



# ASFA-ITM Data Benchmark

Issue 01, September 2010

For some time, parties in the Australian superannuation industry have expressed concern that the quality of data held in our administration platforms might not be optimal. The Cooper Review has also given its thoughts on "quality of data" in its SuperStream paper. Recommendation 9.1 of the SuperStream report calls for legislation to ensure employers provide the data necessary to correctly identify members and the contributions they make.

This means that trustees will need to ensure that they identify incorrect and erroneous data and take the necessary action to remediate any errors. Many would say this obligation already exists.

APRA fund audits are questioning fund data integrity, security processes and reporting at a much greater level. It is expected that APRA will become even more intrusive in the area of data integrity.

As an industry, we are not prepared for this level of scrutiny in an area that has traditionally had a very low profile. Few trustees receive regular and comprehensive reports that analyse the integrity of data held in their administration and accounting

databases.

All funds have annual audits and there is some analysis of calculations and data using sampling techniques but these do not work for data integrity because of the random nature of many data errors. Imagine sampling a hundred members in a 100,000 member fund and being lucky enough to find the two sums insured that may be incorrectly stated by \$100,000 each. If these issues are not found, the trustee may end up with a \$200,000 overpayment that the Insurer (quite rightly) will not cover.

To be fair to trustees, until recently there has been no consistent way to measure data integrity or to compare the quality of a fund's record keeping to that of the industry.

## ASFA PROVIDES A BENCHMARKING CAPABILITY WITH ITM

ASFA is taking a leadership position with regards to data quality which is an area of high supervisory concern from the regulator. With the high number of fund mergers, together with the never-ending movement of data from administrator-to-administrator and platform-to-platform, it is essential that we

## In this issue

### THE CORE DETAILS BENCHMARK

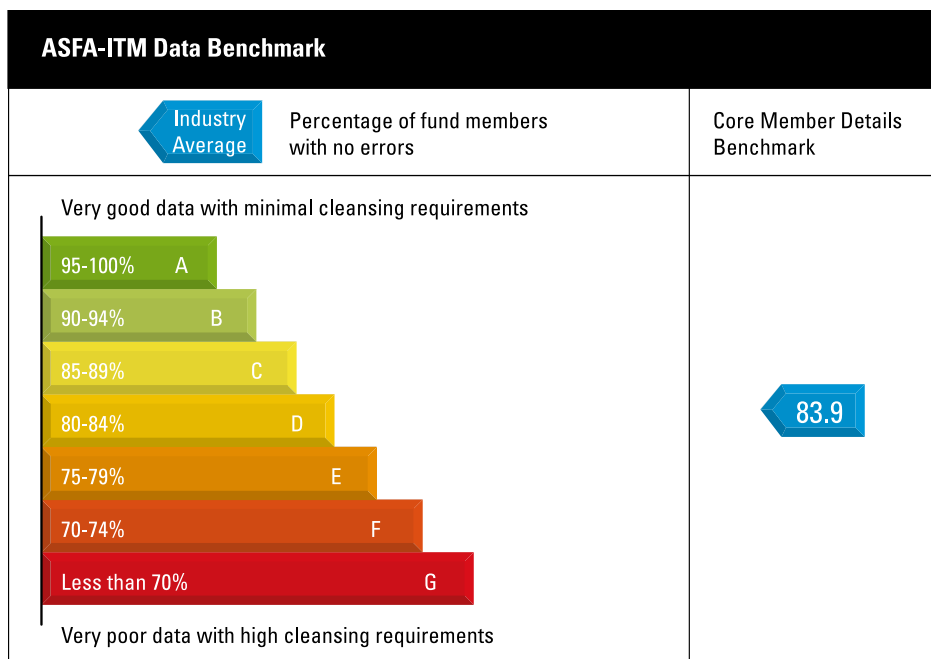
Breakdown of the specific member details data audited

TFN fails the ATO TFN algorithm

Future editions of the Benchmark

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ensure member data is robust and secure. To undertake a data migration of any sort without comprehensively analysing the data on the old administration platform runs the risk of historic issues and errors being perpetuated on the new platform. Worst still, errors could be locked in and never found again. This is totally contrary to the industry goal of protecting members' interests.

Independent Transition Management Pty Ltd (ITM) has a core business of automated data integrity analysis, cleansing and migration. An ITM Data Integrity Audit is a repeatable and controlled process that interrogates the quality of 100 percent of extracted data. The Data Audit identifies incomplete, incorrect, inaccurate and irrelevant data and creates documentation to assist in Data Cleansing.

Clients provide a comprehensive data extract from their administration system (or the latest annual member statement extract) and ITM audits this data using its automated tool, DAaRT.

DAaRT is platform-agnostic and is not

concerned where the data comes from as long as the data extracts provided have the necessary descriptors.

Also, data from more than one source can be combined (e.g. admin systems, finance and payroll, spreadsheets) and the audit performed on the combined data.

The ASFA-ITM Data Benchmark is derived from ITM's bank of data integrity audit clients.

There is no other data integrity benchmark in Australia since it is not an area that trustees have previously focused on and ITM is the only organisation specialising in this automated data integrity field.

The Benchmark uses a consistent suite of tests that are run across each client's data, allowing valid comparisons.

## ASFA-ITM DATA BENCHMARK

The profile given to data integrity is building in the major superannuation fund countries. The UK regulator advises funds to measure the integrity of their data on a regular basis. The Canadian Regulator recently issued advice to its funds on the need for robust administration

processes. South Africa is consulting on how it would like to see administrators deliver excellence to members.

In each of these jurisdictions, measurement will be expected of superannuation funds. However, with the ASFA-ITM Data Benchmark providing actual data integrity benchmarking of each fund against its peers, ASFA is leading our industry in a push to deliver world best practice.

The ASFA-ITM Data Benchmark will be updated quarterly to show how the industry is improving and to compare current client projects against other recent projects.

When ITM performs a repeat data audit after the client has fixed previous errors, the client Benchmark (and hence the Industry Benchmark) obviously improves ... which is what we as an industry want to see happening.

Clearly, if we perform a number of consecutive audits that are poor, the Benchmark published in the next quarter will deteriorate.

# The Core Member Details Benchmark

For this first component of the Data Benchmark, 1.2 million members have been analysed across 21 funds, with over seven million test results included in the Core Member Details 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.

"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).

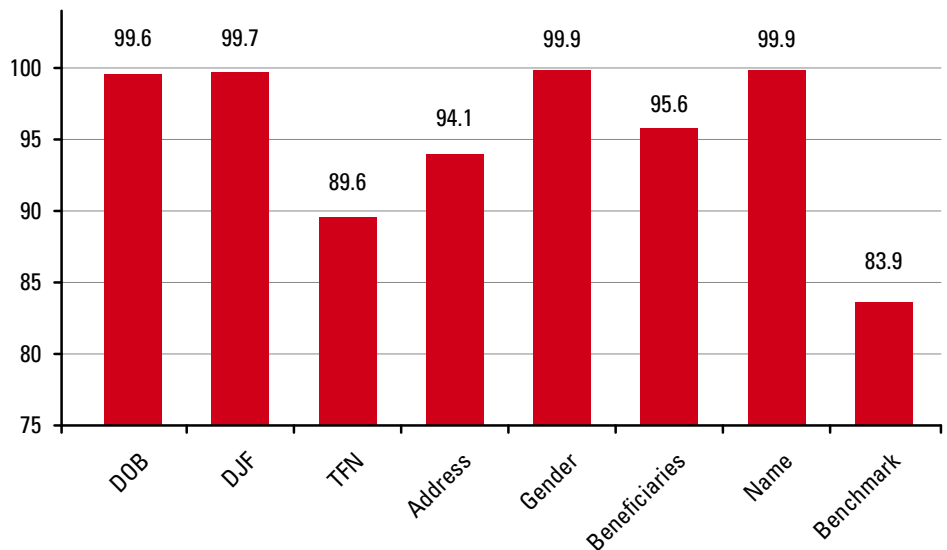
Whether a fund is accumulation or defined benefit is not an issue since the fields tested are the common fields that all superannuation funds hold for their members.

The blue arrow on the Benchmark indicates that 83.9 percent of the 1.2 million members tested by ITM have no errors. Alternatively, over 16 percent have an error in one or more of the audited data fields. Benchmark charts delivered to clients also contain a "black" arrow indicating the client's own data integrity performance and whether or not it is better than the Benchmark.

## BREAKDOWN OF THE SPECIFIC MEMBER DETAILS DATA AUDITED

The above chart provides a breakdown of the actual clean members by each data field tested. For example 99.7 percent for DJF (data joined fund) indicates that 0.3 percent

**Core Member Details  
September 2010**



of members tested have issues with this data field.

As can be seen, TFNs and addresses represent data cleansing opportunities for funds. Trustees would have an expectation that most member data fields would have low numbers of errors. What that percentage should be is not known by the majority of trustees.

If we assume that 98 percent "clean" members (i.e. two percent or less with

errors) might be an acceptable starting point for data quality, the data integrity analysis shows that 76 percent of funds tested fall below this level for the Core Member Details Benchmark. Looking at the individual data fields tested the following illustrates the percentage of funds which do not currently meet this standard:

Error rates for Date of Birth, Gender and Name are low. However, any error in these three fields could mean that the goal of

paying “the right benefit to the right member at the right time” is seriously threatened. Of course most funds may have some errors but these must be found and rectified.

The use of the Tax File Number is set to gain more prominence in the future. Of the funds which requested ITM to check Tax File Numbers, seven of them had potential errors in greater than three percent of members.

An example of the type of tests performed for tax file numbers include:

- TFN is duplicated for members of different surnames or DOBs.
- The TFN recorded is inconsistent with other information (e.g. Under 16 Exemption but age is greater; tax file number applied for TFN but member has been in the fund for two years)

### TFN FAILS THE ATO TFN ALGORITHM

The quality of address information varies markedly from fund-to-fund. Many funds have historical issues with getting address information and they are grappling with how to cost-effectively get the correct address for each of their members. Others are in industries with transient members and the quality of data supplied to them is poor.

However, the fact is that incorrect address information means that correspondence and perhaps even benefit payments might go astray. With anti-money laundering it is a requirement 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. 50 percent of funds have two percent or more members with address issues.

33 percent of funds which provided ITM with Beneficiary details had error rates over 33 percent. Examples of the Beneficiary information tests include:

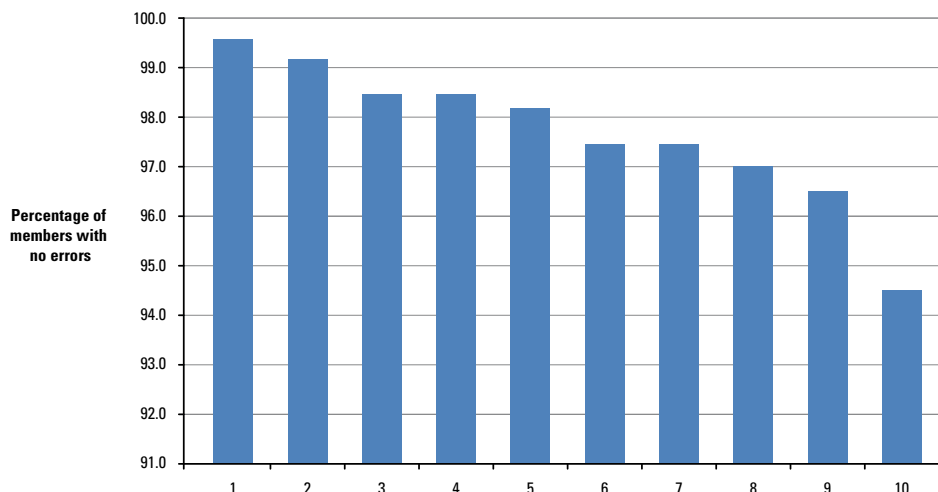
- The Binding Nomination Expiry date is incorrect
- The Beneficiary DOB is inconsistent with the Member DOB
- Total Allocation for all beneficiaries is not 100 percent (tolerance allowed, e.g. three members at 33.3 percent is acceptable)

Whilst dates of birth appear relatively clean, there is an issue in that many funds clearly have members with dummy dates of birth (which are not shown in the Benchmark). ITM counts the number of members born on a given day and month.

Even if a conservative approach is taken, and an error factor of twice the expected number of members per date is applied, some funds obviously have members on file with a dummy date of birth. In the past this has normally been because employers have not provided the relevant data. However, in today’s environment, date of birth is a critical field in ensuring the correct identity of members and that the correct benefits are recorded and paid.

The Core Member Details Benchmark

Core Member Details - Top 10 Funds



will always be lower than the lowest component result since different members may have one or more of the data fields tested that are in error.

The above chart shows the results for the “cleanest” funds with regard to Core Member Details. Based on this limited number of data fields, it can be seen that many funds will have relatively poor data quality, with five percent or more errors being the norm outside of the Top 10.

### FUTURE EDITIONS OF THE BENCHMARK

Future editions of the ASFA-ITM Data Benchmark will illustrate the data integrity of a number of other important aspects of superannuation and next quarter will see the analysis of:

- “Insurance Data” – data relating to insurance premiums and sums insured
- “Data Security” – AML and identity-related tests
- “Transactional Data” (tests analysing contributions, transfers in and out, fees and charges) will then be added to the Benchmark. Once sufficient funds have had historical data audited, the Benchmark will also cover “Benefit payments”.

Future analysis of the data integrity results will address differences between:

- TPA-administered funds and self-administered funds
- Small, medium and large funds
- Funds by type (e.g. industry, public sector, corporate, master trust)

### TRUSTEES ARE ENCOURAGED TO PARTICIPATE IN THE DATA BENCHMARK

Most of ITM’s data audit projects are comprehensive and they analyse almost all data held by a client fund. Whilst this is not costly when put into perspective (the cost being cents not dollars per member), these exercises can appear so to trustees who are not used to expending any of their valuable

budget in this area.

As a first step to give trustees a good feel for the quality of their data, ASFA has agreed with ITM that the data integrity service is made accessible and affordable to member funds. ITM has agreed to provide a special service for those funds wishing to participate in the first component of the ASFA-ITM Data Benchmark, the “Core Member Details Benchmark”. It is worth noting that the audit costs will not vary much between small or large fund memberships. Participating funds will receive a comprehensive analysis and report, identifying all data issues with the fields tested (not just those in the Data Benchmark). Information supplied will be at a level that will enable funds to identify, investigate and rectify the issues as presented.

Upon request, ITM or ASFA will provide funds with a specification of the required data fields. Alternatively, if it is too costly or difficult for the Fund to extract the data, ITM can use a fund’s latest member statement data extract file (which already exists in most cases). If this first Data Audit raises concerns for trustees, they can then decide whether or not to audit other data fields (insurance, fees and charges, etc).

Any feedback, requests for information or comments on the Benchmark, or a fund’s desire to participate in the Benchmark can be made through the ASFA website at [www.superannuation.asn.au](http://www.superannuation.asn.au)  
You can also contact ITM direct: [steveshoreson@itmlimited.com.au](mailto:steveshoreson@itmlimited.com.au)



**Clean.  
Robust.  
Secure.**

**Does your member  
data fit the profile?**

## **Introducing the ASFA-ITM Data Benchmark**

SuperStream recommendations for greater integrity, a high number of fund mergers and never-ending migration all mean clean, robust and secure member data is of utmost importance.

ASFA has partnered with ITM to lead the industry in the push for world's best practice. The ASFA-ITM Data Benchmark provides actual data integrity benchmarking of each fund against its peers.

An ITM Data Integrity Audit interrogates the quality of your data. Incomplete, incorrect, inaccurate and irrelevant data is identified and solutions are provided to assist in cleaning it.

**With integrity comes confidence.**

**To earn that confidence, sign up to the ASFA-ITM Data Benchmark today.**

**ASFA**

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