



Government of **Western Australia**  
Department of **Treasury**

# **State Policy on SuperStream Data Standards**

## Table of Contents

1. Purpose of Paper .....	1
2. Commonwealth Stronger Super Reforms .....	1
3. Stronger Super Work Streams .....	2
4. SuperStream .....	2
5. Update on the Reforms .....	3
6. The Standards.....	3
7. Development of State Policy on the Standards.....	4
8. Other Options Considered.....	5
9. Superannuation Administration Outsourcing Project.....	5
10. Stakeholder Consultation .....	5
11. Financial Implications for WA Public Sector employers .....	6
12. State Policy Position.....	6

## 1. Purpose of Paper

This paper details the State policy to the new SuperStream Superannuation Data and Payment Standards (the Standards) to be adopted by Western Australian Public Sector Employers (WA Public Sector employers) in relation to their superannuation contribution obligations.

The Standards form part of the Commonwealth Stronger Super Reforms (the Reforms) that were announced in September 2010. The Standards require employers to adopt the uniform set of data standards published by the Australian Tax Office (ATO) for superannuation contribution data transactions. The Standards are designed to enable timelier and more efficient processing of contribution data to member accounts and ultimately a simpler, industry standard system for employers and financial institutions.

The policy position is for WA Public Sector employers to adopt the Standards at the payroll level, for all superannuation contributions on or by 1 July 2017. The policy also provides for WA Public Sector employers using a third party [the Government Employees Superannuation Board (GESB) or an outsourced service provider's Clearing House] to ensure Choice of Fund (Choice) contributions meet the Standards for the period 1 July 2015 until 30 June 2017.

## 2. Commonwealth Stronger Super Reforms

The Reforms arose from the 2010 Cooper Review into the Australian Superannuation System and are designed to improve the superannuation system by making it stronger and more efficient. A strong, efficient system will also help to maximise retirement income for fund members.

The Reforms do not generally apply to WA Public sector employers or Exempt Public Sector Superannuation Schemes (EPSSS). The Schemes administered by GESB on behalf of the State are EPSSS. However, the Commonwealth Government and the State and Territory Governments recognise the need to apply national standards (and principles) to superannuation to the extent practicable, to ensure consistency with the national retirement incomes policy.

The State has agreed in-principle to adopting these reforms through the Heads of Government Agreement (HoGA) which has recently been signed by the WA Treasurer and the Commonwealth's Assistant Treasurer. The State policy on the Reforms is to adopt all elements of the Stronger Super package, as far as practicable, and within the Commonwealth stated timeframes.

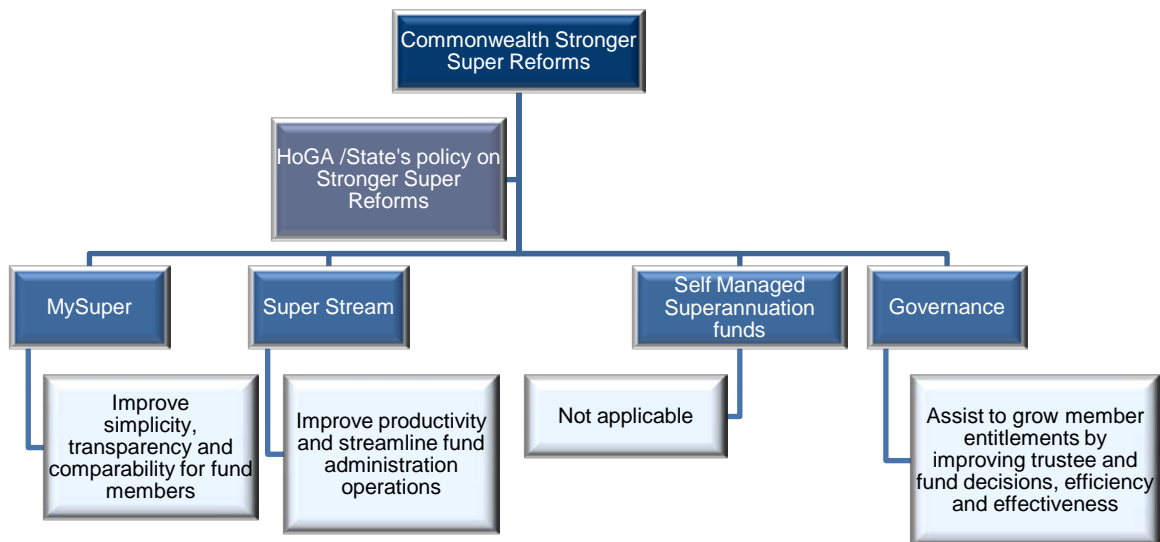
The Department of Treasury (Treasury) and the Government Superannuation Employees Board (GESB) have undertaken a collaborative approach to the implementation of the Reforms and established the 'Stronger Superannuation Implementation Group' (SSIG) in August 2012 to oversee its implementation.

The Reforms are divided into the four separate work streams of MySuper, SuperStream, Self Managed Super Funds (SMSFs) and Governance. Of the four streams, SMFSs are not relevant to public sector funds. The Standards which form part of the SuperStream work stream will impact on WA Public Sector employers.

### 3. Stronger Super Work Streams

In accordance with the HoGA commitment that the State should adopt all elements of the Reforms as far as practicable, Treasury and GESB have been working on developing policies and implementation plans for each of the relevant work streams. The diagram below shows the four work streams and the relationship between the Reforms and development of State policy.

Diagram 1



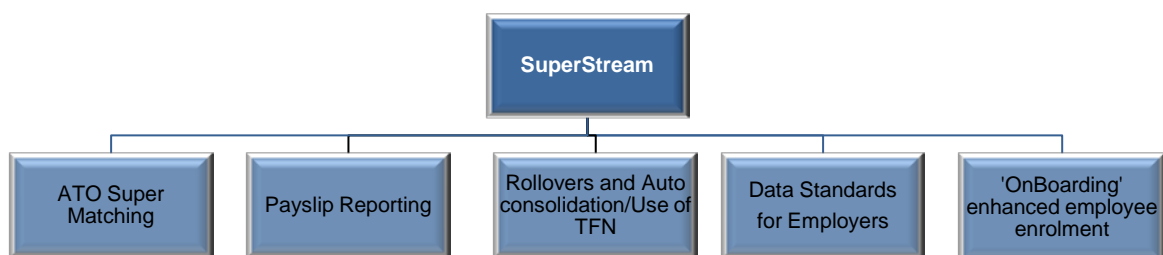
The detailed policy and implementation elements of the Reforms under the various work streams are now well progressed by the SSIG.

### 4. SuperStream

The SuperStream work stream of the Stronger Super package is designed to streamline the 'back office' operations and processes of superannuation, improve productivity within the superannuation system and provide better and more regular information to members, employees and the superannuation fund.

In essence it involves operational enhancements to standardise superannuation transactions across the superannuation industry. This is intended to assist employers to comply with and manage their superannuation obligations more efficiently. The original SuperStream package announced included the following elements:

Diagram 2



Following a recent update on the Reforms, some measures announced in the original package will either not proceed or, in the case of the Standards, will proceed with amendments.

## 5. Update on the Reforms

The Assistant Treasurer stated in a Media Release issued on 14 December 2013 the outcome of consultations over the backlog of announced but unlegislated tax and superannuation measures. These included not proceeding with auto-consolidation and enhanced new employee enrolments.

There remains some uncertainty as to whether the proposed changes to the reporting of superannuation contributions on an employee's payslip will proceed. If the Commonwealth Government proceeds in relation to payslip reporting, the merits of adopting these changes will be assessed by the SSIG, in consultation with WA Public Sector employers.

The implementation of the Standards however, are legislated to proceed but with amendments. These include extending the timeframe for the transitional arrangement(s) to 30 June 2017. From 1 July 2017 the transitional arrangements will cease and employers or their agent must use the Standards in full to send superannuation contributions data to superannuation funds.

## 6. The Standards

Under the Standards employers who have twenty or more employees have until 30 June 2015 to either meet the Standards in full or enter into the transitional arrangements. From 1 July 2015 to 30 June 2017, employers who currently use electronic methods to supply contributions will be able to enter into a transitional arrangement(s) with one or more funds. Generally this arrangement will be with the employer's default fund.

These arrangements allow employers to use an alternative file format to that required under the Standards for the payment and transmission of superannuation contributions. Employers sending contributions to funds with which they have not entered into a transitional arrangement will need to ensure these contributions meet the Standards from 1 July 2015.

The Standards may also be met if an employer uses an agent such as clearing house to send contributions in the required format from this date.

The implementation of the Standards is intended to reduce the time taken to process superannuation payments and lower transaction costs. The Standards will also provide one consistent, reliable electronic method for superannuation payments and allow for direct transacting with multiple funds if this is what an employer chooses to do. Further, one common data standard across the superannuation industry will ensure no competitive advantage for funds and service providers operating within the industry.

The Commonwealth also proposes that at some point after the implementation of the Standards across the superannuation industry, the Standards will be extended to include all financial transactions such as payroll disbursements to banks and other financial institutions.

## 7. Development of State Policy on the Standards

Under the Standards, WA Public Sector employers will need to either adopt the Standards or have a transitional arrangement in place on or by 1 July 2015 when sending superannuation contributions to a fund. As previously mentioned employers generally only enter into a transitional arrangement with their default fund. The default fund for most WA Public Sector employers is GESB. The default fund for the Department of Fire and Emergency Services (DFES) is the Fire and Emergency Services Superannuation Board (FESS Board).

WA Public Sector employers currently submit superannuation contributions to GESB electronically in a file format that complies with the requirements under the transitional arrangements. The DFES also submit superannuation contributions to the FESS Board in a format that complies with the transitional arrangements.

Choice contributions which are paid to funds other than the default fund are not captured by these transitional arrangements. Advice from the State Solicitors Office has confirmed that the new provisions in the Commonwealth's Superannuation Industry Supervision Regulations 1994 (SIS Regs), that require employers to pay superannuation contributions in the format required under the Standards, will not bind WA Public Sector employers that pay superannuation contributions to a public sector fund (e.g. GESB and the FESS Board). However, from 1 July 2015, the Standards will bind WA Public Sector employers to payments and information made to funds other than a public sector fund (that is, Choice contributions and benefit roll-overs).

Choice was introduced for most WA Public Sector employers and employees in March 2012. This means that for those employees exercising their right to choose a fund other than the default fund (GESB) for their superannuation contributions, WA Public Sector employers will need to be fully compliant with the Standards when paying a superannuation contributions on their behalf on by 1 July 2015. Currently, this represents approximately seven per cent of Public Sector employees. This requirement does not extend to the DFES as the FESS Board superannuation arrangements currently do not include Choice.

Choice contributions are currently processed through the GESB clearing house. To support agencies in meeting the Standards for Choice contributions, GESB has advised it will enhance its clearing house service to enable it to 'transform' the Choice contributions into the new Standards from the requisite date of 1 July 2015.

The State policy position is that when the transitional arrangement(s) period ends on 30 June 2017, WA Public Sector employers will be required to have adopted the Standards for all superannuation contributions at the payroll level. As State employers contributing to a public sector fund are not bound by the SIS Regs, the State policy will compel agencies to comply with this requirement.

The benefits of this policy for WA Public Sector Employers (and the State more generally) will increase as the Standards are adopted by employers in both the private and public sectors as well as within superannuation and financial entities.

Longer term benefits include facilitating business interactions with other government agencies, the ATO and other financial institutions. In addition, it avoids a situation where WA Public Sector Employers would continue using data formats which are at odds with other payroll systems used across Australia.

## 8. Other Options Considered

Under the Standards, WA Public Sector employers may meet their superannuation obligations as proposed by the State at the payroll level or by engaging an agent such as a clearing house to implement the Standards on their behalf. Alternatively, some employers may also choose to outsource their payroll functions and meet the Standards via their payroll Service Provider. However, regardless of whether a third party intermediary is paid for this service, or whether the payroll functions are outsourced, responsibility for compliance with the Standards remains with the employer.

The alternative options allowed to meet the Standards were assessed but not recommended for WA Public Sector employers. This was because they do not address the broader issue of payroll system and software alignment with other employers and industry entities in relation to the Standards. Alignment with payroll systems will minimise the need for customised payroll systems within the WA Public Sector post-2017, and the longer term related costs.

In addition, meeting the Standards at the payroll level will facilitate wider business interactions for WA Public Sector employers at the agency level, in the longer term, both within and outside the WA Public Sector.

## 9. Superannuation Administration Outsourcing Project

The Superannuation Administration Outsourcing Project (SAOP) will be entering into its transition phase. The preferred Respondent advised in their Proposal that the GESB clearing house solution will continue until transition to the Preferred Respondent's clearing house solution is finalised.

The Preferred Respondent also stated in their Proposal that their Superannuation clearing house was developed to specifically comply with SuperStream and to support employers with their increased ATO data standards obligations. It is expected that the Preferred Respondent will assist WA Public Sector employers to implement the Standards by working with them through GESB. To assist WA Public Sector employers in meeting their superannuation obligations, it is important that the Preferred Provider is aware of the State's policy with regard to the Standards.

A co-ordinated approach to the adoption of the Standards by all stakeholders (the Preferred Respondent, WA Public Sector employers and GESB), in accordance with the State policy, will assist with a seamless transition for WA Public Sector employers from the transitional arrangements to adopting the Standards in full at a payroll level.

## 10. Stakeholder Consultation

Through the SSIG, Treasury and GESB made a joint presentation on the changes arising from the Reforms to WA Public Sector employers on 29 November 2013. The focus of the presentation was on the Standards, the development and direction of a State policy and what this would mean for them.

At the forum, WA Public Sector employers were invited to provide input into the State's policy in relation to SuperStream and the adoption of the Standards. No significant concerns were raised at the forum or from the seven agencies (including Education and Health) that responded to the request for feedback.

In summary, WA Public Sector employers indicated they could implement the Standards in line with this proposed policy through payroll upgrades and system changes as required before or by the implementation date within the three year time-frame.

## 11. Financial Implications for WA Public Sector employers

Implementing the Standards may have cost and resource implications for WA Public Sector Employers. These costs largely may arise from payroll and system upgrades required to implement the Standards. Prior to Choice being introduced in March 2012, there were similar costs associated with payroll upgrades to accommodate Choice.

At the time, many WA Public Sector employers using the same payroll systems agreed to share the upgrade expenses. For example, the Talent2 system payroll users spread the cost (circa \$30,000) across thirty or so agencies. As with Choice, it would be expected that WA Public Sector employers would meet these costs from their own resources. There may be some additional costs with the Preferred Respondent working with WA Public Sector employers to implement the Standards, although it is expected that the Preferred Provider would also be doing similar preparation work with other employers in order to meet the Standards.

With Choice, Treasury and GESB assisted WA Public Sector employers to meet their obligations through a series of workshops and communications that assisted employers to meet their obligations. A similar approach may provide a useful platform to assist WA Public Sector employers in meeting the Standards and their obligations under the Reforms.

In order to plan and budget for the required upgrades, WA Public Sector employers will require sufficient lead in time. Therefore the State policy position on the Standards will enable WA Public Sector employers and GESB to be better prepared to meet their obligations and implement the necessary changes.

## 12. State Policy Position

The State policy position below has been developed in consultation with the key stakeholders, GESB, FESS Board and WA Public Sector employers. Where required, input was also obtained from subject matter experts at GESB, the State Solicitor's Office and the ATO.

- WA Public Sector employers may use a third party (the GESB or outsourced service provider's Clearing House) to ensure Choice contributions meet the Standards for the period 1 July 2015 until 30 June 2017.
- WA Public Sector employers adopt the Standards at the payroll level for all superannuation contributions by or before 1 July 2017.
- The merits of adopting the increased payroll reporting on payslips will be assessed by the SSIG, in consultation with WA Public Sector employers, if the Commonwealth Government decides to proceed with this initiative.