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Strategic Assessment Team  
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Treasury  
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Dear Madam/Sir

## Consultation: Strategic Assessment

### Implementation of economy-wide Consumer Data Right and implications for the Superannuation Sector

The Actuaries Institute (the "Institute") welcomes this opportunity to comment on the opportunities and considerations regarding the inclusion of datasets available from the superannuation sector in the planned economy-wide implementation of the Consumer Data Right (CDR).

The Institute is the sole professional body for actuaries in Australia. Our members have had significant involvement in the ongoing development of the superannuation sector within Australia and include members who have experience across sectors of the economy that are covered by the existing rollout of the CDR framework.

The Institute supports the CDR initiative, and its application across the whole Australian economy. We concur with Treasury's view that the benefits of the CDR can be profound, empowering consumers to benefit from the data held about them and in doing so strengthen competition and innovation.

**Our submission focuses on the superannuation sector**, consistent with discussions at the Treasury CDR Superannuation Round Table on 12 August 2021. It covers the following areas:

- Superannuation fund data
- Benefits of application of the CDR to the superannuation sector
- Sector prioritisation
- Benefits of providing external data to superannuation funds through the CDR.

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## Superannuation fund data

### *Superannuation trustees as data holders*

Through the CDR we expect superannuation trustees to be able to offer information relating to:

- Consumer details, including:
  - Demographic and identification information, including date of birth and gender.
  - Financial information, including a member's superannuation balance, investment options held, details on some of their historical contributions and other financial transactions (e.g. account-based pension drawdowns, retirement date (reaching condition of release), investment switches, early release and hardship payments, beneficiary nominations), as well as any insurance that is linked to their superannuation account.
- Product information, including:
  - Product fees, including administration fees, investment fees and insurance fees.
  - Product performance, with a focus on the investment outcomes produced by products.

The CDR will allow this information to be used by accredited data recipients (ADRs) and consumers to make comparisons between superannuation funds, and for financial management and budgeting applications.

### *Data not held in the superannuation sector*

Australian superannuation trustees have limited information on many of their customers (i.e. fund members) beyond a few critical data points, and do not have a more complete picture of their members, impacting on product innovation. While a complex and multi-faceted issue, this lack of data is largely the consequence of member acquisition through employer default funds, with traditionally low rates of customer engagement and reliance on employers providing information on behalf of employees through SuperStream.

This issue has been identified by several reviews including the Productivity Commission assessment of efficiency and competitiveness of superannuation<sup>1</sup>, and again most recently in the Retirement Income Review (2020).

Key missing datasets include information on the:

- Assets and liabilities that a member holds outside of superannuation, including through housing assets and other personal wealth.
- Member's marital status, and the financial position of the spouse, if relevant.
- Employment of the member (for the purposes of insurance), including the member's salary, the date that the member commenced employment and the member's occupation.

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<sup>1</sup> Productivity Commission – Superannuation: Assessing Efficiency and Competitiveness – Inquiry report (2018) – refer page 240



A significant investment in uplifting data is underway across the superannuation sector. This has been prompted by a combination of market pressures (to allow funds to better target and service members) and regulatory pressures (driven by a need to provide data to supervisory bodies). While it is premature to predict the results of this investment of resources, APRA's superannuation data transformation initiative in particular is likely to yield improvements in the quality and availability of data held in the superannuation sector. The application of the CDR to superannuation will likely become increasingly beneficial as the superannuation data continues to be enhanced.

## Benefits of application of CDR to the superannuation sector

### *Use cases for superannuation consumer data*

Potential benefits of wider sharing of superannuation consumer data (with consumer consent) through the CDR framework include:

#### **Improved consumer outcomes by providing a holistic snapshot of a customer's financial position**

Sharing of superannuation data may enable superannuation and non-superannuation product providers to develop an understanding of the superannuation held by consumers (with the consumer's consent). This will allow providers to develop a holistic picture of the products in which a consumer invests and thereby improve the services that are provided. For example, sharing insurance information would allow a clearer picture of a consumer's aggregate insurance arrangements to be formed (for instance, by aggregating the cover a member holds across multiple superannuation funds).

#### **Improved consumer experience and engagement with superannuation**

Increased availability of data will allow integration of superannuation data (such as account balances) with other wealth data to improve the quality of information provided. Use case examples include distribution through aggregator platforms, mobile applications or look-through reporting in financial reporting (for instance, in the annual benefit projections provided to members).

#### **Product innovation**

As noted by the Productivity Commission, increased data sharing through the CDR will encourage innovation by superannuation trustees and those using the superannuation data. It will enable a clearer understanding of the range of circumstances which apply to fund members, leading to product and pricing innovation to better meet members' needs.

## Sector prioritisation for inclusion in the CDR

In establishing priority sectors for inclusion in the CDR, we recommend development of a framework which balances customer benefits with the ability of the sector to deliver the required data at an appropriate cost. Under this framework, whilst we support inclusion of superannuation in the CDR in the longer-term, **we believe that the superannuation sector should be classified as a lower priority for inclusion in the CDR.** This assessment is on the basis that:



- While superannuation is the second largest financial sector after banking, it has been subject to great scrutiny in recent years. The government and regulators have a number of initiatives to improve superannuation member outcomes, including the Your Future, Your Super reforms, Design & Distribution Obligations, and APRA's superannuation data transformation. There is significant structural change in the sector as a consequence, with material fund consolidation. Introduction of the CDR while this period of intense change is underway would likely strain the sector.
- The CDR will create an obligation for superannuation trustees to uplift data management to store, validate and continually update information as individual circumstances change. The required technology uplift and implementation of the associated data management will increase costs which are ultimately borne by the fees paid by fund members. We suggest consultation with the entities that will ultimately be most impacted by application of the CDR (namely the superannuation funds and fund administrators), who will be best placed to advise on their ability to implement the CDR and its cost impact.
- Data enhancement projects are underway across the superannuation sector. Once complete, these projects will expand the range of data sources that funds are able to provide under the CDR. Premature application of the CDR to the sector would likely limit the ability to leverage the benefits of these projects. Including superannuation in the CDR in the short-term will not deliver as meaningful a benefit to consumers as will be possible over time when there is an uplift in data held by superannuation funds.

### **Benefits of providing external data to superannuation funds through the CDR**

As acknowledged by the Productivity Commission, enabling superannuation trustees to access data held by other sectors through the CDR (with member consent) should bring material benefits for consumers within the superannuation sector. However, this would need to be combined with changes to the advice laws that would enable superannuation trustees to use this data to best effect.

The application of the CDR to the banking and other sectors can address current gaps in data held by superannuation funds. Across the superannuation sector, this lack of data leads to impaired member outcomes as funds do not hold the information which is required to design products which fully account for the range of members' circumstance. One example of these impaired outcomes is in the design of retirement products which require, among other things, an understanding (by way of data or assumptions) of an individual's current or expected future eligibility for the Age Pension.

### **Conclusion**

The Institute supports the planned economy-wide implementation of the CDR including superannuation. We expect that the CDR has the potential to improve customer outcomes from wider sharing of superannuation data, but believe the biggest immediate benefit of the CDR framework relating to superannuation will be through improving availability of data to



superannuation trustees and advisers, allowing them to better service their customers (subject to the advice laws).

We concur with Treasury's assessment that implementation of the CDR framework will require a significant investment of resources (with associated cost) across the superannuation sector. Based on this, we consider the superannuation sector to be a lower priority sector for roll out of the CDR.

We would be pleased to discuss this submission or to provide further information. Please contact the CEO of the Actuaries Institute, Elayne Grace at [elayne.grace@actuaries.asn.au](mailto:elayne.grace@actuaries.asn.au) if you wish to clarify any aspects of this submission.

Yours sincerely

Jefferson Gibbs  
President