

AIST

26 July 2022

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Superannuation Annual Members' Meeting Notices

Brief

- AIST endorses the proposed amendments. Funds are currently operating under a dual regulatory regime while preparing their financial reports for the 2021/22 financial year. This is unnecessarily onerous and requires resolution at the soonest opportunity to provide certainty and limit costs of preparing statements under both regimes.
 - AIST proposes further technical refinements that will give clarity to funds in interpreting the requirements.
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About AIST

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 superannuation funds.

As the principal advocate and peak representative body for the \$1.8 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST advocates for financial wellbeing in retirement for all Australians regardless of gender, culture, education, or socio-economic background. Through leadership and excellence, AIST supports profit-to-member funds to achieve member-first outcomes and fairness across the retirement system.

AIST welcomes the opportunity to provide feedback to the proposed changes.

AIST supports transparency measures and believes disclosure of expenses in aggregated categories provides accountability and transparency and will achieve a better level of member engagement and understanding than line by line disclosure of individual expenditure.

This aggregate approach is consistent with the disclosure of portfolio holdings, providing members with adequate, useful and not overwhelming information about their interests in the fund while still having regard to their best financial interests in limiting compliance costs. It further protects commercially sensitive contract information that may impact negotiating positions and lead to upward pressure on costs from vendors benefitting from granular disclosures.

We propose the following future refinements to the regulations:

- Align definition of payment with Accounting Standards
- Contextual information be allowed in the short-form summary
- Definition of Contract within Marketing expenditure
- Remove double-counting of expenditure that meets more than one definition

1. Definition of a payment

The terminology would benefit by replacing reference to ‘payments’ with ‘expenses’ to provide clarity around accrued liabilities that have not yet been paid, in accordance with the standards of the AASB. This will improve consistency across disclosures.

For example:

2(b) the sum (to be described as the aggregate promotion, marketing or sponsorship expenditure relating to the entity for the year of income) of the amounts of all **the expenses** that satisfy all of the following:

- (i) the **expense relates to a payment has been made, or is to be made**, by or on behalf of the entity under a contract during the year of income;
- (ii) the purpose of the payment is promoting the entity, promoting a particular view on behalf of the entity or sponsorship on behalf of the entity;
- (iii) the payment is not a gift (within the meaning of Part XX of the Commonwealth Electoral Act 1918) whose amount or value is to be included in the sum referred to in paragraph (c) of this subregulation;

2(c)....etc

and then INSERT:

For the purposes of paragraph (2)(b), 29(c)etc, 'expenses' are recognised and measured in accordance with Pronouncements issued by the Australian Accounting Standards Board.

Recommendation - Replace reference to 'payments' with 'expenses' to provide clarity around accrued liabilities that have not yet been paid, in accordance with the standards of the AASB.

2. Contextual information in the short-form summary

The current regulations state that the short-form summary of expenditure must:

- (i) fit on a single page and be the only information on that page; and
- (ii) be the first page of the pages of information referred to in this regulation;

This first point precludes funds from articulating that certain expenditure may fall within multiple categories or from providing any other relevant descriptive information that gives context to the dollar amount and will aid members' understanding of the expense.

This requirement is also not technologically neutral, preventing funds from developing innovative digital solutions to provide notice that are not limited to hard copy or digital PDF formats that represent the concept of a 'single page'.

Recommendation - We propose that appropriate contextual information be allowed on the short-form summary and consideration be given to technologically neutral requirements.

3. Definition of Contract within Marketing expenditure

The definition, in the amending regulation, of promotion, marketing or sponsorship expenditure currently includes that:

- (i) the payment has been made, or is to be made, by or on behalf of the entity under a contract during the year of income;

The reference to a contract is unclear in this setting. While significant sponsorship and marketing arrangements are provided subject to ongoing contract terms and purchase arrangements, incidental expenditure that qualifies as marketing and promotional expenditure is often simply invoiced. Examples include a short print run of product disclosure statements to distribute at the Annual Member Meeting, a one-off advertising placement in a publication or sponsored posts on social media sites.

Recommendation - Greater clarity on what constitutes a contract would be beneficial to ensure consistency of reporting.

4. Duplication of expenditure within categories

Clarity is required on the categorisation of payments. In its current form, the regulations pinpoint expenditure in terms of 'type' of payment (i.e. marketing and sponsorship or political donations) or 'recipient' of payment (i.e. related party or industry association). This leaves it open for certain payments to fall within multiple categories and leads to double counting.

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While we welcome the intent of the new draft to quarantine marketing expenditure from the payment of political gifts or donations, this does not address that marketing expenditure may be made to industry bodies or other related parties, and that an industry body may qualify as a related entity. As can already be deduced from the AEC Transparency Register, funds do not make gifts or donations to political parties so this amendment does little to improve transparency in the profit-to-member superannuation sector.

We note that much of the required aggregated information is already disclosed within the audited financial statements published on fund websites, with supporting contextual information, in accordance with the Related Party disclosure standards of the Australian Accounting Standards Board (AASB).

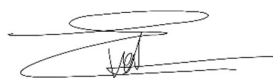
Expenditure disclosed in these reports includes payments to

- industry bodies for directors' fees, marketing and sponsorship activities,
- investment managers, asset consultants and other service providers in which funds have a financial stake or shareholding, and
- controlled entities established as investment vehicles.

Recommendation - To avoid double counting, it would be preferable that amounts paid for marketing or sponsorship that also meet the definition one of the other categories, are only included in one category, e.g. marketing and sponsorship.

For further information regarding our submission, please contact Kate Brown, Senior Manager, Research and Advocacy at kbrown@aist.asn.au.

Yours sincerely,



Eva Scheerlinck

Chief Executive Officer