

ASFA-ITM Data Benchmark

September 2011

Association of Superannuation Funds of Australia

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Key Points

- The ASFA-ITM Data Benchmark shows a decrease in the industry average for data accuracy (down to 76.2 per cent in September 2011 from 87 per cent in February 2011).
- This means that close to 24 per cent of member records have important data that is missing or incorrect.
- This is not unexpected however, as trends have previously indicated that larger funds have a higher ratio of errors and almost all new assignments over the past six months have been for larger funds.
- There was a significant increase in funds participating in the Benchmark measure for September 2011, with 2.5 million active members analysed across 34 funds, with over 16 million test results being included. In February 2011 1.5 million members were analysed, across 30 funds, with about 9 million test results included.
- Mandated industry-wide data standards are critical to improving the quality of member data held by superannuation funds.

The ASFA-ITM Benchmark

ASFA has taken a leadership role with respect to data quality, an area of high supervisory concern from the regulator. The increasing number of fund mergers, coupled with the continual movement of data from administrator-to-administrator and platform-to-platform, make it essential for the industry to ensure member data is robust and secure.

To undertake a migration of any sort, without comprehensively analysing the data in the old administration platform, runs the risk of historic issues and errors being perpetuated in the new platform. Worse still, errors could be 'locked in' and never found again (until it's too late and a major problem arises). This is contrary to the industry's goal of protecting members' interests through the maintenance of accurate and secure member data.

Yet few trustees receive regular and comprehensive reports that analyse the integrity of data held in their administration and accounting databases. To be fair to trustees, until recently there has been no way to measure data integrity or to compare the quality of a fund's record-keeping to that of the industry.

However, the ASFA-ITM Data Benchmark is a repeatable and controlled process that interrogates the quality of 100 per cent of extracted data. Updated quarterly, the Benchmark is tracking industry improvements and pointing a spotlight on the issue of data integrity across a number of areas. These areas will be expanded in the future.

The profile given to data integrity is not limited to Australia – it has been building in the superannuation/pension sectors of other developed countries as well. For instance, the UK regulator advises funds to measure the integrity of their data on a regular basis. The Canadian regulator has issued advice to its funds on the need for robust administration processes, and South Africa is consulting on how it would like to see excellence delivered to its members.

ASFA is leading our industry in a push to deliver world's best practice on data integrity.

Update on the development of the ASFA-ITM Data Benchmark

Among the many effects of the impending SuperStream reforms is the increased scrutiny of funds' data integrity. There is general acceptance within the industry of the need for considerable improvements to be made to the quality of our data and the efficiency of our processes – having robust, secure and accurate data is an important foundation for these much-needed improvements.

The ASFA-ITM Data Benchmark continues to experience an increase in the number of funds participating in the measure since its launch in September 2010. The increase can be attributed to the inclusion of larger funds in the analysis, as well as the super industry becoming more receptive to the value of ITM's data audit service.

The table below shows a snapshot of the participation and overall result of all three editions of the Benchmark.

	First edition (September 2010)	Second edition (February 2011)	Third Edition (September 2011)
Number of participating funds	21 funds	30 funds	34 funds
Number of members tested	1.2 million	1.5 million	2.5 million
Number of test results	Over 7 million	Over 9 million	Over 16 million
Overall data accuracy of "core member details"	83.9% accuracy	87.0% accuracy	76.2% accuracy

The ASFA-ITM Data Benchmark is based on data audits of funds over a rolling two-year period and is intended to be updated quarterly to show how the industry is improving and to compare current client projects against other recent projects.

When ITM performs repeat data audits after clients have fixed previously identified errors, the clients' audit results (and therefore the Benchmark itself) will show an improvement in overall data quality.

However, in this third edition of the Benchmark, the addition of several new larger funds to the analysis has seen the average data quality fall. This is not unexpected however, as trends have previously indicated that larger funds have a higher ratio of errors. This issue is explored further below.

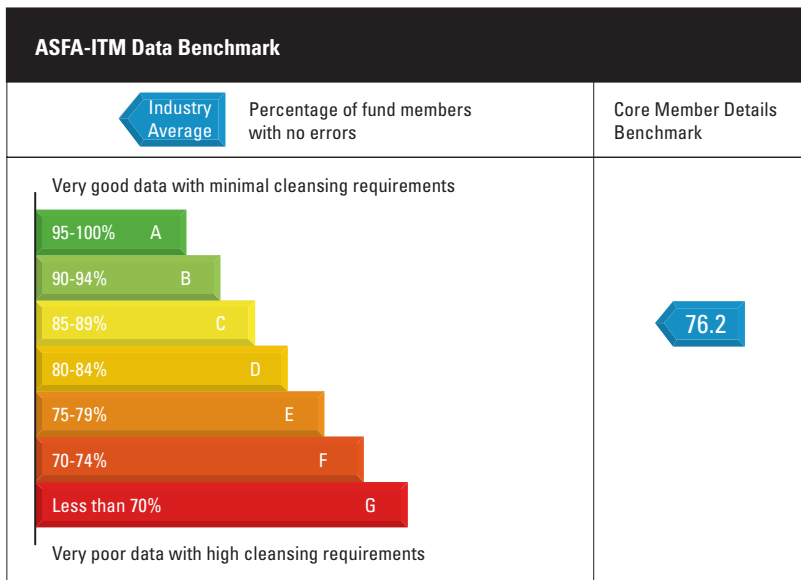
The results continue to indicate that funds need to do significantly more to improve the quality and integrity of their member data.

The ASFA-ITM Data Benchmark (Core Member Details) – September 2011

For the September 2011 Core Member Details Benchmark, 2.5 million active members have been analysed across 34 funds, with over 16 million test results included in the Benchmark. Many millions more tests have been run which returned results but these are not included in the Benchmark since they are seen as low criticality issues.

The 'core member details' encompasses the actual fields mentioned in SuperStream (full name, date of birth, current address and TFN) plus other member-specific non-transactional fields (date joined fund, beneficiary and gender).

Figure 1



The blue arrow on the Benchmark (Figure 1) indicates that 87 per cent of the 1.5 million members tested by ITM have no errors. More pointedly, over 23 per cent have an error in one or more of the audited data fields.

Breakdown of the specific member details data audited

Figure 2

Core member details

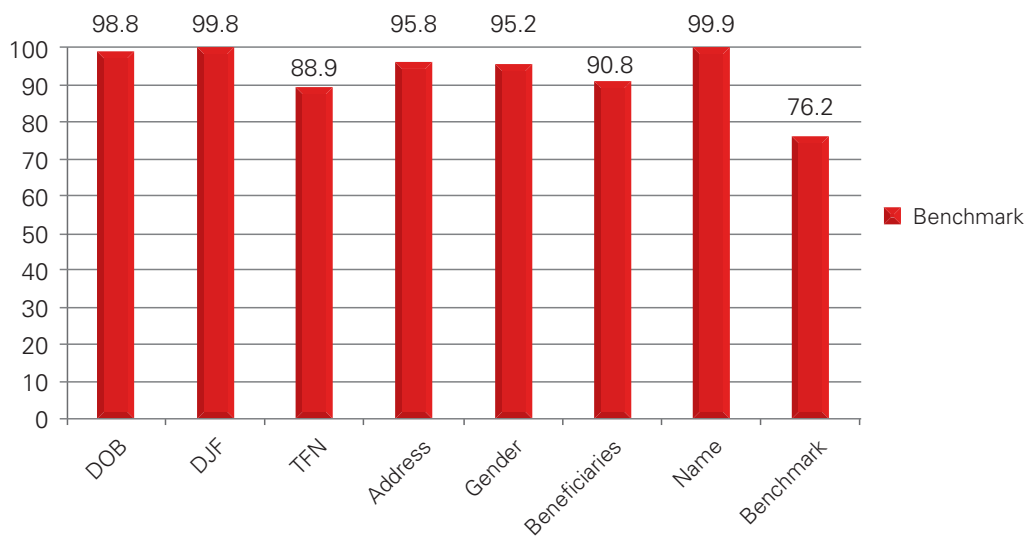


Figure 2 provides a breakdown of the actual clean members by each data field tested. For example, 98.8 for DOB (date of birth) indicates that 1.2 per cent of members tested have issues with this data field. Most industry funds, as would be expected, have issues with the collection of correct tax file numbers (TFNs) and addresses, often as a result of poor data from employers and members.

ITM believes that 98 per cent ‘clean’ members (two per cent or less with errors) should be a minimum acceptable starting point for data quality. However, the data integrity analysis shows that 24 of the 34 data audit assignments fall below this level for the Core Member Details Benchmark. The analysis shows:

- Error rates for DOB, DOJ (date joined fund), and Name are low. Date of birth is a critical field needed to confirm the correct identity of members and to ensure that benefits are correctly calculated (eg insurances, defined benefits) and paid at the right time (eg retirement, conditions of release).
- Since last year, the use of the TFN for agreed purposes has been accepted. Twelve funds requested ITM to check TFNs, and all 12 had potential errors in greater than three per cent of members.
- The quality of address information varies markedly from fund-to-fund but almost 20 per cent of funds have five per cent or more members with address issues. While it is accepted that a valid residential address is kept for each member, many funds still have a PO Box or the employer address as the only contact details.

Data cleanliness by fund size

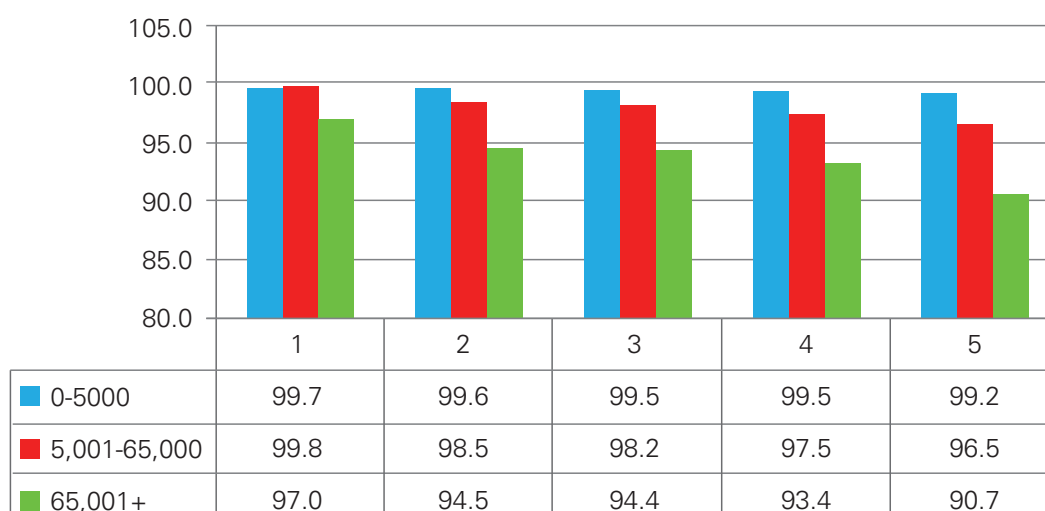
For the purpose of analysis, small fund (11 analysed in the Benchmark) was defined as having up to 5,000 members, a large fund (12 analysed) over 65,000 members, and a medium-sized fund (11 analysed) between 5,000 and 65,000. The average size of funds audited by ITM, by number of active members, is a little over 73,500 members.

Looking at the Data Benchmark for each of these bands, it is clear that small funds have much cleaner data, followed by medium funds and lastly, large funds (Figure 3). This may not seem surprising when the below factors are considered, however it does identify a major challenge in ensuring acceptable data integrity levels in an environment of fund mergers and bigger funds:

- Small and medium funds will generally have fewer employers – hence less possible sources of error.
- Small and medium funds generally have a greater concentration of employers who provide data in a consistent way, often automated.
- Larger funds are less able to communicate on a one-to-one basis with employers to improve data quality – with tens or hundreds of thousands of employers, it is logistically difficult to get the coverage to educate them on how to improve.
- Duplicate members in a smaller pool of members are much easier to identify.
- From an administration perspective, smaller funds will have the same administration staff looking after them for many years resulting in a working knowledge of the fund, employers and membership that helps prevent or identify issues.

Figure 3

Top five funds in each membership band: percentage of members with no errors



Third party administration compared to self-administration

Of the 34 funds analysed in the Benchmark, 19 are self-administered while the others are administered by a range of third party administrators (TPAs). According to the analysis, self-administered funds are proving to have cleaner data than those administered by TPAs.

Potential reasons for this apparent discrepancy include:

- Self-administered funds generally have a greater concentration of employers who provide data in a consistent way, often automated.
- Self-administered funds often represent a particular group of employers. This allows for benefits such as easier communication and more standardised interfaces for payroll.
- ITM's experience is that the self-administered funds build capabilities customised to the administration of their fund. This includes interfaces, specific workarounds, processing customisations, and customised data integrity routines. Unless the industry is willing to pay more for third party administration, such customisation is not practical.
- Many self-administered funds will have the same staff looking after them for many years, resulting in a working knowledge of the fund, employers and membership that helps prevent or identify issues.
- Perhaps a major reason for the data quality difference is the movement of data. Funds which use TPAs may have migrated their data two or three times (some even more) as they switch from one administrator to another. This process can often degrade data quality, or lock in poor data from the previous administrator.

The need for mandatory data standards

The latest Benchmark results indicate that there is a way to go in improving data quality and integrity for superannuation fund members. To achieve this improvement, it is critical that industry-wide data standards are developed and these standards are adhered to by all parties.

Integrity of data has become a key focus for APRA. Coupled with the Government's strong consumer focus (as evidenced by the Stronger Super recommendations), the industry must be able to show that members' money is both secure and accurate. Trustees need to be able to demonstrate this to their members and the regulators.

Standardisation of the (minimum) information requirements from employers about their employees, together with the information that is required to be provided between funds, will greatly increase the ability of super funds to start off with good member data. This in turn will enable trustees to implement better protocols that can be used to prevent fraud and reduce their operational risk.

For this reason, ASFA fully supports the Government's Stronger Super recommendations to develop industry standards, and has a representative on the SuperStream Working Group that continues to consult with Treasury on the development of these standards.