Payday Super –
Getting the data right

Further to our recent Guide to Payday Super, on the 18th September 2024, Treasury released the Payday Super factsheet (treasury.gov.au) outlining the intended policy design features. Employers will be required to pay super at the same time as payday and ensure that "*contributions are received by their employees' superannuation fund within 7 calendar days of payday.*"

This 7 day deadline emphasises the need for employers to have accurate and complete data about their employees so contributions can be processed seamlessly and efficiently.

The Treasury factsheet also outlines several changes to the current processing environment intended to support the new employer deadlines. These include:

- the deadline for superannuation funds to allocate or return contributions will be reduced to 3 business days, down from the prior 20.
- improved error messaging to ensure employers and intermediaries can quickly address errors.
- revision of rules for new employees to make it easier for employers to identify their stapled fund upon joining a new organisation.

The ATO is charged with development of the best SuperStream environment to support this measure. In this article, we will explore the co-design process, unpack identified areas for change to better understand the impact to contributions within the ecosystem and where the focus needs to be over the coming months.

What happens today and how might this change?

According to our Payday Super Guide, the current error rate for contributions, across the Superannuation Transaction Network (STN) is approximately 1.6%. This represents contributions that cannot be applied to a member's account and are returned to the intermediary or the employer. Anecdotally, payroll providers and clearing houses report much higher error rates with employer data (some around 11 or 12%) and assist in applying validations to cleanse the data before it goes into the system.

Of the errors that reach the fund across the STN, super funds generally try to match contributions with member accounts using a range of data points. This process can take a few days if automated matching needs manual intervention. At present, funds are allowed up to 20 days to match contributions, provided they engage with the employer within the first 5 days. This allows super funds the time to do everything they can to locate the intended account for contributions before returning the money and data.

In a Payday Super environment, the timeframe for funds to complete this work is significantly reduced to 3 days. This will result in faster and more frequent rejections of messages. From a sample taken from the STN, 55% of error messages were sent w ithin 3 days of receiving the contribution. Under Payday Super, this increases to 100%.

What are the typical types of errors?

A sample* of contribution errors has been analysed to understand the most common errors with the data today. The analysis found:

- **50%** of error transactions were related to a "member not found" issue. That is, with the data supplied by the employer, a member account could not be located at the destination fund or they were once a member but have since left the fund. The result is the contribution is returned to the employer.

- **21%** of errors were due to an incorrect USI or fund reference number. In most cases, these messages could still be processed and applied to the members' account. However, the original message had the incorrect fund details. This error is a warning to employers to update their records.

- **21%** of errors indicate that incorrect member data was sent, yet the fund has been able to locate the member's account and apply the contribution. This error serves as a warning to employers to update their records.

- **8%** of errors were returned due to the member not having an existing account or is ineligible to join the fund specified.

Other common errors include where the payment reference number (prn) provided via the banking system does not match the prn provided with the contributions data.

Errors such as these result in increased processing effort and cost to funds, administrators, intermediaries and employers. An inability to resolve these issues quickly will have a significant impact on an employer's ability to comply and will delay contributions reaching an employee's account.

It's also important to note that employers can encounter challenges when changes occur outside of their control, such as fund mergers and transfers. While funds are obligated to notify members when their fund USI or reference number changes, this information does not always flow through to the employer. It is the employee's responsibility to update their employer with their new super fund details. This scenario can result in an employer paying a contribution as per the usual process, however they will receive a rejection as they have not been notified of changes to a fund.

Within the sample analysed above, only 46% of error messages included a long description. The long description contains additional information that can aid employers in identifying the cause of the error and could result in faster resolution.

How can error rates be reduced? What should we be considering as part of the policy implementation, to best support the straight through allocation of contributions to member accounts?

Whilst the percentages of errors are quite low today, the actual number this equates to is still too high, when operating in an environment where resolution times for the employer is measured in days.

Getting the data right at the source is the best way to ensure efficient and accurate contributions. However, this relies on employees providing the correct information to their employers who then need to process this data through their payroll systems. The Treasury fact sheet hints that this process will be made easier by early visibility of an employees existing stapled fund account. Regardless of how this occurs, **upfront validation of employee fund details needs to be prioritized, as an essential part of the co-design process.** This will mean employers should consider technology solutions that enable this data validation, to support their processes.

Consistent and meaningful error communications to support employers in fixing the data when errors do occur. The rushed rollout of SuperStream has led to significant differences in how funds implement and use error codes in various situations. Schedule 6 of the Data and Payments Standards requires a review to align with current day practices and trends to reflect simple, consistent and informative error responses for employers and their agents to consume and understand. Technical validation of error codes and clear and complete explanations should be enforced as part of the standards, to ensure systematic processing of errors can be developed, reducing the requirement for manual intervention. Digital solutions available to employers will need to present back errors to users in a timely manner, allowing employers to fix any issues and resend within their compliance timeframes. If employers are unable to identify the issue with the data quickly and efficiently, they may just keep sending contributions every payday in an attempt to maintain compliance, compounding the errors.

Removal of warning or information messages. This situation occurs when a fund can locate the members' account but acknowledges that the data provided is incorrect. Currently the fund may send a warning message to employers in response, but

this does not change the source data due to the contribution having already been processed, nor does it change employer behavior as it does not incentivize the employer to make any changes to the data at source. Moving these warnings to hard rejections may lead initially to an increase in error rates, but over the medium to long term, it will improve data quality within the system.

Better communication of fund mergers and transfers to ensure employers always know where to direct their contributions. Thought may be given to the ability for intermediaries to redirect contributions when a fund has closed. At a minimum, changes to the fund details validation service, provided by the ATO, should include traceability between closing and new funds and this needs to be visible to employers.

Education of both employers and super fund members on actions they can take to help ensure successful processing of contributions. Employees must ensure they provide accurate and up to date super fund information to their employers, and they should monitor their super accounts to check contributions are being paid. Just as they would monitor that their salary/wages are deposited into their bank account. It's important for employers to take the time up front to get the right information from their employees and process it through the payroll system. The revision of rules, referred to in the Treasury factsheet, will assist here.

Governance of the use of the Data and Payments Standards including standardised, consistent and meaningful error feedback that passes validation requirements. Implementation of measurements across the system to ensure continuous improvements resulting in a reduction of errors over time.

In Conclusion

The implementation of Payday Super presents a significant opportunity for all stakeholders in the superannuation ecosystem to collaborate in improving the efficiency and accuracy of contributions processing. As highlighted by the recent Treasury factsheet, the introduction of a seven-day deadline for super contributions underscores the requirement for transparent communication and collaboration among employers, employees, super funds, gateway operators, clearing houses, and digital service providers. By working collectively to ensure accurate data and timely resolution of issues, we can build on today's system to establish a streamlined contributions environment that effectively supports the Payday Super measure.

The challenges highlighted require a unified approach to problem-solving. It is crucial for employers to prioritize accurate data collection and for super funds to provide clear and consistent communication regarding member accounts. This collaborative effort can significantly reduce processing errors and improve compliance as we transition to the new framework.

As we move forward, let us recognize that each entity plays an integral role in building a reliable and efficient contributions ecosystem. Ongoing education, getting the data right up front, improved error messaging, and collaboration are key to achieving our shared goals. By combining our efforts, we can pave the way for a more effective and equitable superannuation system, ensuring all employees receive their rightful contributions in a timely manner. Together, we can transform the vision of Payday Super into a reality that benefits not just individual entities but the entire workforce, fostering trust and integrity within the system for years to come.

Reference links

• Payday Super factsheet (treasury.gov.au)

* Sample taken of 625,000 error messages from participants within the STN. This is a sample only and may not be indicative of all entities' experience within the super ecosystem.