



INSIGHTS

MySuper Product Heatmap – Fees and costs update and other observations

30 June 2020

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Foreword

On 10 December 2019, APRA published its first heatmap providing assessments of the performance of every MySuper superannuation product. The innovative new tool uses a graduated colour scheme to provide credible, clear and comparable insights into MySuper products across three areas: investment performance, fees and costs, and sustainability of member outcomes.

The publication of the MySuper Product Heatmap (the Heatmap) was further demonstration of APRA's commitment to improving outcomes for superannuation members, which is one of the four key strategic focus areas outlined in APRA's 2019-2023 Corporate Plan. By enhancing industry transparency, the Heatmap seeks to drive a culture among trustees of continuous improvement in delivering quality outcomes to members, including addressing persistent underperformance by some funds. For further background on the Heatmap, including its objectives and use, refer to the *Information Paper: Heatmap – MySuper products*.¹

The Heatmap is not static. APRA intends to refine its methodology, incorporate new metrics (such as insurance), and update the Heatmap periodically to reflect changes – ideally improvements – in fund performance over time. APRA also intends, in time, to expand the Heatmap to include choice products and options.

The first update to the Heatmap, published in conjunction with this paper, contains updated data on fees and costs applying to MySuper products (as at 29 May 2020), reflecting changes since the Heatmap was launched last December. APRA has not updated the Heatmap data in relation to investment performance or sustainability of member outcomes as changes in these areas are expected to manifest over a longer timeframe. As such, the investment performance and sustainability metrics in the Heatmap remain based on data provided up to 30 June 2019 and are unchanged from the December Heatmap. These metrics will be updated when APRA publishes a complete refresh of the Heatmap later this year, in line with APRA's commitment to refresh the Heatmap at least annually.

APRA acknowledges the recent material volatility in financial market conditions will impact investment performance across the industry and lead to changes in the outcomes for MySuper products based on the performance assessment measures used in the Heatmap. APRA will consider this in its annual refresh of the Heatmap and provide commentary on these impacts when it is released later in the year.

The primary focus of this Insights Paper is on superannuation fees and costs. Its purpose is to provide industry stakeholders with an update on fee changes made by trustees over the past six months. These insights, however, should not be considered in isolation as product fees and costs need to be considered in the context of the trustee's product offering and business operations. The paper also provides some commentary on actions taken in relation to investment underperformance, and APRA's observations on a few other areas of industry practices relevant to the Heatmap. APRA welcomes feedback from all stakeholders as it

¹ <https://www.apra.gov.au/mysuper-product-heatmap>

continues to evolve its member outcomes analysis, including consideration of other areas relating to MySuper products (such as insurance) and extending the analysis to choice products and investment options. Feedback can be emailed to MemberOutcomes@apra.gov.au.

Executive summary

A key objective of APRA's strategic focus area to improve outcomes for superannuation members is to improve efficiency across the industry, including with respect to fees and costs, while maintaining high standards of governance and risk management.

The assessment of fees and costs for APRA-regulated superannuation funds is inherently complicated. Trustees must charge fees that are sufficient to pay for the technology, systems, staff and other operational costs needed to safely and successfully invest (in some cases billions of dollars of) their members' money. By charging fees, however, trustees erode the account balances that members will rely on in retirement. Managing the tension between these two realities in a way that meets their members' best interests is therefore one of the most important roles that the trustee of any superannuation fund must perform. As the prudential regulator, APRA's role is to ensure that trustees are doing so.

Launched last December, APRA's MySuper Product Heatmap intends to lift industry standards and enhance member outcomes by highlighting which products are underperforming and the areas where they need to improve. The Heatmap clearly showed significant variation in outcomes across MySuper products in the areas of investment performance and fees and costs.

APRA continues to intensify its focus on the trustees of underperforming MySuper products to determine the drivers of their underperformance and ensure they are taking action to address these in a timely manner. APRA's continued focus on driving improved outcomes for members has contributed to the exit of seven MySuper products whose members were transferred into products with lower fees and costs and/or better historic investment performance², which should result in better outcomes for their members.

Six months on, the publication of an updated Heatmap containing refreshed data on fees and costs enables APRA to demonstrate the impact of both the Heatmap and APRA's subsequent supervisory engagement, reflected in the fee changes made by trustees.

APRA's analysis of the new data on fees and costs for the 90 MySuper products still operating provides three key insights:

- **INSIGHT #1:** Total fees and costs disclosed have decreased overall across MySuper products since publication of the December 2019 Heatmap. The estimated net saving to members based on the reduced total fees and costs disclosed was \$110 million (or 1.4 per cent of estimated total MySuper annual fees and costs paid) per annum, with an estimated 42 per cent of total MySuper member accounts having lower disclosed fees and costs.
- **INSIGHT #2:** Administration fee structures remain largely unchanged across MySuper products, with some exceptions.

² Past performance is not necessarily an indicator of future performance.

- **INSIGHT #3:** MySuper products charging relatively high fees and costs in December 2019 continue to have relatively high fees and costs, and hence have more work to do to bring their fees and costs down.

There are many factors that impact fees and costs. This includes structural changes in the superannuation industry, including the consolidation of funds and member accounts, which would be expected to lead to improved efficiencies over time. There are also other challenges and changes in the operating environment that impact fees and costs. In particular, the COVID-19 crisis in recent months has had a significant impact on the broader economy and superannuation industry, with some effects continuing to play out and expected to be long-lasting. These may result in volatility in operating expenses and fee revenue due to declining asset values, reduced superannuation guarantee contributions, and increased fund outflows and account closures from the early release scheme. Critically, they all have the potential to adversely impact member outcomes.

To continue to meet the needs and expectations of members, trustees will need to manage their expenditure to enable the required investment to support provision of their products and member services. As such, APRA does not consider that a 'race to the bottom' in operating costs is appropriate if improved outcomes for members are to be sustained over the long term.

However, consistent with expectations set out in *Prudential Standard SPS 515 Strategic Planning and Member Outcomes*, trustees must be rigorous in reviewing their strategic and business plans in light of the current environment and pay particular attention to their operational efficiency and expenditure management. In doing so, a trustee will need to consider the sustainability of its operating model, including setting appropriate fee structures to cover reasonable operating expenses but also appropriately managing the tension with acting in members' best interests to deliver quality outcomes over the longer term.

At an aggregate level, the MySuper products with the highest total fees in December 2019 have lowered their fees over the last six months. However, for most of these the reduction was not sufficient to improve the position of the MySuper products relative to others, so they remain underperforming.

APRA notes that further action by trustees, including fee reductions and product rationalisation programs, are underway and have not been fully implemented. Once implemented in full, APRA expects further improvements to be realised for members, and those outcomes will be reflected in future Heatmap publications. Additionally, there are a number of trustees undertaking fee reviews that have yet to demonstrate their actions to address the underperformance.

APRA also observed that some trustees sought to justify the higher fees on the basis that they offered their members a 'premium' service. APRA expects that trustees are able to demonstrate that services and fees and costs charged are consistent with the original intent of MySuper products – that they are simple, cost effective and well-designed products that contain basic features required by most members, and take appropriate action if not.

APRA will be proactively engaging with relevant trustees to ensure they implement, in a timely way, plans to improve outcomes for their members. Where trustees of MySuper products that continue to underperform are not taking appropriate action, APRA will

strengthen its supervisory actions and where necessary consider appropriate coercive actions to ensure member outcomes are improved.

Trustees of consistently poor performing funds, or funds with sustainability challenges should strongly consider options to merge or exit the industry unless they are able to demonstrate they are in a position to materially and sustainably improve outcomes for their members in a very timely manner. This would also be expected to be reflected in the Board-endorsed strategy for the fund, and supported by robust planning that enabled close monitoring to ensure the expected improvements were delivered.

MySuper products

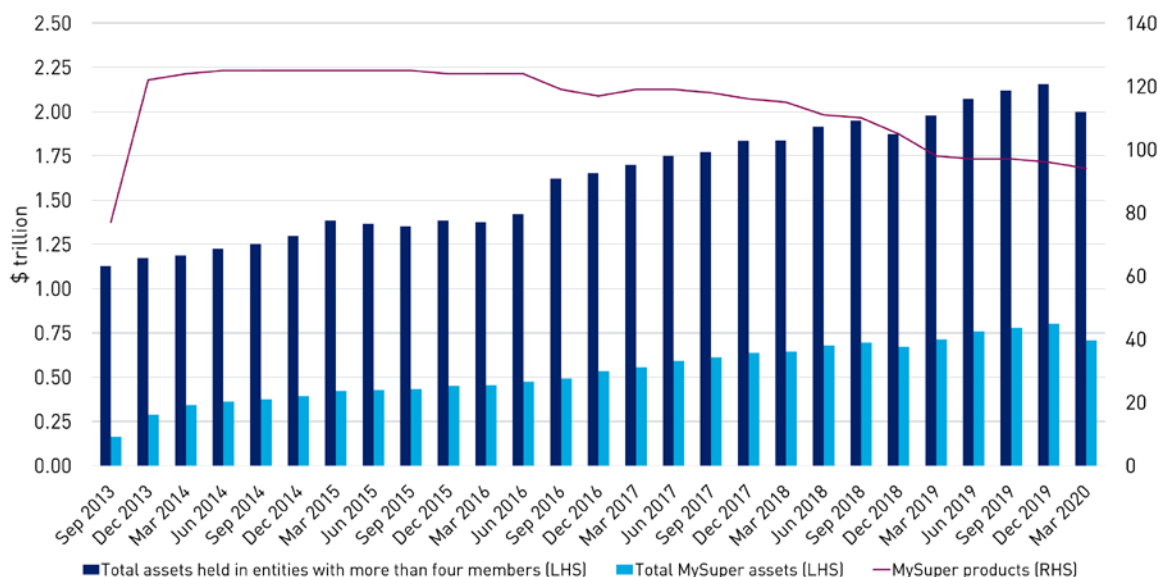
MySuper products play a critical role in the industry, as they are default products to which Superannuation Guarantee (SG) contributions are directed in the absence of employee choice. Members who contribute to default funds chosen by their employers are often disengaged members, so it is imperative that MySuper products are simple, cost effective and well-designed.

The superannuation industry continues to develop and mature, with total assets as at 31 March 2020 of \$2.7 trillion. Of this total, \$1.9 trillion resides in APRA-regulated superannuation entities. Total assets held in MySuper products was \$0.7 trillion, representing 38 per cent of total assets held in APRA-regulated superannuation entities.

Since the inception of MySuper in 2013, the number of MySuper products has been declining. This product consolidation has continued since December 2019, with seven MySuper products ceasing over the last six months.³ Refer to Appendix A for the list of MySuper products that have closed since the December 2019 Heatmap was published.

Figure 1 shows the growth in assets held in MySuper products and superannuation entities with more than four members, and the decline in the number of MySuper products since the inception of MySuper.⁴

Figure 1 – MySuper assets and products from September 2013 to March 2020

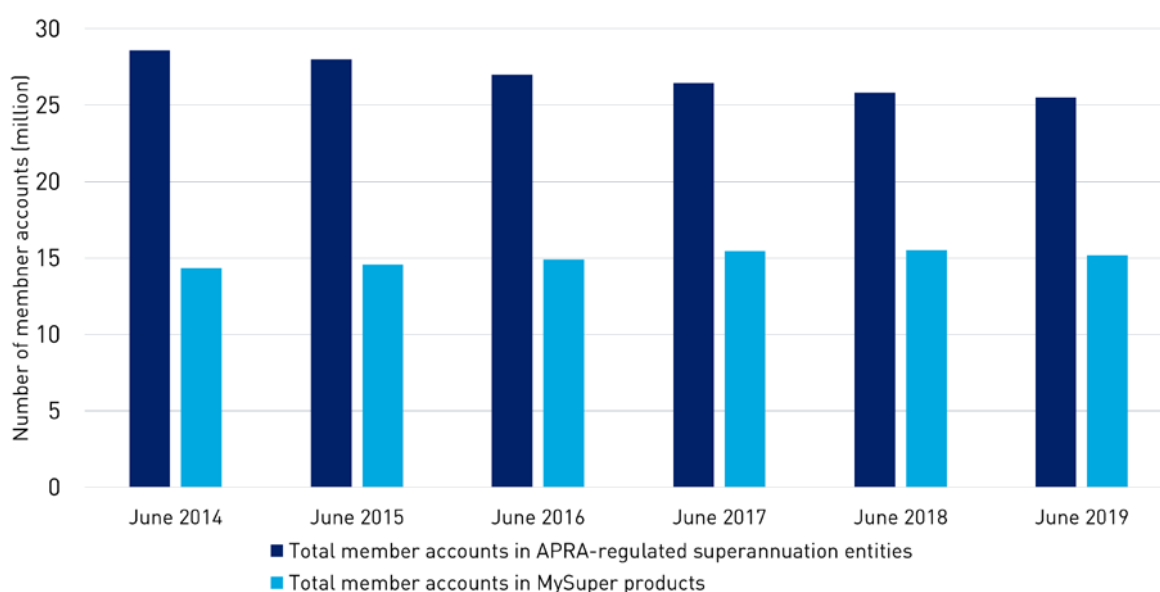


³ Ceased refers to the situation where the MySuper product or lifecycle stage is no longer offered to members and the value of assets in that product or lifecycle stage is nil.

⁴ Source: March 2020 edition of the [Quarterly Superannuation Performance Statistics](#).

The number of member accounts in the industry has reduced steadily in recent years with the consolidation of multiple accounts and regulatory initiatives such as the *Protecting Your Superannuation Package* (PYSP) transferring inactive and low balance accounts to the ATO. The number of member accounts in APRA-regulated superannuation entities as at 30 June 2019 was 25.5 million, as shown in **Figure 2**. The number of MySuper member accounts have remained steady since the inception of MySuper, totalling 15.2 million in 30 June 2019. As APRA currently collects membership data annually, reduction of total MySuper member accounts due to the transfer of inactive, low account balance member accounts arising from the PYSP measures is not reflected in APRA's latest annual data.

Figure 2 – Trend of total member accounts in APRA-regulated superannuation entities and in MySuper products to June 2019



⁵ Source: June 2019 edition of the [Annual Superannuation Bulletin](#). Member accounts data includes MySuper products that have since ceased.

Data insights – fees and costs

The Heatmap provides insights into the fees structure for each MySuper product across five representative member account balances of \$10,000, \$25,000, \$50,000, \$100,000 and \$250,000.⁶

The fees and costs data underlying the June 2020 Heatmap is sourced from data reported to APRA under SRS 703.0 as at 29 May 2020. SRS 703.0 collects the fees and costs data that is disclosed in product disclosure statements (PDS). The indirect cost ratio (ICR) data for each lifecycle product's lifecycle stage is sourced from the latest PDS.⁷ The analysis in this paper compares this data to fees and costs data as at 15 November 2019 published in the December 2019 Heatmap.

This section of the Insights Paper provides system-level estimates of changes to administration fees, investment fees and ICR, and total fees and costs paid per annum. The estimates for the industry-level changes are based on the aggregate changes to each MySuper product's fee structure, across the 90 MySuper products in the June 2020 Heatmap. More information on the methodology can be found in Appendix B.

Analysis of the fees and costs data between the period of the December 2019 Heatmap and June 2020 Heatmap highlights three key insights:

- Insight #1 - Total fees and costs disclosed have decreased overall across MySuper products since publication of the December 2019 Heatmap.
- Insight #2 - Administration fee structures remain largely unchanged across MySuper products, with some exceptions.
- Insight #3 - MySuper products charging relatively high fees and costs in December 2019 continue to have relatively high fees and costs.

Insight #1- Total fees and costs disclosed have decreased overall across MySuper products since publication of the December 2019 Heatmap

In the six months since APRA published its inaugural Heatmap, many trustees have undertaken reviews of their fee structures and updated their PDSs, resulting in reductions in disclosed fees and costs for millions of MySuper product member accounts.

To estimate the aggregate impact of the disclosed fees and costs changes, *Figure 3* shows the calculated changes in the fees and costs components based on the fee structures published in the December 2019 and June 2020 Heatmaps. The MySuper member benefits

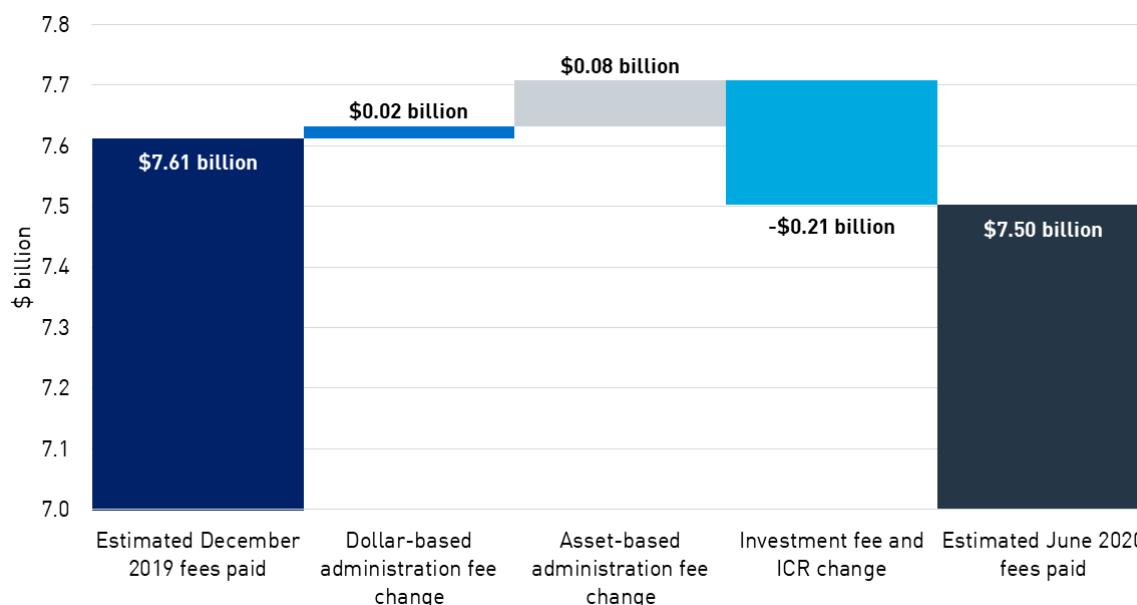
⁶ More information on Heatmap methodology can be found in the [Information Paper: Heatmap - MySuper Products \[November 2019\]](#)

⁷ The ICR represents the ratio of the total of the indirect costs for a MySuper product, to the total average net assets of the superannuation entity attributed to the MySuper product. It is a calculation based on the backward-looking costs incurred, and in making this calculation it may be necessary for a trustee to make reasonable estimates for some of the costs.

and number of accounts in the superannuation system has been held constant for this purpose, using data as at 30 June 2019. Although the number of member accounts and account balances would have changed over this time period, the calculation in Figure 3 provides an apples to apples comparison of fee structures.

APRA estimates the net saving to members based on the reduced total disclosed fees and costs was \$110 million (or 1.4 per cent of estimated total MySuper annual fees and costs paid) per annum.

Figure 3 – Estimated change in fees and costs paid per annum by MySuper products in December 2019 and June 2020



Of the 90 MySuper products still operating, 30 MySuper products have lowered total disclosed fees and costs across all representative account balances (and for lifecycle products, across all lifecycle stages) in the Heatmap since December last year, while 11 products have increased total disclosed fees and costs.

In the June 2020 Heatmap, the estimated weighted-average total fees and costs paid per member account, across all account balances, was \$518. This has decreased from an estimated \$525, based on the fee structures in the December 2019 Heatmap. APRA also estimates that of the 14.5 million member accounts across the 90 MySuper products⁸, 10.0 million member accounts had a change in total disclosed fees and costs, which includes:

- products with 6.1 million MySuper member accounts (or 42 per cent of total MySuper member accounts) experiencing a reduction in total disclosed fees and costs since the December 2019 Heatmap. For these members, the estimated average reduction per member account, across all account balances, was \$33 per annum, from \$455 in December 2019 to \$422 in June 2020; and

⁸ Member accounts count excludes the seven MySuper products that have since ceased.

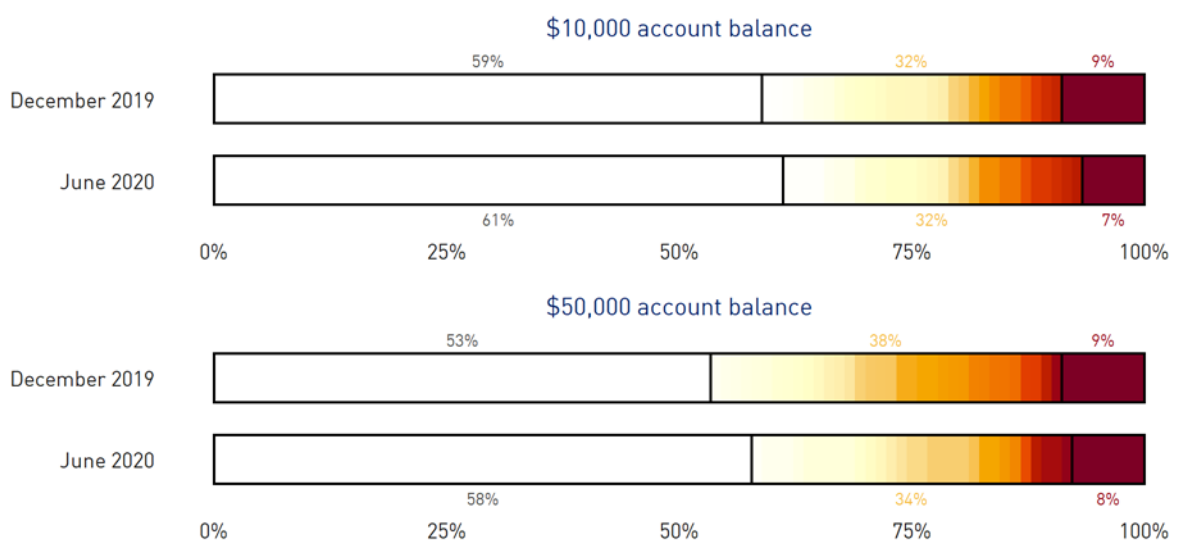
- products with 3.8 million MySuper members (or 26 per cent of total MySuper member accounts) experiencing an increase in total disclosed fees and costs. For these members, the estimated average increase per member account, across all account balances, was \$24 per annum, from \$440 in December 2019 to \$464 in June 2020.

Figure 4 demonstrates the changes in total disclosed fees and costs across products with different fee levels, by showing the distribution of Heatmap colours in December 2019 and June 2020 based on the MySuper product population in June 2020.⁹ Consistent with Insight #1, MySuper members are paying less in total fees and costs per annum as there are more MySuper products with no colour in the June 2020 Heatmap.

For example, in the case of the \$10,000 representative member account balance:¹⁰

- The proportion of MySuper products with no colour has increased from 59 per cent to 61 per cent; and
- The proportion of MySuper products above the threshold level for significant underperformance (i.e. having a crimson colour) has decreased from nine per cent to seven per cent.

Figure 4 – Total disclosed fees and costs colour distribution



Investment fees and ICR

As shown in Figure 3, the reduction in total disclosed fees and costs across the industry was driven primarily by reductions in the investment fees and ICR components of total disclosed fees and costs, continuing its declining trend in recent years. Since the December 2019 Heatmap, 30 out of 90 products have lowered their investment fees and/or ICR and eight products increased their investment fees and/or ICR. Over half of all MySuper products (47

⁹ Refer to Appendix C for the colour graduation levels for each fees and costs metric in the Heatmap.

¹⁰ Refer to Appendix D for the colour distribution of total disclosed fees and costs across the \$25,000, \$100,000 and \$250,000 member account balances.

out of 90) did not change their investment fees and/or ICR. The remaining five products were lifecycle products with varying changes across their lifecycle stages.

Based on reductions in investment fees and ICRs disclosed since the December 2019 Heatmap, there has been a net decrease of \$206 million per annum to MySuper member accounts, with:

- an estimated 6.0 million MySuper member accounts (or 42 per cent of total MySuper member accounts) having had a reduction in investment fees and/or ICR since the 2019 Heatmap; for these members, the estimated average saving per member account across all account balances was \$39 per annum, from \$314 to \$275; and
- an estimated 1.8 million member accounts that had an increase to their investment fees and/or ICR; for these members, the estimated average increase per member was \$19, from \$274 to \$293 per annum.

APRA has not undertaken further analysis of the investment fees and ICR for each MySuper product in the Heatmap, as different investment approaches and strategies incur different levels of investment fees and indirect costs. This needs to be considered when assessing the overall outcomes delivered to members given the particular investment strategy adopted; APRA will provide an assessment of investment fees and ICR based on net returns once the MySuper Product Heatmap is updated for the June 2020 annual data.

Insight #2 - Administration fee structures remain largely unchanged across MySuper products, with some exceptions

Although total disclosed fees and costs have fallen, the administration fee component of total disclosed fees and costs is largely unchanged for many member accounts.

Since the December 2019 Heatmap was published, 76 of 90 MySuper products have kept their administration fee structures the same. Of the 14 products that have altered their administration fee structures, across the representative account balances:

- three products decreased their administration fees;
- 10 products increased their administration fees; and
- one product has increased administration fees for some representative account balances and decreased fees for other representative account balances.

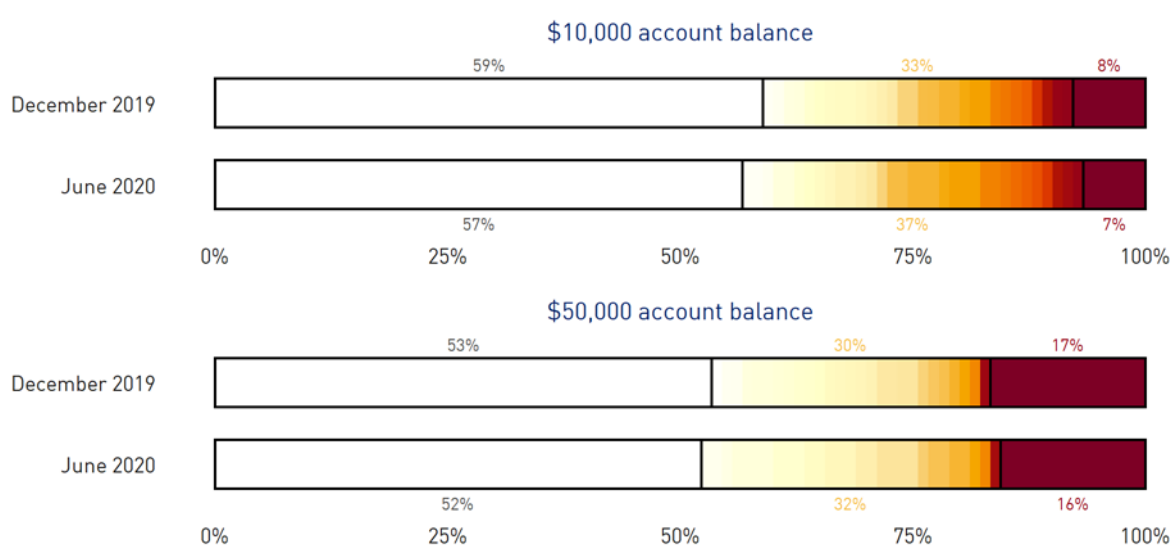
These changes resulted in an estimated:

- products with 3.3 million member accounts seeing an increase in administration fees (23 per cent of total MySuper member accounts). The estimated average increase per member account, across all account balances, was \$30 per annum, from \$138 to \$168; and
- products with 0.1 million member accounts with a decrease in their administration fees, with an estimated average saving per member account of \$27 per year from \$151 to \$124.

MySuper member accounts are estimated to be paying a net \$96 million more in administration fees. However the increase in administration fees is concentrated in MySuper products which had lower fees in the December 2019 Heatmap (no colour or lighter colour). An estimated 0.9 million members that had an increase in disclosed administration fees also saw a decrease in their investment fee and/or ICR, resulting in an overall decrease in total disclosed fees and costs at the product level compared to the fees published in the December 2019 Heatmap.

Similar to Figure 4, **Figure 5** shows the colour distribution of disclosed MySuper administration fees between the December 2019 and June 2020 Heatmaps based on the MySuper product population in June 2020. **Figure 5** shows for the \$10,000 account balance (i.e. lower account balances), changes in administration fees has resulted in more products with 'orange' and 'red' colour overlay compared to December 2019. This reflects the insight from the December 2019 Insights Paper that changes in administration fees, particularly dollar-based fees, have a larger impact on members with lower account balances. However changes in administration fees has not had a material impact on the colour distributions of the other four representative account balances compared to December 2019.¹¹

Figure 5 – Disclosed administration fees colour distribution



Some trustees indicated that administration fee increases were related to needing to change their fee structure in response to cost pressures or reductions in fee revenue, for example due to changes in their membership base. When making changes to the fee structure, trustees should consider the appropriateness of the revised fee structure, including the way fees are split between flat and variable components, and ensure that particular member cohorts are not unduly disadvantaged by the change.

¹¹ Refer to Appendix E for the colour distribution of administration fees across the \$25,000, \$100,000 and \$250,000 account balances.

APRA notes that the total administration and operating expenses for entities with more than four members has increased by 4.0 per cent per year over the last six years.¹² Many funds have been able to meet the increased expenses without material changes to fees structures or levels due to the sustained asset growth (from net cash flows and investment returns) in recent years. However the COVID-19 pandemic has had a significant and potentially long-lasting impact on the superannuation industry, including on some fee structures. Volatility in operating expenses and fee revenue arising from declining asset values, reduced superannuation guarantee contributions, and increased cash outflows and account closures from the COVID-19 Superannuation Early Release Scheme are expected to place some upward pressure on administration fees.

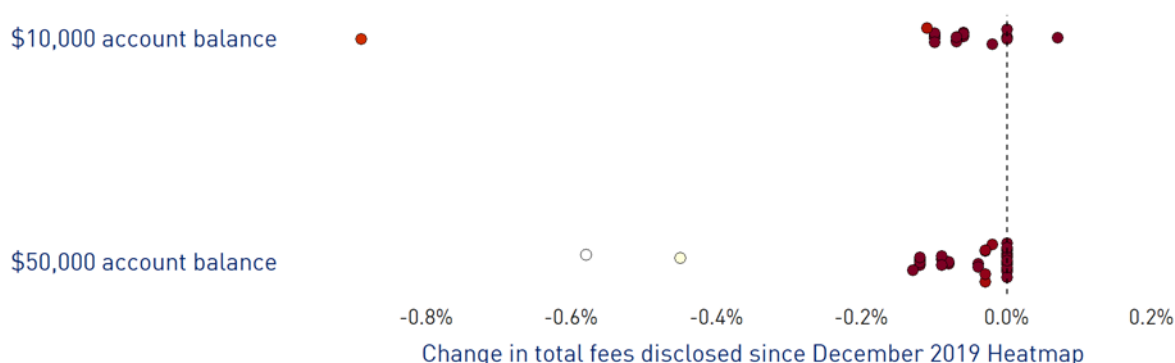
APRA will continue to monitor movements in administration fees as trustees respond to the current environment, and expects trustees to be able to provide the rationale for and drivers of any increases in administration fees and demonstrate that they are reasonable.

Insight #3 - MySuper products charging relatively high fees and costs in December 2019 continue to have relatively high fees and costs

While at an aggregate level MySuper fees and costs are lower, and noting the short time horizon since the first Heatmap release, further action is needed to address the relatively high fees and costs charged by some MySuper products.

For the products or lifecycle stages identified as having significantly high fees and costs relative to other MySuper products in the December 2019 Heatmap, *Figure 6* shows the changes in total fees and costs for the \$10,000 and \$50,000 representative member account balances, and the June 2020 Heatmap colour for these products. In only a small number of cases is the reduction in fees and costs sufficient to improve the product’s relative positioning, e.g. change the colour from crimson to yellow or white. The total disclosed fees and costs for the majority of these products have either remained unchanged or decreased by less than 10 basis points per annum for each representative account balance. The results are consistent for the \$25,000, \$100,000 and \$250,000 representative member account balances.

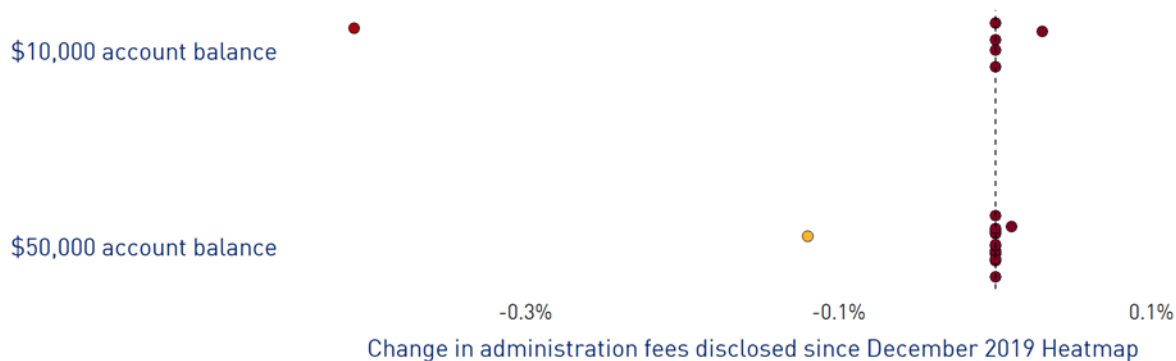
Figure 6 – Movements in total disclosed fees and costs for products that exceed the significant fee threshold in the December 2019 Heatmap



¹² Source: March 2020 edition of the *Quarterly Superannuation Performance Statistics*.

Similar to Figure 6, *Figure 7* illustrates the change in administration fees for the \$10,000 and \$50,000 representative member account balances. *Figure 7* shows that administration fees for these products have largely remain unchanged for the \$10,000 and \$50,000 representative account balances. The results are consistent for the \$25,000, \$100,000 and \$250,000 representative member account balances.

Figure 7 – Movements in disclosed administration fees for products that breached the significant fee threshold in the December 2019 Heatmap



APRA notes that some proposed fee reviews or fee reductions have not been completed or fully implemented, and will be reflected in future Heatmap publications. A number of product consolidation and simplification programs are also underway that APRA expects would generate improved operational efficiencies resulting in cost savings that would be expected to be passed onto their members, in the form of fee reductions.

APRA will ensure that the high fees and costs charged by some MySuper products is addressed by ensuring that the trustee’s action plans are implemented in full and in a timely manner. Where APRA assesses the trustee’s response to underperformance to be unsatisfactory, APRA will strengthen its supervisory actions and where necessary consider appropriate coercive action to require these trustees to address APRA’s concerns.

Other observations – fees and costs

MySuper product offering

MySuper products play a critical role in the industry, as they are default products to which SG contributions are directed in the absence of employee choice. Consistent with the Government's intent¹³, MySuper products are expected to be simple, cost effective and well-designed products that contain basic features required by most members. Principally, MySuper was designed with two groups of members in mind:

- those who take (initially) no real interest in their super; and
- those who choose to be in a large, low-cost and well-managed product where the investment strategy is designed and implemented by the trustee.¹⁴

A number of trustees identified as having high administration fees in the December 2019 Heatmap indicated to APRA that their decision to offer 'premium' services was the driver for their fee levels. These trustees contended that the availability and value proposition of the 'premium' services to their members improved the financial outcomes for members in retirement, such as by improving member engagement, or influencing members to make an investment choice, make voluntary contributions, and/or consolidate accounts.

APRA recognises that trustees offer various levels of service within their MySuper products depending on the needs of their membership. However, APRA's view is that 'premium' offerings without adequate substantiation as to how such services contribute to improved outcomes is inconsistent with the original intent of MySuper.

Consistent with their obligations to promote the financial interests of beneficiaries¹⁵, trustees must be able to demonstrate that their product offering is appropriate for MySuper members. Where the MySuper product's fees are high due to the provision of 'premium' features and services, a trustee must be able to demonstrate to APRA's satisfaction and based on robust analysis, how the higher administration fees for 'premium' services are contributing to improved financial outcomes to members. APRA will maintain its supervisory focus on the relevant trustees and take appropriate action to ensure its expectations are met.

¹³ Refer to Explanatory Memorandum Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011

¹⁴ [Review of the Governance, Efficiency, Structure and Operation of Australia's Superannuation System](#)

¹⁵ Refer to s 52(12) of the SIS Act.

Reporting of fees and costs data collected under SRS 703.0

Quality and timely data is required to be reported to APRA under the *Financial Sector (Collection of Data) Act 2001* (FSCODA). APRA uses the data for its supervisory and policy purposes, including Heatmaps. APRA notes varying levels of compliance with the instructions for reporting fees and costs under SRS 703.0. In particular, trustees are reminded of their obligation to:

- report fees and costs gross of tax obligations; and
- provide the information required by SRS 703.0 within 28 calendar days after an updated PDS takes effect, as per the ad-hoc obligations under SRS 703.0.

APRA is investigating data submissions to ensure that fees and costs are reported gross of tax obligations, as poor compliance can affect the comparability of fees and costs. Disclosing fees and costs gross of tax obligations is also a requirement for product disclosure statements in ASIC's *Regulatory Guide 97: Disclosing fees and costs in PDSs and periodic statements*.¹⁶

Trustees are reminded of their legal obligation to comply with the Reporting Standards. Where reporting to APRA is found to either be incorrect, incomplete or misleading, APRA will take appropriate enforcement action.¹⁷

¹⁶ [Regulatory Guide 97: Disclosing fees and costs in PDSs and periodic statements \[29 November 2019\]](#)

¹⁷ [APRA's Enforcement Approach \[3 September 2019\]](#)

Investment performance update

Actions taken and observations since December 2019 Heatmap

Since the release of the Heatmap in December, APRA has intensified its supervision of trustees of products with clear investment underperformance. Trustees have been required to identify the reasons behind their underperformance and, where appropriate, take action to improve investment performance going forward. APRA will use the learnings from these interactions to inform its review of *Prudential Standard SPS 530 Investment Governance* (SPS 530), likely to be released for consultation in early 2021.

The December 2019 Heatmap assessed the investment performance of MySuper products against reference and benchmark portfolios and relative to other MySuper products over three and five-year periods, reflecting the longest data history available to APRA at the time. As long-term investment returns are one of the leading drivers of members' outcomes, trustees are expected to use the Heatmap as a tool to identify where improvements could be made to their MySuper product and consider it as part of their implementation of *Prudential Standard SPS 515 Strategic Planning and Member Outcomes*.

The time horizon of the Heatmap may lead some trustees to conclude that their underperformance is driven by the market environment over this period. Where a trustee concludes that no action should be taken in relation to their underperformance, APRA expects that this decision would be supported by robust analysis of all aspects of their investment philosophy, investment strategy and implementation. APRA is reviewing planned actions and challenging trustees, particularly where a trustee concludes that no action is required.

Trustees must consider any planned actions in the context of their investment governance framework, required under SPS 530. Under this standard, all trustees are required to implement a sound investment governance framework and manage their investments in a manner that is consistent with the interests of their members. This includes monitoring the performance of their MySuper product(s), including undertaking attribution analysis, and taking appropriate action to address any underperformance.

As part of APRA's supervisory activity, APRA has required the trustees of some underperforming MySuper products to put into effect Board-approved action plans to improve performance. These plans have included Board-approved changes to:

- investment governance frameworks, including investment philosophy and processes to manage investment risk;
- investment strategy, including product structure and strategic asset allocation; and
- the implementation of investment strategies, including underlying investment managers and investments.

Trustees should be able to demonstrate how their actions are expected to lead to an improvement in investment outcomes for members. APRA will monitor how the actions taken

manifest into improvement in outcomes in future Heatmap publications, and would (generally) expect to see evidence of improvements within 12-18 months of Heatmap publication. However APRA acknowledges the recent material volatility in financial market conditions will impact investment performance across the industry and lead to changes in the outcomes for MySuper products based on the performance assessment measures used in the Heatmap. APRA will consider this in its annual refresh of the Heatmap and provide commentary on these impacts when it is released later in the year.

Resubmissions of asset allocation data collected under SRS 533.0

A number of resubmissions have been made to the investment data, in particular to data on asset allocation collected under SRS 533.0, since the release of the Heatmap.

APRA is investigating data resubmissions and requesting evidence to support resubmissions that materially affect the assessment of a MySuper product's performance in the Heatmap. As the Heatmap uses the strategic asset allocation in the investment performance calculations, APRA expects trustees to provide documentation such as Board-approved investment strategies, relevant investment committee papers or minutes to substantiate any resubmissions of strategic asset allocation.

Trustees are reminded of their legal obligation to comply with the relevant Reporting Standard definitions when reporting data to APRA. Where data submissions are found to either be incorrect, incomplete or misleading, APRA will take appropriate enforcement action. Trustees should consult with their supervisor in advance of making any data resubmissions.

Appendix A – MySuper population and product changes since the 2019 Heatmap

MySuper population changes

Effective date	RSE	MySuper product	Type of change
31 October 2019	Club Super	Club MySuper	RSE wind-up, transferred to HOSTPLUS
27 February 2020	Westpac Mastertrust – Superannuation Division	BT Business MySuper	Product ceased, transferred to Retirement Wrap
2 April 2020	AMP Superannuation Savings Trust	Australia Post MySuper	Product ceased, transferred to AustralianSuper
29 April 2020	AMP Superannuation Savings Trust	Anglican National MySuper	Product ceased, transferred to Mercer Super Trust
15 May 2020	AMP Retirement Trust	AMP MySuper No.1	Product ceased, consolidated to Super Directions Fund's 'AMP MySuper No. 2' product
15 May 2020	Super Directions Fund	AMP MySuper No.3	Product ceased, consolidated to Super Directions Fund's 'AMP MySuper No. 2' product
1 June 2020	Pitcher Retirement Plan	Pitcher Retirement Plan MySuper	RSE wind-up, transferred to equisuper

MySuper product changes

Effective date	RSE	MySuper product	Type of change
1 December 2019	Maritime Super	MySuper investment option	Change from single strategy product to lifecycle product with two stages
28 March 2020	Russell Investments Master Trust	GoalTracker	Change from single strategy product to lifecycle product with 41 stages

Appendix B – Example fees and costs paid calculation

The 'Data insights – fees and costs' section of this Insights Paper contains system-level estimates for administration, investment and ICR, and total fees and costs paid per annum. This calculation enables comparisons between the fee structures underlying the December 2019 Heatmap and June 2020 Heatmap by using the latest available information for total member benefits and member accounts and holding these factors constant.

The estimates for administration, investment and ICR, and total fees are:

- *Estimated administration fees = (Number of member accounts × dollar based administration fee disclosed p. a.) + (total members' benefits × asset based administration fee p. a.)*
- *Estimated investment fees and ICRs = (total members' benefits × investment fee and ICR disclosed p. a.)*
- *Estimated total fees and costs = Estimated administration fees + Estimated investment fees and ICRs*

The total member accounts and members' benefits data is sourced from data collected under Reporting Standard SRS 610.2 Membership Profile; the June 2019 edition of the Annual MySuper Statistics publishes product-level data for each MySuper product.

A simple example of how the fees and costs paid per annum by members are estimated is provided below.

Consider the example of two MySuper products, ADV MySuper (a single strategy product) and FUJ MySuper (a lifecycle product), and their fee structures as follows:

MySuper product	Dollar-based administration fee per annum	Asset-based administration fee per annum	Investment fee and ICR per annum
ADV MySuper	\$78	0.6%	0.3%
FUJ MySuper	-	-	-
<i>FUJ MySuper Lifestage 1</i>	\$50	0.2%	0.8%
<i>FUJ MySuper Lifestage 2</i>	\$50	0.2%	0.6%
<i>FUJ MySuper Lifestage 3</i>	\$50	0.2%	0.4%

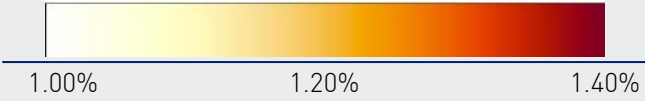
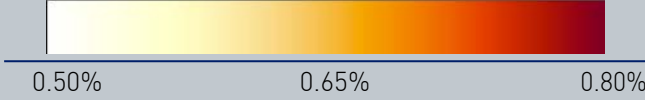
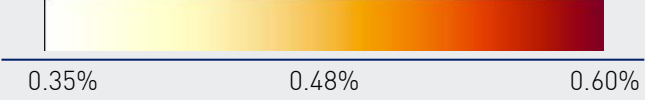
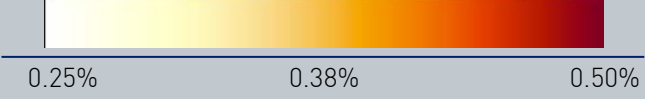
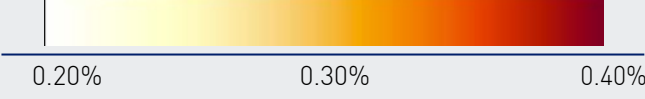
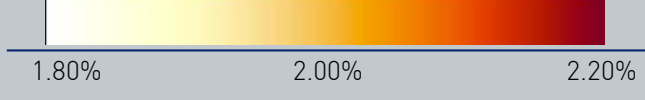
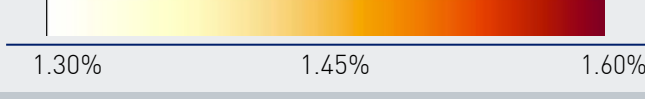
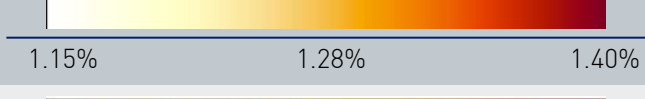
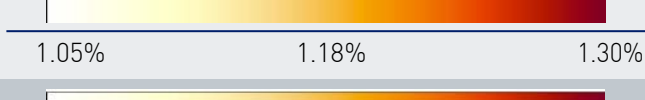
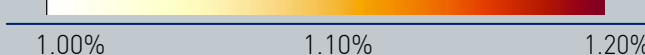
The estimates of the administration, investment and ICR, and total fees and costs paid for ADV MySuper and FUJ MySuper can be found in the following table.

MySuper product	Total member benefits	Total member accounts	Estimated administration fees	Estimated investment fees and ICR	Estimated total fees
ADV MySuper	\$24,988,012,000	490,000	\$188,148,072	\$74,964,036	\$263,112,108
FUJ MySuper	\$954,140,000	18,621	\$2,839,330	\$7,099,632	\$9,938,962
<i>FUJ MySuper Lifestage 1</i>	<i>\$700,269,000</i>	<i>15,222</i>	<i>\$2,161,638</i>	<i>\$5,602,152</i>	<i>\$7,763,790</i>
<i>FUJ MySuper Lifestage 2</i>	<i>\$240,998,000</i>	<i>3,111</i>	<i>\$637,546</i>	<i>\$1,445,988</i>	<i>\$2,083,534</i>
<i>FUJ MySuper Lifestage 3</i>	<i>\$12,873,000</i>	<i>288</i>	<i>\$40,146</i>	<i>\$51,492</i>	<i>\$91,638</i>

APRA acknowledges that in reality the fees and costs paid by members would fluctuate with changes in the underlying value of members' benefits, and changes in membership base. APRA has conducted this analysis at the product level, as it does not currently collect member-level data; as a result, fee caps were not considered.

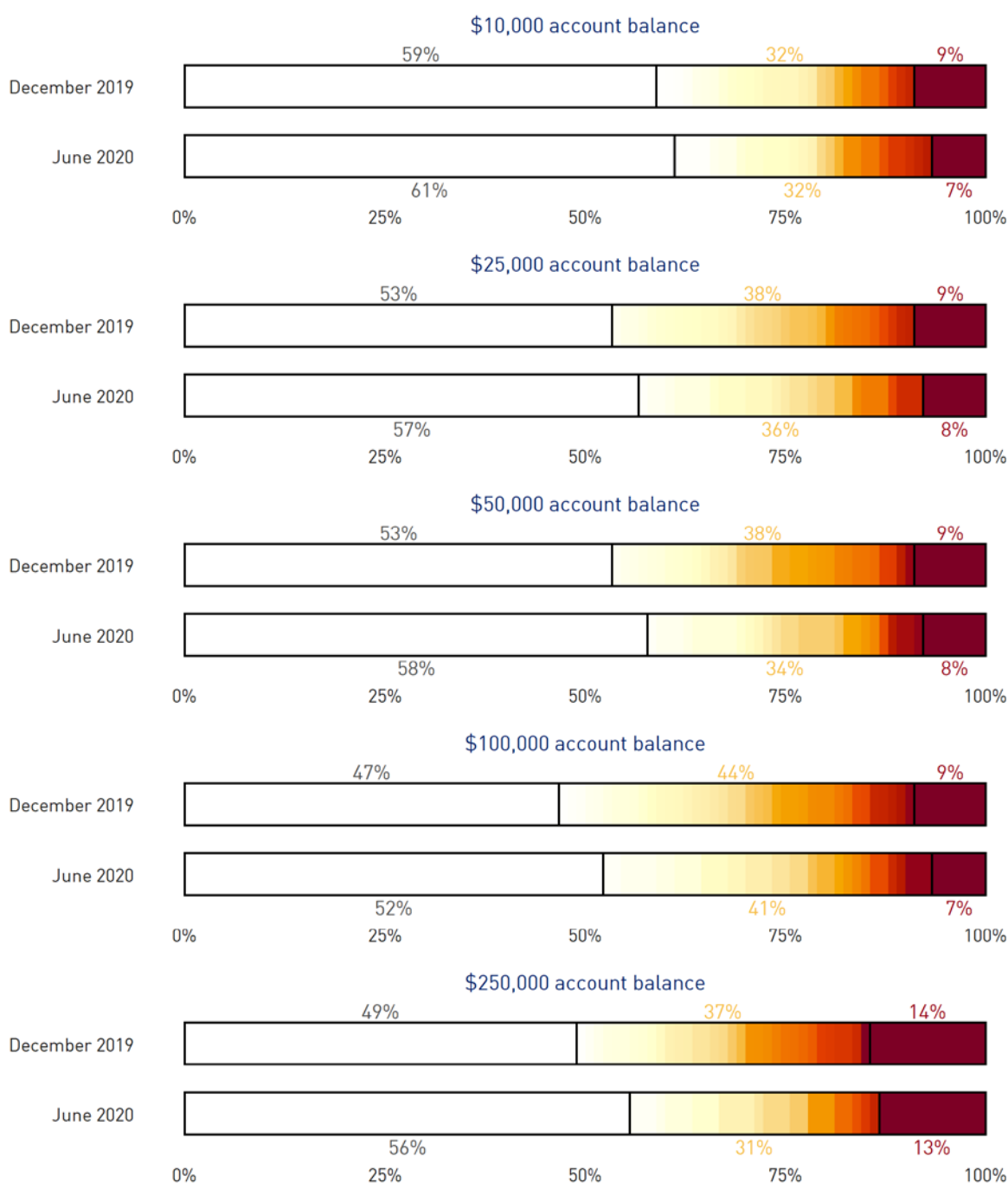
Appendix C – Colour graduation for fees and costs metrics

The thresholds used to determine the colour overlay in the June 2020 fees and costs Heatmap update have not changed from the 2019 Heatmap, however the threshold levels will be reviewed in future Heatmap releases.

Fees and costs metric	Colour Graduation
Administration fees disclosed (% of \$10,000 account balance)	 <p>1.00% 1.20% 1.40%</p>
Administration fees disclosed (% of \$25,000 account balance)	 <p>0.50% 0.65% 0.80%</p>
Administration fees disclosed (% of \$50,000 account balance)	 <p>0.35% 0.48% 0.60%</p>
Administration fees disclosed (% of \$100,000 account balance)	 <p>0.25% 0.38% 0.50%</p>
Administration fees disclosed (% of \$250,000 account balance)	 <p>0.20% 0.30% 0.40%</p>
Total fees disclosed (% of \$10,000 account balance)	 <p>1.80% 2.00% 2.20%</p>
Total fees disclosed (% of \$25,000 account balance)	 <p>1.30% 1.45% 1.60%</p>
Total fees disclosed (% of \$50,000 account balance)	 <p>1.15% 1.28% 1.40%</p>
Total fees disclosed (% of \$100,000 account balance)	 <p>1.05% 1.18% 1.30%</p>
Total fees disclosed (% of \$250,000 account balance)	 <p>1.00% 1.10% 1.20%</p>

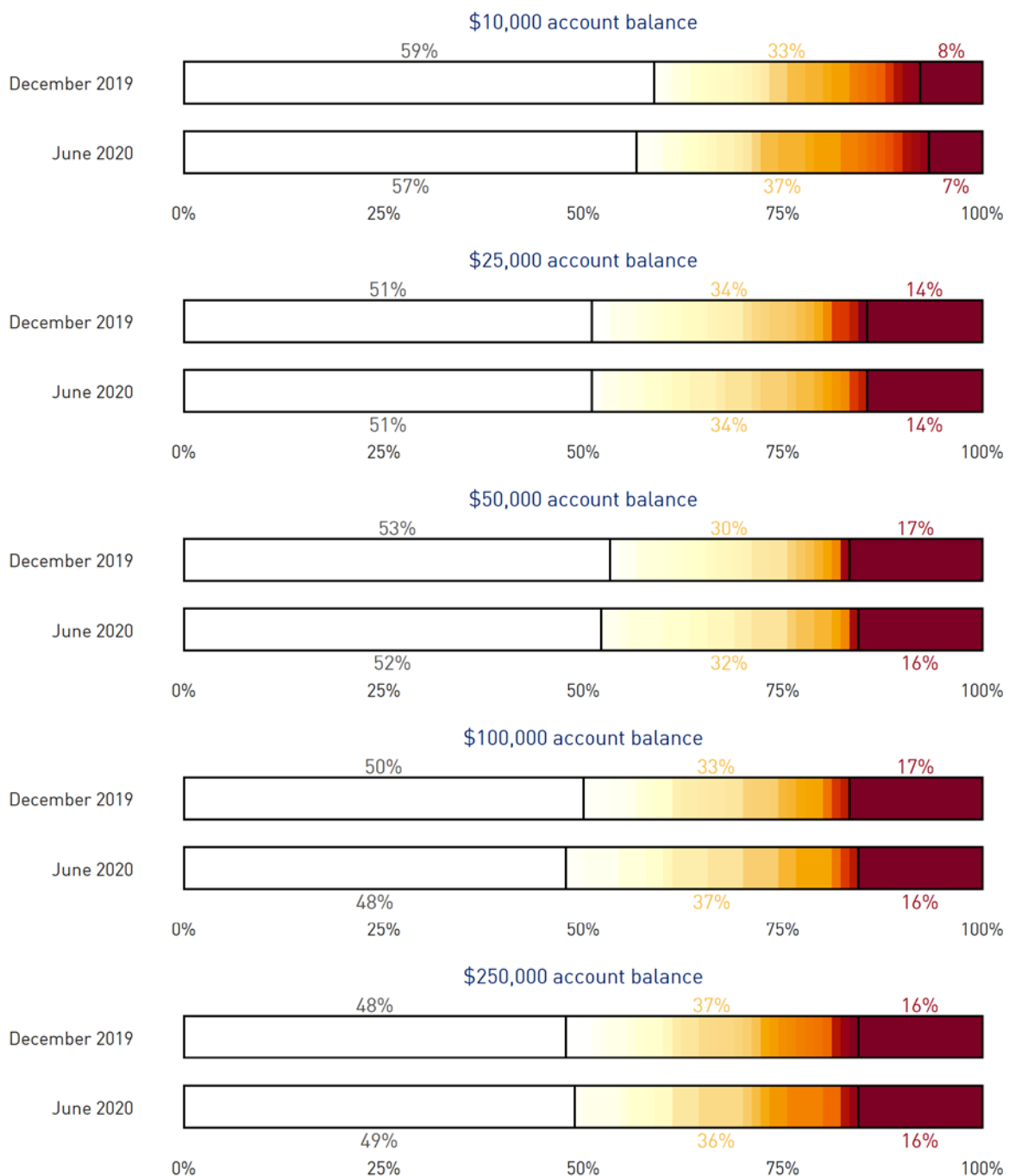
Appendix D – Colour distribution for total fees and costs

The charts below show the product-level colour distribution of MySuper total fees and costs disclosed underlying the December 2019 and June 2020 Heatmaps, across each of the representative account balances. It shows that the changes in total fees and costs across MySuper products have resulted in lower levels of fees being charged to members overall. Only the 90 MySuper products in the June 2020 Heatmap are included in the charts.



Appendix E – Colour distribution for administration fees

The charts show the colour distribution of MySuper administration fees disclosed between the December 2019 and June 2020 Heatmaps. It shows that the changes in the administration fees component of total fees and costs have impacted members with lower account balances more than members with higher account balances. Only the 90 MySuper products in the June 2020 Heatmap are included in the charts.



Glossary

2019 Information Paper	<i>Information Paper – MySuper Product Heatmap</i> (November 2019)
2019 Insights Paper	<i>Data Insights – MySuper Product Heatmap</i> (December 2019)
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
FSCODA	<i>Financial Sector (Collection of Data) Act 2001</i>
ICR	Indirect cost ratio
PDS	Product Disclosure Statement
RSE	Registrable Superannuation Entity
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SPS 515	<i>Prudential Standard SPS 515 Strategic Planning and Member Outcomes</i>
SPS 530	<i>Prudential Standard SPS 530 Investment Governance</i>
SRS 533.0	<i>Reporting Standard SRS 533.0 Asset Allocation</i>
SRS 703.0	<i>Reporting Standard SRS 703.0 Fees Disclosed</i>
The Heatmap	APRA MySuper Product Heatmap



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