

16 June 2014

By email: supervisorylevies@treasury.gov.au

Manager
Financial System Assessment Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600
Investment Managers and Superannuation

Dear Sir/Madam,

Re: CONSULTATION PAPER: PROPOSED FINANCIAL INDUSTRY LEVIES FOR 2014-15

AustralianSuper welcomes the opportunity to respond to this consultation paper.

About AustralianSuper

AustralianSuper is one of Australia's largest super funds and is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. We have over 2 million members and manage over \$78 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for members. It is worth noting that any fees and levies paid by AustralianSuper are taken from members' investment in superannuation, not a profit reserve.

To begin with, we seek only to comment on the parts of the consultation paper that impact the superannuation system.

Request for deferral of the application of a new methodology

AustralianSuper supports the objective of seeking to recover operational costs of the Australian Prudential Regulation Authority (APRA), and other specific costs incurred by certain other Commonwealth agencies and departments.

This objective has not been assisted by the timeframes in which this consultation has been set, given that the Cost Recovery Guidelines have not even been released and we have been asked to comment on options for levying costs for supervision in the absence of such guidelines.

Accordingly AustralianSuper requests a deferral of the application of a new methodology until 2015/16, on the understanding that the system requirements available at that time will

enable a more effective movement to calculation and implementation on a per member basis.

Without detracting from our request for a deferral of the application of a new methodology, if we are required to consider a preference for either of the options outlined in your consultation paper, we suggest Option 1 be implemented until such time as the levy can be effectively applied on a per member basis (2015-16), and after the release of the Cost Recovery Guidelines.

Issues with the proposed restricted component

We fully support increased transparency of how a regulatory activity is recovered through the levies process. We note that greater detail could be provided on how the unrestricted and restricted components of the levies are calculated. It is unfortunate that APRA's updated Cost Recovery Impact Statement (CRIS) is not yet available to assist in providing feedback on this issue.

In the absence of this information we submit a concern about the construction of the restricted component of the levy, which covers the cost of supervision.

We contend that after a certain point, the cost of supervision does not increase commensurate with the size of a superannuation fund, and accordingly, we suggest that there should not be an increase in the restricted component of the levy simply because of size of the fund concerned. Additional levies are already charged based on the size of the fund under the unrestricted component, using a FUM methodology.

AustralianSuper contends that the restricted component of the levy should be the same for all superannuation funds. The suggested minimum threshold restricted component in the consultation paper is too low and does not reflect the intensity of regulation of MySuper products, or extensive regulatory oversight conducted against the new prudential standards. These are requirements that apply across APRA regulated superannuation funds regardless of size. As a minimum, the amounts suggested as a restricted component levy for funds between \$1-5bn should be reviewed to see how this levy applies to such funds that are operating MySuper products.

Further, we contend that the amount of \$260,000 for large funds is also too low and a higher minimum threshold restricted component should apply across all APRA regulated superannuation funds, with a reduced unrestricted component applying consequently.

Issues with the Superstream Levy

AustralianSuper is concerned that the consultation and subsequent discussion about how the Superstream levy is to be applied has centred on APRA's billing infrastructure. Of itself

this will lead to potentially inequitable results across the superannuation industry once implemented.

We note that past industry feedback has indicated that some stakeholders expressed a desire for the SuperStream levy to be collected on a per member basis. The consultation paper indicates that the earliest that this could be implemented would be in 2015-16 due to the need to change APRA's billing infrastructure.

SuperStream is a collection of measures that are designed to deliver greater efficiency in back-office processing across the *entire* superannuation industry.

Superannuation funds, including self-managed superannuation funds, will benefit from the standardised and simplified data and payment administration processes when dealing with employers and other funds and from easier matching and consolidation of superannuation accounts.

AustralianSuper strongly contends that the Superstream levy should be apportioned across the entire superannuation industry, not just APRA regulated funds, given the entire industry benefits from these measures.

Please do not hesitate to contact me on 03 8648 3847 if you wish to discuss this further. We are happy to provide further costing and modelling information on request.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Louise du Pre-Alba'.

Louise du Pre-Alba
Head of Policy