

RESPONSE TO CONSULTATION PAPER

Securing Australians' Superannuation

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Executive Summary

SuperChoice is responsible for processing superannuation contributions for over 50% of working Australians. SuperChoice is extremely supportive of the payday super measures outlined in The Treasury Department's consultation paper 'Securing Australians' Superannuation Budget 2023-24'.

We have consulted with key Superannuation Fund (Fund) and Digital Service Provider (DSP) clients and applied our deep knowledge of employer submission and payment patterns to conclude that current capabilities coupled with a few practical change initiatives will deliver on Securing Australians' Superannuation.

We agree that non-payment, underpayment, and incorrect payment of Superannuation Guarantee (SG) puts at risk the retirement of millions and is equivalent to wage theft.

Leverage the current system

The SuperStream system is fit for purpose to support the ambitions of payday super. To illustrate with some information from our own experience:

- In the current system, 99.95% of employer contributions processed by SuperChoice are received by the fund within 4 days of our receiving employer payment with employer data (with an average of 2.1 days, well within the 8-13 days stated in the consultation paper and aligns with the 'future state' ambitions of timeliness by Treasury).
- The current system is safe and secure and provides for automated payment matching and rigorous exception handling, along with fraud detection and prevention. This minimises downstream errors, fund administration costs, employer refunds and member earnings loss. To illustrate, in FY2023:
 - SuperChoice received approximately \$20 billion of superannuation contributions via Direct Credit.
 - 13% of employer direct credit payments contained employer errors.
 - SuperChoice Clearing House corrective actions stopped over \$2.6 billion of incorrect employer submissions making their way to funds.
- In FY23 SuperChoice also received approximately \$25 billion of superannuation contributions via Direct Debit. These have no employer errors in relation to amount and payment reference, however 0.7% of payments are dishonoured (a much lower error rate than Direct Credit) and Direct Debit is more susceptible to fraudulent activity and therefore requires a monitoring period.

As a result of the above activities, only 1.16% of all contribution messages sent to the Fund result in a contribution error message, primarily due to a member account not being found for the product stipulated in the contribution message. APRA Funds report that they are often able to resolve incorrect Unique Superannuation Identifier (USI) membership details without having to reject the Contribution.

Regardless of payment system, a QA and Fraud Mitigation Period will always be necessary to minimise downstream effects of contribution errors and attempted fraud on funds, employers, and members. This position is informed by our own experience as well as AUSTRAC's paper 'Australia's superannuation sector threat update 2022'.

Prioritise changes that will deliver meaningful improvements

As we have outlined above, the current system can be leveraged to deliver the ambitions of payday super. However, if changes are made, they should only be done if they bring about meaningful improvements to the overall super system. We believe there are three main opportunities that should be pursued:

- Mandate electronic employee onboarding with efficient ATO integration, avoiding adding to employer admin steps, whilst also avoiding incorrect fund details being notified by the employee.
- Change the SG compliance point for employers to be when the employer has made a SuperStream-compliant (see next point) submission to the clearing house or fund. This should be possible whether “payday” or “due date” model is employed.
- Aligning SuperStream compliance with SC compliance. Most payment issues are caused by employers not conforming with SuperStream regulations. Aligning SuperStream compliance with the SG penalty regime will drive the right employer behaviours at submission, materially reduce submission errors and disincentivise Employers from making erroneous submissions just to “make the date.”

Avoid changes that introduce unnecessary risk and cost

There have been several other change ideas raised during the consultation process. These need to be assessed for feasibility of implementation, cost benefit analysis and most importantly whether they will add risk to a system (predominantly “intermediated SuperStream”) that works in over 99% of cases.

Due to our history and understanding of the superannuation payments processing system, we welcome the concept of payday contribution reporting to enable the relevant Federal Government entities to monitor employer compliance with the SG.

Our submission to the consultation focuses on defining payday super and compliance mechanisms.

We believe it will support all stakeholders in the contribution process including employers, members, super funds, and the Government.

1 SuperChoice experience – some insights

SuperChoice is one of Australia's first 'reg tech' focused businesses and was founded more than 26 years ago. Designing solutions to transform the way superannuation is done is at the core of our business, from bringing to market a SuperStream-compliant clearing house in 2014 to being the first Australian Tax Office accredited Sending Service Provider to go live with Single Touch Payroll (STP) in 2018.

We are one of the largest processors of contributions in the Australian superannuation system. In FY23, SuperChoice processed:

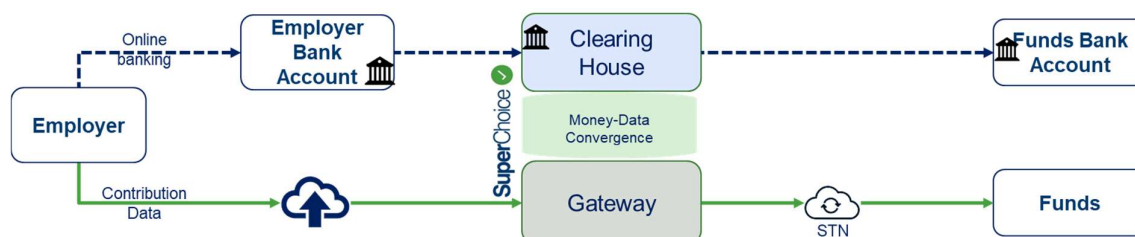
- \$45 billion in contributions from more than 200,000 employers
- More than 150 million transactions on behalf of 7 million employees
- Representing approximately 50% of the Australian working population

At SuperChoice, we protect the superannuation of Australians. In FY2023, we received \$20 billion of superannuation contributions via direct credit. 13% of those direct credit payments contained employer-generated errors.

SuperChoice clearing house technology and corrective actions stopped over \$2.6 billion in incorrect employer submissions making their way to funds, ensuring those employees received the correct amount to provide for their retirement.

1.1 Clearing House assures quality of payments and data

The clearing house model converges the money and the data so that Funds always get matching money and data at or near the same time. By comparison, asynchronous arrangements are more likely to result in non-matching payments and data to funds, increasing the risk of non-payment, underpaying or incorrect payment.



1.2 Single Touch Payroll volumes add insight

The SuperChoice Single Touch Payroll solution comprises a message sending service enabling employers to submit digital STP pay event data to meet requirements of the Australian Tax Office. Our role in that process is referred to as a Sending Service Provider (SSP).

In 2018, SuperChoice was the first Sending Service Provider to go live with STP; and in 2022 completed platform upgrade to support STPv2.

In FY23:

- SuperChoice supported 19,000 employers, and 2.8 million employees via STP solution. A total of 71 million "employee pay event" transactions (over 20% of all such transactions)
- Because of up-front validations, only 0.28% of STP employer submissions from SuperChoice receive an error response from ATO.

SuperChoice is in a unique position to assist with assessing the feasibility of "stretch" ideas such as aligning STP and SG datasets in terms of mandatory fields; Year to Date or payday amounts; and a common unique identifier across the datasets.

2 Defining Payday Super

Our response is made in the context of the intended objectives set out in the consultation paper (abbreviated labels have been applied for simplicity).

- A. **Earlier Super Contributions** - individuals receive their superannuation contributions to their account as close to payday as possible, maximising the invested returns on these contributions.
- B. **Employee Visibility** - assist with employees identifying whether they have received the correct contributions by matching the SG contribution printed on their payslip with contributions information from their superannuation fund.
- C. **Improved Non-Compliance Detection** - enable underpayments of superannuation to be identified by the ATO in a timely manner through matching data on employer superannuation payments and contributions for each pay period.

SuperChoice supports super being paid at a higher frequency in a way that delivers on the above.

2.1 Both Employer Payment model and Due Date model can work

SuperChoice sees no implementation issues with either model. The most important consideration is that an employer's SG remittance is SuperStream compliant – this alone would eliminate potential delays.

Currently many large employers pay super in line with payday today, including from large employers and government.

In the current system, 99.95% of employer contributions processed by SuperChoice are received by the fund within 4 days. The average for these payments is 2.1 days, which is well below the 8-13 days stated in the consultation paper. Importantly, this aligns with the 'future state' ambitions of timeliness by Treasury.

Existing processes have been designed and optimised to support error minimisation and fraud detection/prevention to reduce cost to funds, employers, and members. The system has the scale to meet the demands of higher frequency contributions due to significant investment by funds and intermediaries.

The change in model will see a higher frequency of super submissions, including for pay adjustments (notably, when actual OTE does not match that used for payroll event). SuperChoice does not foresee issues at the clearing house, but recommends the following measures to improve two key quality issues in the current ecosystem:

- A. To minimise risk of incorrect super fund nominations, payday super must be accompanied by mandated electronic onboarding with ATO integration. For more detail see Item 1 in Section 3.
- B. Compliance with SuperStream should be a requirement of SG compliance. Dovetailing SG and SuperStream creates consistency, is likely to result in a material reduction in the 13% of Direct Credit items that cause delays and should mitigate employers making erroneous submissions just to "make the date".

SuperChoice supports measures that improve data quality at source and transparency across all stakeholders. Any further changes deemed necessary under payday super must be made through the lens of minimising the risk and additional costs incurred by employers, members, and funds.

2.2 Payment System – Embrace technology when it's ready

Most employers are already compliant with their SG obligations. As a result, any change to the payment system must not adversely impact already compliant employers.

Change must be minimised to avoid introducing risks and costs for employers, members, and funds. The payment model chosen must accommodate existing system processes and timeframes for digital identification, error remediation and fraud detection and prevention.

It is vital to protect funds from employer payment errors, fraud, and associated remediation costs. In 2023 SuperChoice prevented \$2.6 billion worth of incorrect contributions being sent to super funds.

SuperChoice supports the adoption of any new payment technology on the condition that it can accommodate multiple payment systems and technologies.

The current system Bulk Electronic Clearing System (BECS) is fit for purpose, reliable and cost effective. Importantly, the BECS-based processing already achieves better than the settings envisaged in the consultation paper. New Payments Platform (NPP) should only be adopted when proven (e.g., bulk payments and scale) and price comparable to BECS. It is currently five to ten times greater, which would create an additional and unnecessary adaptation burden.

In its paper 'Australia's superannuation sector threat update 2022', AUSTRAC has highlighted that Australia's superannuation sector is increasingly exposed to employer risks with the payment of super – in FY 21 employer contributions totalled \$127 billion. Report link is here [Austrac. Superannuation Sector Threat Update 2022](#).

Regardless of payment system, a QA and Fraud Mitigation Period will always be necessary to minimise downstream effects of contribution errors and attempted fraud on funds, employers, and members (for more information refer ATO's Operation Kiama in Appendix B).

3 Compliance Mechanisms

Compliance mechanisms need to be consistent with the following principles to achieve an optimal target state where compliance is:

- easier to attain (but still meaningful)
- easier for employees to ascertain
- more certain for ATO to assess
- feasible to implement across the chain – employers, DSPs, clearing houses, gateways, funds and ATO

3.1 Balance Employer Efficiency with Members' Best Interests

SuperChoice supports the compliance point for employers being the date / time at which the employer has made a SuperStream-compliant submission to the clearing house or fund (if not using a clearing house).

Through leveraging the current system, compliance changes will be minimal, reducing risk of payday super related non-compliance. If employers are reminded to make SuperStream compliant contribution remittances for SG and other contribution types, that should be a satisfactory safeguard against frivolous or expedient employer submissions.

There is a gap between employers' responsibility to pay to a SMSF and their ability to confirm the bona fides of the SMSF details provided. The opportunity should be taken to address that issue, as well as apply the QA and Fraud Mitigation Period mentioned in section 2.2.

SuperChoice strongly recommends that employees need to be confident that ALL the information required for their superannuation membership is provided in the payday super system. Any new changes should not adversely affect member entitlements in their chosen Fund, notably insurance cover.

3.2 Improve Data Quality and Transparency

SuperChoice agrees that the system must incorporate measures to assure high data quality at source to avoid frequency-driven increases in error rates.

For SuperChoice, this quality control under a payday system would include the continuation of robust data validation to employer submissions, as the SuperChoice platform illustrates, including to support Funds' accurate assignment of members' insurance cover entitlements.

SuperChoice makes the following recommendations:

1. Mandate electronic onboarding with ATO integration.
 - a. Allow commercial solutions whether or not ATO provides a solution – there are numerous solutions available and ready to deploy today. To minimise unnecessary risk, our view is that government provides enabling services that allow employers to continue to use these applications and achieve the desired outcomes.
 - b. Use restrictions and controls for providers to be authorised to connect to and retrieve information from ATO (similar to STP and ATO DSP Operational Framework)
 - c. Must comply with the intent of choice / stapling legislation.
 - d. Ensure that any changes do not force an employee to
 - i. retain a stapled arrangement with unfavourable insurance arrangements and fees (lost as a result of moving to 'public' division), or
 - ii. to miss the opportunity of their new employer having negotiated favourable benefit entitlements, insurance premiums and fees in respect of the default fund.
 - e. Ensure that any services offered comply with Future of Financial Advice (FOFA) reforms.
2. Clearing Houses to send notification to ATO upon remittance of super contribution to Fund (potential to render this information on individual's MyGov). Mandate daily Member Account Transaction Service (MATS) reporting from APRA Funds and a corresponding report from SMSFs.

Note

 - a. This proposed change does not infer a change to the currency of the APRA MATS report content; simply that the report be mandated to be delivered each day. We understand that business process, quality controls and fraud / security checking will typically mean that each day's report will contain transactions with effective date at least 2 business days prior.
 - b. While we believe that SMSFs should have a MATS equivalent but are not expert in their systems or capabilities.
3. Funds to send contribution success responses to confirm an employee's contribution has been received and allocated.

3.3 How SuperChoice recommendations meet Consultation objectives

Change Idea	Objective A Earlier Super Contributions	Objective B Employee Visibility	Objective C Improved Non- Compliance Detection
1. Mandate electronic onboarding with ATO integration - see section 3.2 above <ul style="list-style-type: none"> Must present stapled fund, default fund and option to choose other 	Delivers	Supports	Supports (reduced non-compliance)
2. Clearing Houses to send notification to ATO upon remittance of super contribution to Fund	Supports	Delivers	Delivers
3. Mandate daily MATS reporting from APRA Funds and a corresponding report from SMSFs. This information is rendered in an individual's MyGov.	Supports	Supports / Delivers	Delivers
4. Funds to send Contribution Success responses to confirm an employee member's contribution has been received. Potential to render this information in an individual's MyGov.	Supports	Delivers	Supports / Delivers

4 Conclusion

SuperChoice supports the introduction of payday super and the important role of clearing houses in reducing risk of non-payment, underpayment, and incorrect payment of SG.

The current system can accommodate the introduction of payday super contribution processing from 1 July 2026. However, any fundamental changes to the system will require additional time to implement and should be achieved through a phased approach.

As payday super is implemented, SuperChoice encourages Treasury to look at:

- leveraging the strengths of the current technologies;
- prioritising changes that will deliver meaningful improvements – see 3.3 above; and
- avoiding introduction of changes that will increase the risk of non-compliance.

SuperChoice is ready to be involved in further consultation and workshops to help the Government deliver its payday super policy objectives without creating unnecessary risk to the current system.

Appendix A – Responses to Specific Questions

SuperChoice has provided responses to specific questions raised in the Treasury Consultation Paper October 2023 – ‘Securing Australian’s Superannuation’, based on its operational domain or experience-based knowledge being pertinent to the question raised. Questions for which we have not submitted a response are not referenced in this table.

Consultation Question	SuperChoice Response	Supporting Information
Defining ‘payday’		
1. What implementation issues could arise if ‘payday’ is defined as being each time a payment is made to an employee with an OTE component?	<ul style="list-style-type: none"> • There would be no “implementation project” issues per se, as Employers can (and do) pay super on the same frequency as payday now • However, operationally there will be a higher frequency of super submission, including for pay adjustments (notably when actual OTE does not match that used for the payroll event) • SuperChoice does not foresee issues at the Clearing House itself, but without other systemic changes we could expect more adjustment transactions, and heightened impact of poor employee data to employers 	<ul style="list-style-type: none"> • Consultation with DSP clients, as well as industry wide consultation sessions have highlighted the high risk of error associated with OTE calculations • While SuperChoice in its capacity as a Clearing House and Gateway is largely unaffected, Employers and their service providers consistently report that it is easy to make errors when deciding which earnings count as OTE under which circumstances. Rulings from Fair Work Australia are reported to be different in some situations to those from ATO. This appears to be a significant driver for inadvertent SG non-compliance • Removing the complexity and confusion for OTE calculations would substantially mitigate ongoing operational issues for employers. • Payday super must be accompanied by mandated electronic onboarding with ATO integration

Consultation Question	SuperChoice Response	Supporting Information
2. What implementation issues could arise when more regular SG payments are mandated?	<p>We believe impact will be same as for question 1, i.e.</p> <ul style="list-style-type: none"> There would be no “implementation project” issues per se, as Employers can (and do) pay super on the same frequency as payday now However, operationally there will be a higher frequency of super submission, including for pay adjustments (notably when actual OTE does not match that used for the payroll event) SuperChoice does not foresee issues at the Clearing House itself, but without SuperStream-level changes we could expect more adjustment transactions, and heightened impact of poor employee data to employers 	<ul style="list-style-type: none"> Consultation with DSP clients, as well as industry wide consultation sessions have highlighted the high risk of error associated with OTE calculations Removing the complexity and confusion for OTE calculations would substantially mitigate ongoing operational issues for Employers Payday super must be accompanied by Mandated electronic onboarding with ATO integration
<p>Updating the SG charge</p> <ul style="list-style-type: none"> Employer payment model Due date model 		
3. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if employers make the payment of SG contributions on ‘payday’ (i.e., the employer payment model)?	<p>Advantages</p> <ul style="list-style-type: none"> SG Compliance point is the point at which an employer has submitted matching data and payment in accordance with the SuperStream standards <p>Disadvantages</p> <ul style="list-style-type: none"> More frequent submission by employers, and potential for more errors ... e.g., make a payment that does not correlate with the SuperStream data-payment requirements If STP dataset not aligned and / or submission ID not created and both carried through SuperStream and MATS, there might not be sufficient improvement to the ATO monitoring success. 	<ul style="list-style-type: none"> The SG compliance point is the point at which an employer has submitted matching data and payment in accordance with the SuperStream standards (compliance with SuperStream is a critical point and should be a requirement of SG compliance). We believe this is a fairer and more reasonable expectation on employers – but do note that a <u>Due Date model need not preclude this fairer compliance point from applying</u> (notwithstanding the thrust of the Consultation Paper). The alignment of STP, SuperStream and MATS datasets require significant investment and effort across Employers, DSPs, Clearing Houses, Gateways, Funds and ATO. We believe this will not be practical for a Phase 1 implementation and might not survive the scrutiny of a Cost/Benefit analysis

Consultation Question	SuperChoice Response	Supporting Information
<p>4. Are there any advantages or disadvantages with the requirements of payday super being fulfilled if the employee's superannuation fund has received employer contributions a certain number of days after payday (i.e., the due date model)?</p>	<p>Advantages</p> <ul style="list-style-type: none"> • This model allows for the time that some employers need to assure the quality of their superannuation submission. • In terms of their being a defined "due date" it more closely resembles a model with which employers have become familiar. <p>Disadvantages</p> <ul style="list-style-type: none"> • SG Compliance point is the point at which the SG is in the Fund. This unnecessarily continues the current state confusion and inappropriate onus on an employer for matters out of their control. • More frequent submission by employers, and potential for more errors ... e.g., make a payment that does not correlate with the SuperStream data-payment requirements • If STP dataset not aligned and / or submission ID not created and both carried through SS and MATS, there might not be sufficient improvement to the ATO monitoring success. 	<ul style="list-style-type: none"> • SG Compliance point is the point at which the SG is in the Fund. This unnecessarily continues the current state confusion and inappropriate onus on an employer for matters out of their control. • The SG compliance point <u>should be</u> the point at which an employer has submitted matching data and payment in accordance with the SuperStream standards (compliance with SuperStream is a critical point and should be a requirement of SG compliance). • SuperChoice does not believe that shifting the SG compliance point for employers would require additional incentives and governance for payment throughput. • Discussions with our clients indicated that the Due Date could be somewhere in the range 5-10 Business Days after payday depending on where the Employer SG compliance point sits. • The alignment of STP, SuperStream and MATS datasets require significant investment and effort across Employers, DSPs, Clearing Houses, Gateways, Funds and ATO. We believe this will not be practical for a Phase 1 implementation and might not survive the scrutiny of a Cost/Benefit analysis

Consultation Question	SuperChoice Response	Supporting Information
<p>5. Should there be a standardised due date for SG contributions depending on different pay cycles, independent of the frequency to when salary and wages are paid?</p>	<p>We take this to mean that, regardless of when salary and wages are paid, all employers will have a standardised due date such as the Nth day after the end of month.</p> <p>Advantages</p> <ul style="list-style-type: none"> • If the SG Compliance point is the point at which an employer has submitted matching data and payment in accordance with the SuperStream standards, it would increase compliance rates (simpler to understand) and remove the onus on employers for process flows outside of their control. • This model allows for the time that some employers need to assure the quality of their superannuation submission. • It very closely resembles a model with which employers have become familiar – easier transition. • It requires little if any technical implementation by the various stakeholders. • It could be safely implemented as a Phase 1 on the journey to a “full” payday implementation. <p>Disadvantages</p> <ul style="list-style-type: none"> • If the SG Compliance point is the point at which the SG is in the Fund, this continues the current state confusion and inappropriate onus on an employer for matters out of their control. • It does not complete the journey to payday super (this would be offset if the technique was to be a transitional arrangement). 	<ul style="list-style-type: none"> • The alignment of STP, SuperStream and MATS datasets require significant investment and effort across Employers, DSPs, Clearing Houses, Gateways, Funds and ATO. We believe this will not be practical for a Phase 1 implementation and might not survive the scrutiny of a Cost/Benefit analysis

Consultation Question	SuperChoice Response	Supporting Information
6. Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?	<ul style="list-style-type: none"> SG Compliance point is the point at which an employer has submitted matching data and payment in accordance with the SuperStream standards. We believe it would be straightforward for the clearinghouse to notify ATO of a successful submission and payment by the employer (i.e., SuperStream compliant) This response applies equally to the Due Date model if it were to incorporate the same SG Compliance point. 	<ul style="list-style-type: none"> With “push” payments, we can expect to see employer payment errors persist – for some time, there will be an increase in instances offset only by employers getting better with more frequent practice. SuperChoice believes this method would have value and is willing to work with ATO on a Proof of Concept.
7. How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model?	<ul style="list-style-type: none"> Market forces should be the primary driver of optimisation of processing time under the employment payment model. Intermediaries that strike the correct balance between contribution error remediation and fraud detection/protection and processing speed will be favoured by customers. The market, through retention and customer acquisition, will reward intermediaries that get this balance right together with cost effective contribution transaction pricing. 	<ul style="list-style-type: none"> Incentives that reward faster payment processing to the detriment of contribution error management and fraud prevention will introduce greater risk and higher costs for funds, employers and members and compromise the integrity of the system. Much caution should be exercised to ensure intermediaries invest in technology and processes that strike the correct balance of contribution quality assurance and timeliness required to protect the integrity of the super system.
8. Given reduced payment processing times facilitated by modern payment platforms, is a due date of 3 days after payday for superannuation contributions under a due date model feasible? What would prevent this timeframe?	<ul style="list-style-type: none"> Within the current system 99.95% of employer contributions are processed by SuperChoice are received by the fund within 4 days of receiving employer payment with employer data, with an average of 2.1 days. Whether it be BECS, NPP or other modern platform, there is a minimum number of days that are required to manage errors and fraud risk. Any changes that reduce this reasonable timeframe introduce greater risk and cost to employers, funds, members 	<ul style="list-style-type: none"> In a recent experience under BECS Direct Debit, the 3-day hold allowed us to intercept an inadvertent client duplication of more than 400 employer submissions, worth about \$3M, covering 1,500 employees in 500 super funds. This event informs our view on a QA and Fraud Mitigation Period regardless of payments platform.

Consultation Question	SuperChoice Response	Supporting Information
9. What impact would shorter payment timeframes have on clearing houses and other financial intermediaries that facilitate the payment of superannuation contributions to funds?	<ul style="list-style-type: none"> • Within the current system 99.95% of employer contributions are processed by SuperChoice are received by the fund within 4 days of receiving employer payment with employer data, with an average of 2.1 days. • Any changes that reduce this reasonable timeframe to manage errors and fraud risk introduce greater risk and cost to employers, funds, members. • Hence a QA and Fraud Mitigation Period is recommended 	<ul style="list-style-type: none"> • See response to question 8
10. Would shorter payment timeframes require regulation of these financial intermediaries to ensure payment timeframes are met?	<ul style="list-style-type: none"> • Intermediaries are acting on behalf of employers and/or funds and hence have service levels baked into their service agreements to assure the SuperStream compliance of those parties • The payment intermediaries are regulated under Corporations Act – non-cash payment facility 	<ul style="list-style-type: none"> • Notwithstanding the current controls, including under SuperStream, commercial contracts and Corporations Act, SuperChoice is open to considering any additional controls that are meaningful, not administratively onerous and would provide tangible additional assurances.
11. How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?	<ul style="list-style-type: none"> • The SuperStream regime already allows for new payment modes to be adopted by agreement between the interacting parties 	
12. What are the benefits or risks associated with allowing multiple payment methods and how might this affect payments processing for clearing houses and superannuation funds? Would there be benefit or risks in only allowing one payment platform (such as the NPP)?	<ul style="list-style-type: none"> • Multiple payment methods are possible now, and should continue to be. • The system must accommodate multiple payment methods to continue to support customer choice • A “leap” to say NPP PayTo or Digital Currency would introduce unacceptable risk, cost and would require agreement between all interacting parties • SuperChoice supports the adaptation of any new payment technology on the condition that it is capable of accommodating multiple payment systems and technologies. 	<ul style="list-style-type: none"> • It is vital to protect funds from employer payment errors, fraud and associated remediation costs. In 2023 SuperChoice prevented \$2.6 billion worth of incorrect contributions being sent to super funds. • The current system BECS is fit for purpose, reliable and cost effective. Importantly, the BECS-based processing already achieves better than the settings envisaged in the consultation paper. NPP should only be adopted when proven (e.g., bulk payments and scale) and price comparable to the current payment methodology.

Consultation Question	SuperChoice Response	Supporting Information
Compliance mechanisms		
<ul style="list-style-type: none"> SG charge assessments 		
Compliance mechanisms		
<ul style="list-style-type: none"> Rectifying underpayments before an SG charge assessment is issued Tax deductibility and compliance 		
17. What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?	<ul style="list-style-type: none"> SuperChoice provides a notification facility in its clearinghouse portal, and would be amenable to considering date-triggered or event-triggered nudges ... including triggers from STP submissions SuperChoice has experience in implementing and operating similar 'call to action' requirements in the UK jurisdiction where employer contribution processing is more closely aligned to payday 	
Compliance mechanisms		
<ul style="list-style-type: none"> SG charge calculation ATO flexibility in SG charge remission 		
Compliance mechanisms		
<ul style="list-style-type: none"> Corrections and errors when paying SG Corrections and errors for superannuation funds 		
31. Should employers be allowed to make 'catch-up' contributions due to errors?	<ul style="list-style-type: none"> Yes – these could arise from clerical errors; poor information from employee; or adjustments relating to actual hours v assumed hours at time of OTE payment 	

Consultation Question	SuperChoice Response	Supporting Information
32. What would be a reasonable time period to allow employers to make 'catch up' contributions that aligns with the intent to pay superannuation alongside wages? Should this time period differ depending on payday frequency?	<ul style="list-style-type: none"> • Within 2 pay periods from the original pay period • Catch-up payments should be made with a separate submission to standard submissions to avoid unnecessary complication in ATO reconciliations 	
33. What are the challenges in correcting SG payments under a payday model? Is this an efficient way for employers to make corrections? Should error messages be standardised across funds?	<ul style="list-style-type: none"> • In the case of an overpaid SG, we believe that enhancing SuperStream to allow employers to submit 'negative' contributions to the fund should be permitted in the case of SG recovery only. Additionally, if the employer identifies an SG underpayment, the employer should be permitted to correct the underpayment within a reasonable timeframe, in subsequent pay events. • Error messages could be more standardised. • It is important that Employers are notified that a CTER has been issued – in the majority of cases the Fund issues the CTER to the clearinghouse / sending gateway, who then bears the responsibility for notifying the Employer as well as exposing the CTER detail securely. 	<ul style="list-style-type: none"> • SuperChoice triggers an email alert to Employer when a Contribution Error message is received, avoiding the need for the Employer to be mindful enough to check the portal.
34. Is the 20-business daytime period for superannuation funds to resolve errors appropriate in a payday super model?	<ul style="list-style-type: none"> • We believe this period should be shorter • "Immediate" returns were raised in the consultation workshops. Some funds have indicated that this might not be in the best interest of the member • We would support a very tight "allocate or reject" time frame. • We would consider the implementation of a suitable mechanism for redirecting the rejected contribution to a stapled fund 	<ul style="list-style-type: none"> • APRA Funds report that they are often able to resolve incorrect Unique Superannuation Identifier (USI) membership details without having to reject the Contribution. • We would recommend canvassing the major funds, both Industry and Corporate Master Trust, to get a sense of a timeframe that strikes the right balance between members' best interests and requesting the employer to redo.

Consultation Question	SuperChoice Response	Supporting Information
<p>Compliance mechanisms</p> <ul style="list-style-type: none"> Choice of fund, stapling and employee onboarding 		
<p>36. Would a digital ATO service simplify the choice of fund process and assist employees and employers to confirm the right super details? What functionality would be required? Would this address issues with data integrity under a payday super model? Should such a service be mandated?</p>	<ul style="list-style-type: none"> Mandate electronic onboarding with ATO integration Allow commercial solutions whether ATO provides a solution – there are numerous solutions available and in play today. To minimise unnecessary risk, our view is that Government provides enabling services that allow employers to continue to use these applications and achieve the desired outcomes. Use restrictions and controls for providers to be authorised to connect to and retrieve information from ATO (similar to STP and ATO DSP Operational Framework) Must comply with the intent of choice / stapling legislation Ensure that any changes do not force an employee to retain a stapled arrangement with unfavourable insurance arrangements and fees (lost as a result of moving to 'public' division), or to miss the opportunity of their new employer having negotiated favourable benefit entitlements, insurance premiums and fees in respect of the Default fund. Ensure that any services offered comply with FOFA 	<ul style="list-style-type: none"> Fund clients have indicated that stapling does not guarantee that an individual is the best arrangement for them – particularly in circumstances were: <ul style="list-style-type: none"> they might have left an “employer” plan and risk being stapled to the “public” division of the mater trust under which that employer plan sits; or not be aware of favourable arrangements made possible by their new employer. There will be other circumstances, apart from change of job, which cause an individual to reassess their superannuation arrangements. Ideally, if a change of fund is contemplated, the referenced onboarding process should be used insofar as Choice of Fund is concerned.

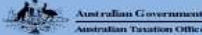
Consultation Question	SuperChoice Response	Supporting Information
37. What are the costs and benefits of requiring employers to offer stapling to employees? Are there other changes that could be made to the choice of fund process? Could a digital ATO service reduce the administrative burden associated with stapling?	<ul style="list-style-type: none"> Benefit - data quality at source and at front Benefit – pre-payday link between employer and employee Benefit - substantial reduction in first employee remittances being to incorrect fund A digital / electronic service, whether by ATO or by private sector would reduce the burden; including the avoidance of undo/redo (i.e., beyond stapling) Choice of fund is a key principle and so stapling must be provisioned in that context – including providing the employee the opportunity of examining and assessing any benefits of adopting the Default / MySuper offering 	See response to question 36
38. What are the costs and benefits of a ban on advertising super products during onboarding?	<ul style="list-style-type: none"> Costs – in the context of MySuper / Default is that the employee is entitled to get access to information ... this should not be construed as advertising. There would be benefit in scrutinising some commercial structures in the context of the principles of FOFA Note that there are non-advertising solutions available in the market that comply with choice and stapling legislation 	
Other payday super issues <ul style="list-style-type: none"> SG reporting frameworks 		
39. How could a smooth transition be managed to align STP, SuperStream, MAAS and MATS reporting, either through changing the reporting requirements to year-to-date values or transaction-based reports?	<ul style="list-style-type: none"> Transaction-based is key – SuperStream, the mechanism for electronic payments and data, is transactional and needs to remain so STP could contain transactional amount and an ID that can be carried through SS and into MATS YTD / cumulative would work for payday 	<ul style="list-style-type: none"> The alignment of STP, SuperStream and MATS datasets requires significant investment and effort across Employers, DSPs, Clearing Houses, Gateways, Funds and ATO. We believe this will not be practical for a Phase 1 implementation and might not survive the scrutiny of a Cost/Benefit analysis


Consultation Question	SuperChoice Response	Supporting Information
40. How could a smooth transition be managed if additional fields in reporting are made mandatory?	<ul style="list-style-type: none"> If the additional fields are limited to the following, the transition should be straightforward as a post-2026 improvement <ul style="list-style-type: none"> STP transaction amount STP unambiguously clear on the SG amount Correlation ID carried in STP and SS and MATS MATS must be daily SC provides STP, SuperStream and MATS facilities and so is in a position to make such an assessment 	<ul style="list-style-type: none"> The alignment of STP, SuperStream and MATS datasets require significant investment and effort across Employers, DSPs, Clearing Houses, Gateways, Funds and ATO. We believe this will not be practical for a Phase 1 implementation and might not survive the scrutiny of a Cost/Benefit analysis
41. Should a new unique identifier be included as a mandatory field in STP, SuperStream, and MATS which links employers, employees, and transactions?	<ul style="list-style-type: none"> It would be an advantage but not essential to achieving the headline objectives for 01 July 2026 	<ul style="list-style-type: none"> The alignment of STP, SuperStream and MATS datasets require significant investment and effort across Employers, DSPs, Clearing Houses, Gateways, Funds and ATO. We believe this will not be practical for a Phase 1 implementation and might not survive the scrutiny of a Cost/Benefit analysis
42. Are there any issues or consequences with including an employer's SG liability and OTE as a mandatory, rather than optional field in STP reporting?	<ul style="list-style-type: none"> As a Sending Service Provider, it is an implementation matter DSP's and employers could shed more light on the impact on employers and business management systems 	

Consultation Question	SuperChoice Response	Supporting Information
Other payday super issues		
<ul style="list-style-type: none"> SG contributions for the 2026-27 financial year Maximum contribution base calculations 		
Other payday super issues		
<ul style="list-style-type: none"> Defined Benefit Members <ul style="list-style-type: none"> changes will be required to how benefit certificates are calculated with an increase in SG payment frequency. There will also be some consequential changes to benefit certificates issued by an actuary, where the certificate refers to a whole or part of a quarter. Self-managed superannuation funds 		
45. Are there any other changes that will be required for defined benefit members?	<ul style="list-style-type: none"> From our perspective, we handle data for DB Funds will have the best perspective 	
46. Should there be any changes to the reporting frameworks for SMSFs and/or Defined Benefit funds to the ATO?	<ul style="list-style-type: none"> We believe that SMSFs should have a MATS equivalent, but are not expert in their systems or capabilities 	
Other payday super issues		
<ul style="list-style-type: none"> Other issues 		
48. Are there any other impacts on stakeholders or considerations Government should consider in policy design?	<ul style="list-style-type: none"> Allowing “certified” intermediaries to access stapling information More secure process for SMSF (the most vulnerable to fraud risk) 	
49. What further changes would be required under the current rules to allow employers to meet payday super requirements?	<ul style="list-style-type: none"> Employers can pay on payday now – this change would be to mandate it Possibly a transition from no less than monthly for 12-18 months 	<ul style="list-style-type: none"> Our experience with employers adopting change across Super and STP (MIG/ BIG) would suggest a transition-based approach makes sense

Appendix B - Operation Kiama

Source ATO March 2023 – Post Simulation Review



Operation Kiama – 2023 Superannuation Industry Simulation – Post Simulation Review		
<p>OVERVIEW</p> <p>Simulation Date: 30 March, 2023</p> <p>Facilitator: Brendan Jones, ATO Director Business Continuity Management Phone : 0478 308 771</p> <p>Contact: BCMHelpdesk@ato.gov.au</p>	<p>ATTENDEES</p> <ul style="list-style-type: none"> ATO, APRA Gateway Network Governance Body, Gateway and Clearing House Operators ASFA (ASP Services), Australian Institute of Superannuation Trustees (AIST) Super Funds SMSF Provider 	<p>FRAMEWORKS</p> <ul style="list-style-type: none"> Super Industry Incident Response Plan communications plan Data and Payment Standards Fund Reporting Protocols <div style="text-align: right;">  </div>
<p>SUCCESS MEASURES</p> <ul style="list-style-type: none"> The ATO and Super Industry are able to understand the difficulties faced by all parties when a corrupted super payment file is passed on through the stages of the payment 'lifecycle' Appropriate communications between the ATO and the Super Industry are timely, correctly targeted and effective Simulation attendees have a better understanding of the roles and responsibilities of all major stakeholders in a similar incident Learnings and recommendations are documented and actioned to improve future incident responses 	<p>INTENT</p> <ul style="list-style-type: none"> This simulation involves a discussion between all participants of the superannuation operating system to discuss data and payment remediation This simulation is aimed at giving the group an opportunity to work through the most appropriate response strategies to remediate all errors. This simulation will help the ATO and Super Industry understand the: <ul style="list-style-type: none"> Process and duration for the funds to resolve incorrect payments and data that have flowed through their systems The impact of seasonality/ peaks and troughs The impact of errors and remediation on fund reporting, other funds and members 	<p>SCENARIO</p> <p>Scenario - A SuperStream contributions file from an employer is corrupted, either at a source or by their payroll software, leading to incorrect payment amounts flowing through a clearing house to Super Funds.</p> <p>Key issues to discuss:</p> <ul style="list-style-type: none"> The upstream and downstream impacts created by these errors How long it may take to remediate all impacts? The problems stakeholders may collectively or individually face Any broad communication requirements? <p style="text-align: right;">External - Official</p>

Operation Kiama – 2023 Superannuation Industry Simulation – Post Simulation Review



SUCCESSSES / LEARNINGS WITHOUT ACTION

OFFICIAL – External

- The scenario was fit for purpose and relevant to be simulated in 2023. The participants advised if this scenario were to happen it would be a long-term, highly manual remediation process with impacts to many of the participants present during the simulation.
- The participants were able to talk us through the process they would use to triage or gather intelligence about mistakes in any 'superstream' transaction. The following commentary shows the complexity of the scenario and the influences on the incident response / speed to escalate:
 - Employees may take a significant time to recognise a mistake in payments/contributions and will discover it often when doing yearly reconcile or after reviewing their ATO Online accounts through myGov. This leads to many downstream impacts. See learnings.
 - Super funds advised they would only reach out to an employer for information if they had an established relationship or a dedicated account manager. Participants discussed how this is often a luxury and not all funds would have this option, particularly Self Managed Super Funds (SMSF) representatives and accountants.
 - Super funds do not have specific monitoring to proactively identify incorrect payments but would identify trends or grouping of escalations from their call centres.
 - Gateways and Clearing Houses would only be consulted to ensure it wasn't an error from their system. Otherwise Gateways would not be involved in the remediation, as these transactions would not be processed through 'superstream' as they are more likely to result in duplication, compounding the impacts.
 - Employers are not aware of the role gateways play in the super system. There would be no natural connection between gateways and large employers.
 - Super funds would not normally reach out to each other for intelligence as there are limitations on information they can exchange. If a fund is a conduit for distributing contributions through their own clearing house, there may be some limited pathways of communication.
 - The ATO is often made aware via a fund reaching out for assistance following grouping of calls through their own call centre.
 - If a member has left the fund after payment is received there can be delays and increased complexity for remediation. These payees may have a balance remaining which then requires additional actions.
 - Single touch payroll may help with the earlier identification of errors in certain but not all similar scenarios. STP and contributions are in sync with this size/scale of large employer and STP would be less effective in trend analysis.
- Super funds may have differences in their remediation approach would generally attempt to reject every connected transaction. They would then re-apply corrected amounts to limit downstream impacts. Participants advised that age of Super fund systems and architecture limits the remediation options some funds may be able to take.
- Participants discussed remediation actions may trigger member communications and transactions would be viewed in member portals or ATO online. They recognised the need to minimise alarm for these employees. Involving the employer and having timely, informative communications will mitigate the impacts and stop enquiries coming through in differing waves of error discovery.
- It was great to have representatives of SMSF from both industry and ATO present for the simulation to provide their view and that of smaller 'choice' funds. Regular participants in the yearly simulations are also now separating actions they may be able to take compared to those not capable by the smaller funds. This provides perspective in size and scale and how each fund may differently respond to an incident.

Operation Kiama – 2023 Superannuation Industry Simulation – Post Simulation Review



SUCCESSSES / LEARNINGS WITHOUT ACTION (cont.)

OFFICIAL – External

- Participating Super funds advised that if they weren't able to correct all employees within 10 days of being notified they would appreciate the 'light touch supervisory' approach by APRA, especially as it was not the funds in error.
- Participant survey feedback was positive about the realism of the scenario and all hoped this large scale employer error never occur. They suggested ATO is probably the best option for getting all key stakeholders engaged as early as possible. If this or another systemic error in a Superstream stakeholder occurred they would hope for communications and guidance from ATO and APRA if applicable.

LEARNINGS AND OBSERVATIONS

- **LO1** – The downstream impacts of an erroneous payments file can be significant. Participants discussed the following:
 - After remediation there may be a 'residual balance' that would need to be returned to employer and/or employee
 - Funds may have to put stop payments flags on the member account whilst there is a dispute in progress. This may stop other superannuation actions from being processed.
 - Internal Compliance; APRA would be required to be notified that a fund has a portion of payees with dispute
 - Delays in processing of ATO release authorities they receive will working through remediation
 - Errors in MATS and STP reporting. Not all funds have the option of cancelling a previously lodged MATS transaction through bulk options. Some funds would need to manually reverse each MATS transaction individually per payee.
 - There may be MATS Balance impacts will that could trigger a new MATS balance transaction depending on time of year of the issue and length of time to remediate
 - Decisions to backdate can be difficult and compounded by the gap between payment and notification of errors
 - Contribution amounts in excess, division 293 notification and annual lodgment impacted. Determination runs already completed can cause Super Contribution cap communications to issue.
 - Impacts to salary sacrifice payments/reporting and individuals claiming deductions in their annual returns
 - Other annual reporting obligations including superfund annual balance reporting
 - Member Fund Portal and ATO Online mismatches causing additional escalations / payee concerns.
- **LO2** – ATO wouldn't suspend all correspondence to identified taxpayers, or flag individual accounts. The ATO may consider pausing determination runs if an error of this size and scale was recognised around the peak early July period. It would need to involve significant scale of impact on the superannuation industry or community.
- **LO3** – The participants advised this one-off scenario would not meet current triggers to activate the Superannuation Industry Response Group. ASFA representative encouraged the ATO to consider widening the use of the Superannuation Response Group for an incident like this that impacted the majority of the superannuation industry. Even if it was to convene once to pass on as much intelligence as able to and discuss communication and remediation strategies.
- **LO4** – ATO may consider if there is a need to do communications more broadly, and an assessment would be completed whether to invoke the CRT alert process.

Operation Kiama – 2023 Superannuation Industry Simulation – Post Simulation Review 	
ACTION ITEMS	OFFICIAL – External
1. Consideration on whether a consolidated list of downstream impacts could be published and would benefit the industry including the smaller choice and SMSF funds. See LO1 & LO2	
Owner: ATO – Engagement and Support – Data & Services (SEO)	Status: Not Yet Started
2. ATO to consider widening the use of the Superannuation Response Group to include scenarios other than enduring system outage. Otherwise alternate use of potentially the CRT system for a large scale error incident. See LO3 & LO4	
Owner: ATO – Engagement and Support – Data & Services (SEO)	Status: Not Yet Started