



Super Update

April 2022



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Data transformation releases from APRA

On 4 April 2022 APRA released a discussion paper on its proposed scope and approach to phase 2 of the data transformation project.

The latest phase of the project will collect more comprehensive data on:

- retirement outcomes for superannuation members
- the performance and efficiency of the industry
- governance, risk management practices, fund operations and industry risks.

APRA will also identify and discontinue redundant data collections as part of this phase.

APRA proposes to conduct industry consultation across three periods from September 2022 to June 2023 according to the following schedule:

- September to November 2022 – trustee operations and profile and financial data
- November 2022 to February 2023 – non-financial risk, insurance and investments
- March to June 2023 – membership, retirement outcomes, defined benefits, disclosure and any other topics raised through consultation.

Topic papers will be released according to this timetable, along with draft reporting forms that will be made available via APRA Connect. For some reporting standards, there will also be pilot data requests issued to some or all trustees. Each topic paper will also make clear which data items APRA proposes to make non-confidential – APRA's intention is that this will cover most of the data collected. Consultation on the discussion paper closes on 12 May 2022.

At the start of April, APRA released a discussion paper on its five-year data collection roadmap for all regulated industries including superannuation. It sets out APRA's plans to collect richer data through APRA Connect. The proposed collections will enable APRA and peer government agencies to deliver deeper insights, while ultimately reducing the burden for industry. APRA intends to collect deeper, broader data sets that can be used in many different ways, including to explore issues beyond the horizon. APRA will also continue to strengthen its partnerships with peer agencies, with the aim that data can be collected once and shared, thus reducing the burden on industry.

As well as including a timetable for the superannuation industry that reflects the data transformation project, this discussion paper includes a cross-industry roadmap that will also impact super fund trustees. It includes data collections on remuneration and the Financial Accountability Regime, climate change financial risks and other non-financial risks, covering the period 2023-2025.

Finally, in February 2022 APRA released a package of materials covering its proposals for the publication of the data collected under phase 1 of the data transformation project. The package includes a discussion paper, draft metrics, a spreadsheet containing confidentiality proposals and seven draft publications.

APRA is proposing to determine most of the data collected under phase 1 to be non-confidential and therefore able to be published. Starting in June 2022, APRA proposes publishing new aggregate industry, fund-level and product-level statistics containing key metrics, including improved data on insurance arrangements, expenses, member demographics and asset allocation classifications. Where relevant, new approaches will be used to better enable comparisons across complex fee and cost structures or insurance design.

In addition to expanding its existing superannuation publications, APRA plans to introduce two new types of datasets:

- key metrics datasets which will primarily mirror the statistics in the publications but without formatting
- granular datasets for sophisticated users to access more detailed data in a format that closely resembles the data as reported.

Consultation on this package of materials closed on 15 April 2022.

Financial reporting legislation introduced to parliament

In August 2021, draft legislation was released that was intended to largely extend the existing financial reporting and auditing requirements for public companies under the Corporations Act to superannuation funds. As proposed, among other things it would have required trustees to prepare and lodge financial reports for each financial year and half-year with ASIC, publish a financial report, directors' report and auditor's report for each financial year on the fund website and provide a copy of the financial reports for a financial year and half-year to members and beneficiaries on request. Both the full and half-yearly reports would have been required to include financial statements and notes both for the fund as a whole and, if the fund had any sub-funds, for each sub-fund. An extension of the time for which accounting records must be maintained, from five to seven years, was also proposed. The new requirements would have applied for fund income years commencing on after 1 July 2022.

The final version of the bill – the *Treasury Laws Amendment (Streamlining and Improving Economic Outcomes for Australians) Bill 2022* – was introduced to parliament on 17 February 2022, and it included a number of welcome changes from the consultation draft. Importantly, the changes will now apply for fund years of income commencing on or after 1 July 2023. There was also no mention either of sub-funds or of half-yearly reporting requirements in the bill. It appears that neither proposal survived the consultation process.

In addition, the proposed relief under which trustees will not be required to provide copies of the financial reports directly to members (electronically or in hard copy), notify members that the reports are available, give members a choice as to how they receive reports, or provide concise reports in lieu of full financial reports (unlike public companies) has been retained from the consultation draft.

Legislative update

The ATO has released the new levels of various superannuation thresholds for the 2022-2023 financial year. Neither the contribution caps nor the general transfer balance cap will change next year. However, the low rate cap amount applying to taxable components of benefits paid in cash to members aged between their preservation age and age 60 will increase on 1 July 2022, as will the co-contribution thresholds and the SG maximum contribution base.

Late in March ASIC announced that it would defer the start date for its proposed updated relief and guidance for retirement forecasts. As discussed in our February 2022 edition of Super Update, ASIC had intended to publish the updated relief and guidance before the existing relief in Class Order *CO 11/1227* expired on 1 April 2022. However, in order to allow sufficient time to finalise an appropriate framework for the new regime, on 28 March ASIC registered a new *ASIC Corporations (Repeal and Transitional—Relief for Providers of Retirement Estimates) Instrument 2022/204*, which extends the effect of *CO 11/1227* in its current form until 31 December 2022. ASIC intends to finalise the new relief and guidance by 30 June 2022, allowing a six month transition period for super funds to move to the new relief.

Announced just before the Federal Budget at the end of March 2022, the account-based income stream drawdown limits will be halved for an additional year. The limits, which apply to account-based and market linked income streams, have been set at half their regular level since 1 July 2020 in response to the COVID-19 pandemic. The reduced limits will now continue to apply until 30 June 2023. The regulation giving effect to the extension was made on 1 April 2022.

With the next Federal election having now been set for 21 May, the following bills relevant to superannuation that were before the parliament have lapsed. They will need to be reintroduced and passed by both houses of the new parliament if they are to become law:

- Treasury Laws Amendment (2021 Measures No. 7) Bill 2021 – this contains various measures relating to the closure of the SCT and transition to AFCA
- Financial Accountability Regime Bill 2021 and three other bills in the package – introduces a compensation scheme of last resort (CSLR) and “accountability” changes for directors and executives of financial services entities
- Treasury Laws Amendment (Streamlining and Improving Economic Outcomes for Australians) Bill 2022 – this includes the changes to financial reporting and auditing of super funds.

News in brief

Joint regulator guidance on retirement income covenant

On 7 March 2022, APRA and ASIC issued a joint letter to trustees on the implementation of the retirement income covenant. The letter set out an indicative implementation pathway for trustees to consider when embedding the covenant into their operations, as well as describing APRA’s and ASIC’s expectations of trustees in implementing the covenant. It stated that the regulators do not intend to issue detailed regulatory guidance on the covenant. Instead, time will be allowed for trustees to drive the strategic direction of their retirement income strategies and to innovate on the implementation of the covenant for their membership.

APRA discussion paper on sustainability of member outcomes

APRA has released a new paper on the sustainability of member outcomes, based on the data in its latest MySuper and Choice product Heatmaps. Sustainability was measured using the following three-year average fund-level metrics:

- total accounts growth rate, which measures a fund’s rate of growth in member accounts relative to total member accounts
- net cash flow ratio, which is a fund’s rate of growth in net cash flows relative to net assets. Net cash flows include member benefit flows such as member contributions and benefit payments, but exclude cash flows from investments
- net rollover ratio, which measures a fund’s rate of growth in net rollovers relative to net assets.

Key findings in the report included:

- large funds (which APRA defined as those with net assets greater than \$50 billion) were able to leverage the benefits of scale by spreading the cost of their operations over a larger membership base, improving operational efficiency and resulting in lower fees
- the administration and operating expenses (as a percentage of net assets) of large funds were found to be significantly less than those of small funds (those with net assets less than \$10 billion)
- half of small funds faced immediate sustainability challenges due to declining net cash flows and member accounts
- 13 funds were found to be growing across all three sustainability metrics. Eight of these were small funds and four were large. The small funds that were growing generally provided new or niche product offerings, such as those focused on environmental, social and governance products. On the other hand, 38 funds (49 per cent of those covered by the data) were declining across all three metrics, with 35 of those having assets less than \$50 billion
- mergers since the release of the first MySuper Heatmap in 2019 had delivered combined total fee savings of around \$21 million per annum to approximately 350,000 MySuper member accounts (or \$60 per account), although the paper noted that APRA had conducted the analysis at the product level and so did not consider fee caps or employer discounts or subsidies.

IDR data reporting requirements finalised

On 30 March ASIC released the final requirements for its internal dispute resolution (IDR) data reporting framework. The framework includes a new IDR data reporting handbook and a supporting legislative instrument – the *ASIC Corporations (Internal Dispute Resolution Data Reporting) Instrument 2022/2025*. The first reports under the new framework will be due by 28 February 2023 for a group of 11 large reporting entities including a small number of the largest superannuation funds. All other financial firms that are subject to the reporting requirements will need to lodge their first report by 31 August 2023, following which ASIC will commence publishing IDR data.

APRA quarterly superannuation statistical publications released

Highlights of APRA's December 2021 Quarterly Superannuation Performance publication, issued on 1 March 2022, included the following:

Table 1

	Dec 2020 (\$ billion)	Dec 2021 (\$ billion)	Change
Total superannuation assets	\$3,046.5	\$3,473.1	+14.0%
Total APRA-regulated assets	\$2,063.9	\$2,375.2	+15.1%
<i>Of which: total assets in MySuper products</i>	\$803.7	\$950.1	+18.2%
Total self-managed super fund assets	\$777.5	\$876.7	+12.8%

APRA noted that there was a 14 per cent increase in the value of total superannuation assets over the 12 months to 31 December 2021 due to strong investment performance and positive contributions growth. Benefit payments declined 27.2 per cent for the year. Over this period, lump-sum payments totalled \$42.7 billion, a decline of 41.5 per cent over the year reflecting benefit payments returning to historically average levels after the closure of the COVID-19 Early Release Scheme.

APRA's MySuper statistical publication for the December 2021 quarter was also released on 1 March 2022. This report is issued on a product-by-product basis and APRA do not report overall summary statistics.

A guide to key changes

The dates that follow were correct as at the time of publication of this edition of Super Update.

Table 2

Date	Change
1 Jul 2022	Next scheduled increase in SG (to 10.5%).
1 Jul 2022	Commencement of retirement income covenant.
1 Jul 2022	Commencement of new version of <i>SPS 250 Insurance in Superannuation</i> .
1 Jul 2022	Start date for application of “shorter” PDS regime to multi-funds, platforms and hedge funds.
1 Jul 2022	Commencement of new advice fee rules (for existing fee arrangements prior to 1 July 2021).
31 Aug 2022	Results of next performance test (first test for certain Choice product investment options) issued to trustees.
30 Sep 2022	Final date for RG 97 to apply to PDSs.
31 Dec 2022	Proposed end of transition period to new calculator and retirement estimate relief.
1 Jul 2023	Last date for trustees with insurance arrangements provided by connected entities ending on or after that date to obtain independent certification under SPS 250.
1 Jul 2023	Earliest proposed start date for application of Financial Accountability Regime to superannuation.
1 Jul 2023	Proposed start of first reporting period for new financial reporting obligations for super funds.
1 Jul 2023	Start date for publication of product dashboard for certain Choice products.
1 Jul 2023	MySuper product dashboard to be included in periodic statements.
31 Aug 2023	Due date for first IDR reports to ASIC for most super funds.
1 Jan 2024	Commencement of section 29QC of the SIS Act.
1 Jan 2024	Proposed commencement of <i>CPS 900 Resolution Planning</i> .
1 Jul 2024	Start date for website disclosure of certain information relating to employer-sponsored sub-plans.
1 Jan 2025	Proposed commencement of <i>CPS 190 Financial Contingency Planning</i> for superannuation.

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