data collection so as to enhance its super fund return data, and thereby minimise the controversy and noise which surrounds the release of APRA data?

APRA consults the ABS and trustees on its superannuation fund data collections. APRA consults publically on its superannuation statistics publications that include fund returns. APRA welcomes submissions from all parties. APRA will be actively consulting and using the expertise of many parties, including the ABS, when determining what superannuation data to publish as part of the Government's Stronger Super reforms.

- Has APRA considered allowing ABS to sample return data and thereby produce quarterly and reliable and up to date (APRA data is 12 months stale by the time it is released) data based on representative samples of super funds from the various segments, including self managed super funds?

Statements in the question are incorrect. APRA data are not 'stale' and its quarterly data are reliable.

APRA already provides all quarterly superannuation data it collects to the ABS. APRA publishes reliable and up-to-date industry-wide statistics each quarter in its *Quarterly Superannuation Performance* statistics. These statistics are published ten weeks after the quarter to which they refer, not twelve months. The quarterly data are from a sample of superannuation funds comprising all APRA-regulated funds over \$50m in assets. The sample covers 99.7 per cent of the assets of all APRA-regulated superannuation funds (excluding PSTs and small APRA funds).

APRA is also of the view that superannuation performance should be considered over a much longer period. Emphasis on quarterly performance can be misleading given the greater importance of long-term returns.

- What is the annual internal cost of APRA's super fund return data collection, and what would it cost to outsource this function to an external provider who would collect the data from a representative sample and publish same within one month or each data period close?

APRA's internal cost to collect super fund data collection has been minimised over the years by automating the data collection. APRA has purpose-built software for entities to securely and electronically submit data to APRA. The software checks the data for internal consistency and coherency before the data are able to be sent to APRA. Most entities use the software to submit to APRA. Moreover, most entities now submit data on-time. There is little to no administration required to collect entities' data.

Entities have five weeks after the quarter-end date within which to lodge data. The data are analysed and anomalies investigated and resolved with the entities before the data are then collected into the *Quarterly Superannuation Performance* statistics, which are released in the tenth week after the quarter-end date. If the 'data period close' refers to the due date of the data then APRA already publishes industry statistics within five weeks of the 'data period close'. If the 'data period close' refers to the quarter-end then entities are not required to submit the data until five weeks after the 'data period close'.

APRA does not know how much it would cost to outsource the data collection. So-called 'representative samples' will likely produce less accurate statistics than those currently produced by APRA and again, given the importance of long-term performance, APRA sees no purpose in replicating short-term sampling.