



INFORMATION PAPER

Choice sector performance: improving outcomes for superannuation members

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Executive summary

APRA is committed to delivering high quality outcomes for superannuation members and the Australian community more broadly. Eradicating unacceptable product performance and improving transparency across the superannuation industry is core to this work as outlined in APRA's Corporate Plan 2021/25¹. Presenting and publishing superannuation data in the form of heatmaps has been a strong catalyst for both trustee and APRA action since first introduced in 2019 for MySuper Products. The extension of the use of heatmaps in 2021 to cover the choice sector amplifies APRA's focus on the wider superannuation product universe to hold trustees to account for the outcomes being delivered to members.

The choice sector is a significant component of the superannuation industry, representing 46 per cent (\$859 billion) of total member benefits in APRA-regulated superannuation funds as at 30 June 2020. Choice products are complex and varied, which makes comparisons difficult. APRA-regulated superannuation funds offer 568 choice products, with approximately 9,000 distinct investment options². Some of these choice products offer the same investment options and many offer single security investment options (e.g. shares and term deposits), resulting in approximately 43,000 investment options in total.

The choice sector enables members to have greater control of their investment strategy or to include broader services than a default MySuper product. Member choice can be a positive feature of superannuation, when choice product offerings are appropriately designed and ultimately promote the financial interest of members. However, the complexity and proliferation of thousands of investment options can result in cost inefficiencies for trustees and may lead to some members making poor investment decisions – both of which can contribute to sub-optimal outcomes for members.

This paper provides a summary of the structure of the choice sector and presents results of APRA's initial analysis of outcomes delivered to choice members based on data up to 30 June 2020. This paper will be followed by publication of a Choice Product Heatmap in late 2021.

Analysis in this paper, and the first Choice Product Heatmap, use data supplied by SuperRatings³, focusing on multi-sector investment options in open accumulation products, excluding platform products. This enables APRA to apply the existing methodology used in the MySuper Product Heatmap⁴, and make comparisons between outcomes delivered by MySuper and these choice products.

¹ [APRA 2021-25 Corporate Plan](#)

² Data based on research performed by Chant West on choice sector in 2020.

³ SuperRatings were engaged as a supplier of data to enable publication of a Choice Product Heatmap in 2021; APRA is enhancing its data collections to include data for choice products to be used in subsequent heatmaps and other APRA-publications.

⁴ <https://www.apra.gov.au/mysuper-product-heatmap-0>

The Choice Product Heatmap is an important pre-cursor to the annual *Your Future, Your Super* performance test for trustee-directed products⁵ that will be applied from 1 July 2022. The Choice Product Heatmap will provide information on relative performance of a sub-set of choice products that largely overlaps with trustee-directed products. It will identify products with areas of underperformance, to help target supervisory action and provide insights to trustees to drive the delivery of improved outcomes to members.

Initial results from the SuperRatings data that APRA has analysed show the following key insights for multi-sector investment options:

- Administration fees⁶ for choice products are materially higher on average than they are for MySuper products. The median disclosed administration fee as at 30 June 2020 for MySuper members with a \$50,000 representative balance is \$173, compared to \$242 for choice members (40 per cent higher).
- There was considerable variation in investment performance for choice investment options with similar allocations to growth assets. For example, for investment options with 70 to 80 per cent growth allocation, investment performance ranged between 1.05 per cent p.a. to 8.60 per cent p.a. over the five years to 30 June 2020.
- Approximately 15 per cent of choice investment options underperformed a risk-adjusted, peer-derived benchmark⁷ by more than 75 basis points compared to 7 per cent of MySuper investment options⁸ (based on analysis of data from the 2020 MySuper Product Heatmap).

From 2022, APRA will produce the Choice Product Heatmap and the *Your Future, Your Super* performance test using data acquired through its own enhanced data collections developed through the Superannuation Data Transformation program⁹. The enhanced collection will also enable APRA to expand the scope of future Choice Product Heatmaps to cover all trustee-directed products and other segments of the choice sector.

APRA expects that trustees will continue to critically assess the outcomes delivered to members in the choice products that they offer, and identify opportunities to improve these outcomes. Where there are areas of underperformance, trustees are expected to take prompt action or consider an orderly transfer of members into another fund should there be no sustainable pathway to improve performance.

⁵ Treasury Laws Amendment (Your Future, Your Super—Addressing Underperformance in Superannuation) Regulations 2021

⁶ As defined in Section 29V (2) of the SIS Act

⁷ Linear regression performed on 5-year investment performance (dependent variable) against strategic growth asset allocation (independent variable).

⁸ MySuper investment options include single strategy options and lifecycle stages of lifecycle products.

⁹ <https://www.apra.gov.au/consultation-on-apras-superannuation-data-transformation>

Chapter 1 - Introduction

In recent years APRA, together with government and our peer regulators, has sought to drive a superannuation trustee culture of continuous improvement in delivering quality outcomes to superannuation members, including addressing underperformance.

To enable this improvement, and hold trustees to account, APRA will improve transparency on performance in the choice sector by publishing its first Choice Product Heatmap on a subgroup of the choice sector in late 2021. In preparing for the publication of the Choice Product Heatmap, APRA has researched the choice sector to ensure that comparisons made are fair and reasonable. This Information Paper provides:

- analysis of the structure of the choice sector, including APRA's approach to segmenting the choice sector into comparable categories that can be analysed in detail, rather than comparing all products against each other;
- analysis of outcomes delivered to members by choice products; and
- an overview of the issues that APRA expects to address through the Choice Product Heatmap, supervisory engagements and other initiatives to improve outcomes for choice members.

APRA's own data collection does not yet include data on choice products. As such, to produce the Choice Product Heatmap, APRA has engaged:

- Chant West, who performed research into the structure of the choice sector and provided advice on APRA's approach to segmenting the choice sector and proposed scope of products for the first iteration of the Choice Product Heatmap; and
- SuperRatings, who provided data on choice products and investment options, including investment performance and fees.

Like the MySuper Product Heatmap, the Choice Product Heatmap will provide credible, clear and comparable information on the performance of choice products, highlighting areas of underperformance. The insights in the Choice Product Heatmap will be used to inform APRA's supervision intensity of trustees and should be used by trustees to prepare for the 2022 *Your Future, Your Super* performance test, which extends to include trustee directed products. Trustees with continued areas of underperformance are expected to take prompt action to improve performance or implement exit strategies, such as the orderly transfer of members into another fund.

Chapter 2 - Understanding the choice sector

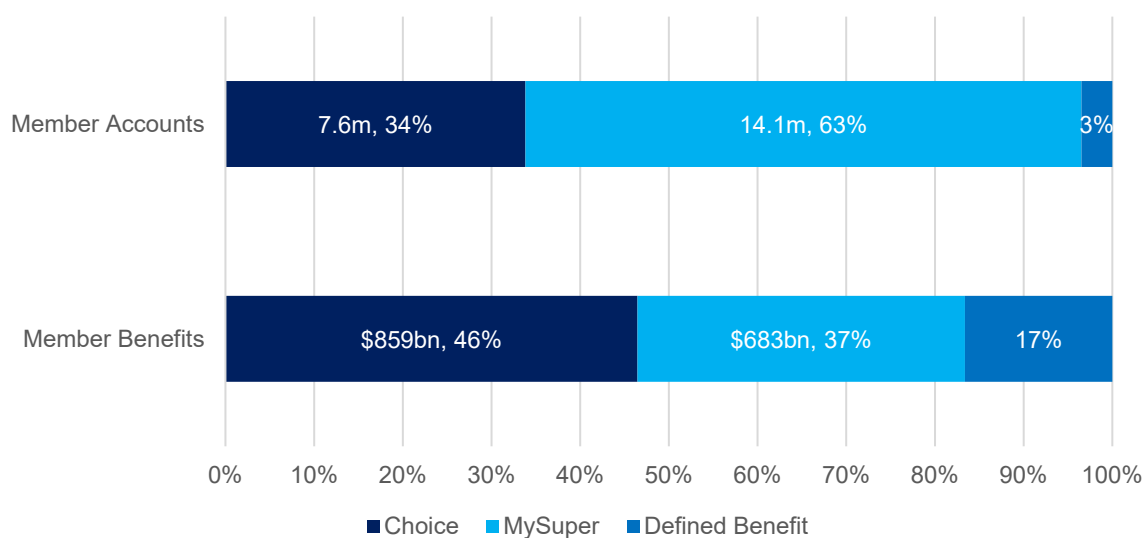
2.1 Characteristics of the choice sector

As at 30 June 2020, APRA-regulated superannuation entities with more than four members hold \$1.85 trillion in member benefits across 22.5 million member accounts:

- Choice members represent 34 per cent of member accounts, 46 per cent of total member benefits and have an average account balance of \$113,000; and
- MySuper members represent the 63 per cent of member accounts, but only 37 per cent of total member benefits, with an average account balance of \$48,500.

The significant proportion of superannuation member benefits held by choice members demonstrates the importance of APRA expanding its data collection and heatmap coverage to include choice products. The distribution of accounts and member benefits across APRA-regulated superannuation entities are illustrated in Figure 1.

Figure 1. Distribution of member accounts and member benefits in APRA-regulated superannuation entities as at 30 June 2020¹⁰



¹⁰ APRA *Annual Fund-level Superannuation Statistics – 30 June 2020*, APRA *Annual MySuper Statistics – 30 June 2020*; for entities with more than four members.

¹¹ Defined benefit member benefits include unfunded liabilities, as well as member benefits with both defined benefit and defined contribution components.

2.2 Structure of the choice sector

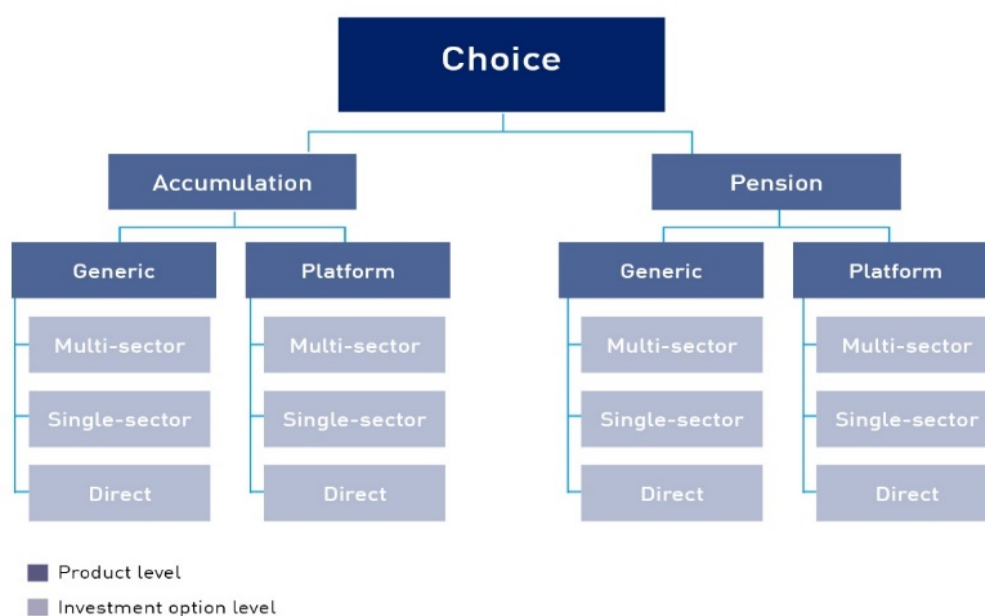
In this paper, APRA has adopted the legislative definition of choice products:

“Products offered by RSE Licensees that are not MySuper products and not defined benefit products.”¹²

Within a product, a member may select one investment option or a combination of several investment options.

APRA recognises that there are varying approaches in the industry to segment and define choice products and investment options. APRA has segmented products and investment options in the choice sector into the segments illustrated in Figure 2, consistent with *Reporting Standard SRS 605.0 RSE Structure*¹³. Definitions for these segments are provided in Attachment A.

Figure 2. Segmentation of the choice sector*



*For all choice segments shown in Figure 2 there are open and closed products and investment options.

¹² Section 10 of Superannuation Industry (Supervision) Act 1993

¹³ <https://www.apra.gov.au/sites/default/files/2021-04/Reporting%20Standard%20SRS%20605.0%20-%20RSE%20Structure.pdf>

2.2.1 Product segmentation

APRA is using the segments in Figure 2 and their accompanying definitions, to enable fair and reasonable comparisons between products. This will allow APRA to provide insights into the outcomes delivered by the choice sector, including areas of concern or poor outcomes for members. Table 1 shows the number of products in each segment.

Table 1. Number of choice products as at 30 June 2020¹⁴

Segment	Open	Closed	Total
Accumulation products	200	154	354
of which Generic	147	131	278
of which Platform	53	23	76
Pension products	160	54	214
of which Generic	107	31	138
of which Platform	53	23	76
Total choice products	360	208	568

Table 1, which is based on research conducted by Chant West for APRA, shows that in total there are 568 choice products on the market. Of these, 354 (62 per cent) are accumulation products and 214 (38 per cent) are pension products. This includes 76 platform products that have been identified for both accumulation and pension products, with the remainder being classified as generic products. Of the 568 choice products, 208 (or 37 per cent) are closed to new members and are considered legacy products.

2.2.2 Investment option segmentation

The types of investment option categories in the choice sector are varied with:

- multi-sector investment options such as conservative, balanced or growth options;
- single sector investment options such as Australian shares, fixed income or cash options; and
- direct or single security investments such as shares, term deposits, or exchange traded funds.

These are offered in choice products to provide members with greater control over their investment strategy. The range of investment option categories necessitates the

¹⁴ Data based on research performed by Chant West for APRA on the choice sector in 2020. There may be certain legacy products without publicly available disclosures that may not be included in the data.

segmentation of investment options, to allow for comparisons of performance between investment options through the use of relevant and objective benchmarks.

In total, there were approximately 43,000 investment options being offered to members across all superannuation products as at 30 June 2020¹⁵. However, in research performed for APRA, Chant West identified approximately 9,000 distinct investment options, after controlling for multiple counting of the same investment options and excluding direct investments. Table 2 provides a breakdown of investment options offered by choice products, with certain options excluded as noted below the table.

Table 2. Number of investment options in choice products (estimated) as at 30 June 2020¹⁶

Segment	Multi-sector	Single sector	Total
Generic accumulation – open products	875	1,205	2,080
Generic accumulation – closed products	322	810	1,132
Generic pension – open products	762	1,151	1,913
Generic pension – closed products	286	548	834
Total Generic (excluding Platform)	2,245	3,714	5,959
Platforms – wholesale managed funds			2,000 (approx.)
Platforms – Separately Managed Accounts			1,000 (approx.)
Total* (including Platform)			8,959 (approx.)

*Excluding direct investment options such as shares and term deposits, and counting options offered across multiple platform products only once.

Platform products and investment options are typically used by advised members, allowing them to have greater flexibility of investment strategy and direct ownership of assets. Options on platform products include:

- wholesale managed funds, which are investment products managed by an investment manager in which investors acquire units in the wholesale managed fund;
- separately managed accounts, which are managed investment products, held by investors and overseen by an investment manager. The investor has direct ownership of the underlying securities that they invest in; and
- direct investment options such as shares, term deposits, or exchange traded funds.

The 152 platform products account for just over 25 per cent of total choice products and options on platforms account for at least a third of the approximately 9,000 distinct choice

¹⁵ APRA Annual Fund-level Superannuation Statistics – 30 June 2020

¹⁶ Data based on research performed by Chant West on choice sector in 2020.

investment options. Certain sophisticated members may use the flexibility of a platform product and large investment menus to tailor their superannuation investments to achieve certain outcomes such as efficient tax management.

It is important for trustees to consider the appropriateness of the number and range of options offered on investment menus across all types of products. There may be cases in which large menus are contributing to inefficiencies within the operations of trustees and creating confusion or uncertainty for members – both of which can lead to suboptimal outcomes for members. APRA expects trustees to continuously review their product and investment option offerings and take actions as required.

Structural issues identified in the choice sector, including proliferation of products, investment options and legacy products, will be key areas of focus for APRA and APRA will extend analysis in the Choice Product Heatmap to all product segments over time.

Chapter 3 - Outcomes for members in the choice sector

In order to understand the outcomes delivered to members in multi-sector choice investment options, APRA has compared these products with the outcomes delivered to MySuper members.

There are important differences in how members join MySuper and choice products. Members in MySuper products are typically defaulted into the product through employer arrangements. In contrast, members joining choice products may do so for a variety of reasons. Choice products are accessed in different ways, including:

- Existing MySuper members deciding to choose from other investment options offered by the trustee;
- Members exercising choice by joining a fund (either directly or through an adviser).

Further, it is important to make the distinction between a choice product and a choice investment option. Unlike MySuper products, which are single, diversified investment options or lifecycle products that are made up of a number of lifecycle stages, choice products contain many distinct investment options, each with their own investment strategy. Like-for-like comparisons at the product level are therefore harder to perform in the choice sector.

However, multi-sector choice investment options are diversified portfolios that a member could use as their sole superannuation investment, and thus it is reasonable to compare the performance of these choice investment options to MySuper products, as the members are invested in similar investments.

Using the dataset from SuperRatings, APRA has analysed the drivers impacting net return to members – administration fees and investment performance - for multi-sector investment options. APRA will undertake further analysis and publish findings on other segments of the choice sector over time using the additional data reported as part of the Superannuation Data Transformation project.

3.1 Choice sector dataset

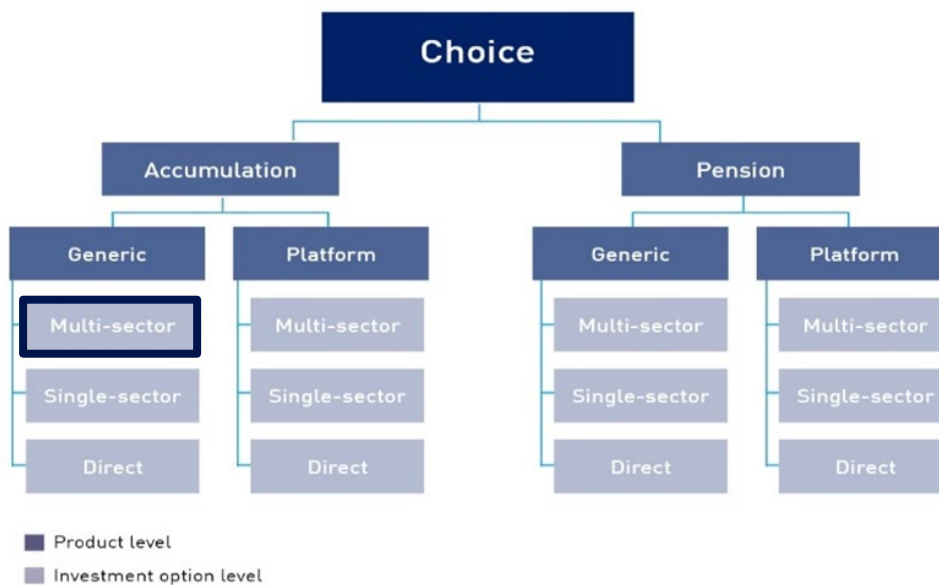
The reasons for focusing on multi-sector investment options in open accumulation products, excluding platform products, are:

- APRA is able to utilise existing methodology in the MySuper Product Heatmap. Further, due to MySuper products typically having multi-sector investment strategies, this initial focus area will allow for comparisons between outcomes delivered by MySuper and choice products; and
- More members invest in multi-sector investment options than in single sector investment options (based on analysis of member accounts data from a select group of

funds)¹⁷ and these investment options account for a larger proportion of choice assets than single sector investment options.

Based on the SuperRatings' coverage, APRA's initial area of focus resulted in a dataset containing 739 choice investment options for analysis across 124 products. This segment is outlined in black in Figure 3, and represents approximately 40 per cent¹⁸ of total member benefits in the choice sector. See Attachment A for further details on filters applied to the dataset to arrive at the initial scope of choice products and investment options.

Figure 3. APRA's current area of focus*



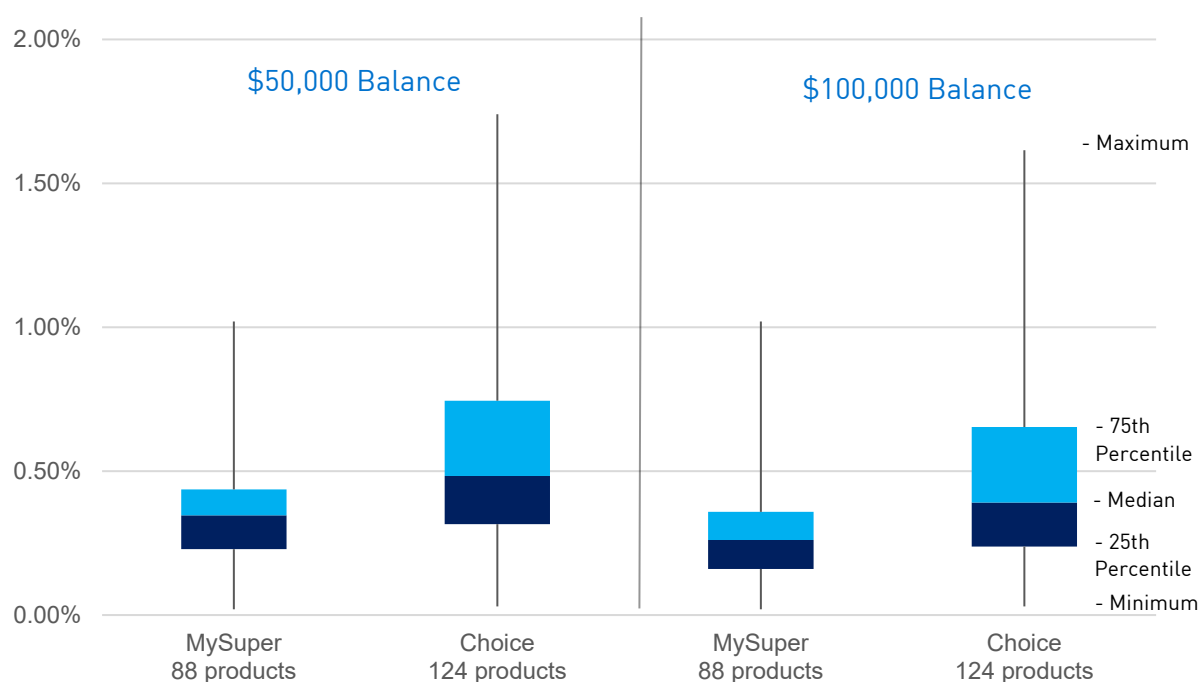
3.2 Fees and costs

Administration fees are an important driver of outcomes for members, with high administration fees having the potential to erode account balances and ultimately overall retirement outcomes. Figure 4 shows the distribution of administration fees being charged to members invested in choice products, in comparison to the distribution of administration fees being charged to MySuper members, for two representative account balances.

¹⁷ Rice Warner – Superannuation Insights 2019 – Investment insights

¹⁸ Coverage of the choice sector has been estimated by APRA, using data from its own collections, the Productivity Commission report - “Superannuation: Assessing Efficiency and Competitiveness¹⁸”, and Rice Warner [Superannuation Market Projections 2020].

Figure 4. Distribution of administration fees – \$50,000 and \$100,000 representative balance as at 30 June 2020*



* Choice fees data has been provided by SuperRatings for multi-sector investment options in open accumulation products (excluding products offered on platforms), MySuper fee data has been collected by APRA through its existing collections.

While there are some MySuper products charging higher administration fees than certain choice products, it is evident that administration fees for choice products are higher than for MySuper products on average, across both the \$50,000 and \$100,000 representative balances. The analysis of fees in Figure 4 highlights that:

- The median administration fee for a member with a \$50,000 balance is \$173 p.a. (MySuper) and \$242 (choice);
- The median administration fee for a member with a \$100,000 balance is \$261 p.a. (MySuper) and \$391 (choice);
- There is a long tail of high administration fee products in the choice sector, as evidenced by the 75th percentile administration fee of 0.74 per cent (\$372) and the maximum administration fee of 1.74 per cent (\$870) for members with a \$50,000 balance; the 75th percentile is 0.65 per cent (\$653) and the maximum fee is 1.62 per cent (\$1,615) for members with a \$100,000 balance.
- The 75th percentile MySuper administration fee is lower than the median choice administration fee at \$218 versus \$242 (\$50,000 balance) and \$359 versus \$391 (\$100,000 balance).

APRA has also analysed choice product and MySuper product administration fees at higher representative account balances, and found a similar pattern of higher fees for choice product administration fees relative to MySuper product administration fees for these higher balances.

When analysing the distribution of administration fees for choice products, it is important to consider that choice products may offer a wider range of features and ancillary benefits than MySuper products typically do, such as tailored advice solutions. In some cases this may justify the higher administration fees; in other cases the higher administration fees may be due to inefficiencies in the trustee's operations (for example, running several legacy products).¹⁹

APRA recognises that legacy product fees are high, with the Productivity Commission finding that approximately half of all products with fees greater than 1.5 per cent of assets are legacy products²⁰. As there are challenges around data quality and availability for legacy products, this will be an important area of future focus for APRA. Until data becomes available, APRA will be using the legislated outcomes assessment²¹ to assist in the supervision of legacy and platform products.

¹⁹ Under the Stronger Super reforms, MySuper products were designed to be simple, cost-effective products.

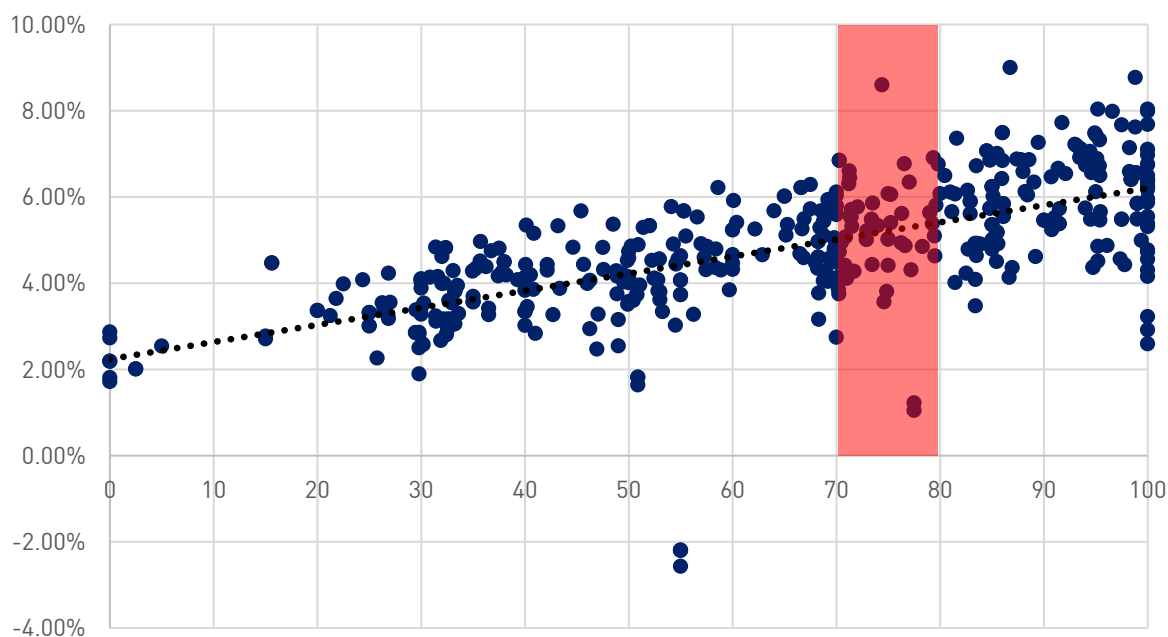
²⁰ <https://www.pc.gov.au/inquiries/completed/superannuation/assessment/report/superannuation-assessment.pdf>

²¹ Section 52(9) of Superannuation Industry (Supervision) Act 1993 and Prudential Standard SPS 515 Strategic Planning and Member Outcomes.

3.3 Investment performance

Figure 5 shows five-year annualised investment performance²² for multi-sector investment options in open accumulation products analysed based on risk profile (as represented by the average strategic growth asset allocation over five years). The peer-derived trend line²³ shown in Figure 5 reflects this relationship.

Figure 5. 5-year investment performance peer comparison by average growth allocation* p.a. (as at 30 June 2020)



*Growth/Defensive classifications have been provided in Attachment A.

As expected, given positive market conditions for growth assets over the majority of the five-year period, there is a positive relationship between investment performance and growth asset allocation. However, there is considerable variation in outcomes for choice investment options with similar allocations to growth assets. For example, in the 70–80 per cent growth allocation band (shaded in red in Figure 5), investment performance ranged between 1.05 per cent p.a. to 8.60 per cent p.a. over 5 years.

To provide additional insight into the relative performance of products across different risk profiles, Table 3 provides information on the performance of investment options relative to the trend line within various growth asset allocation segments.

²² Investment performance data has been provided by SuperRatings, on the basis outlined in Attachment A: *SuperRatings investment performance methodology*

²³ The trend line represents an industry average investment performance across investment options of the same growth asset allocation. Growth asset allocations have been derived using the MySuper product heatmap methodology.

To compare the outcomes of choice and MySuper members, the threshold of -0.75 per cent used in the 2020 MySuper Product Heatmap has been used (investment options with underperformance against benchmarks of 0.75 per cent or more are classified as significantly underperforming). This threshold will be reviewed following the first performance test for trustee directed products.

Table 3. 5-year investment performance peer comparison by average growth allocation p.a. (as at 30 June 2020)

Growth asset allocation	Performing (>=0% p.a.)	Underperforming (<0%)	of which are significantly underperforming (<-0.75% p.a.)	Total investment options
0-40%	59 (61%)	38 (39%)	7 (7%)	97
40-60%	46 (48%)	50 (52%)	16 (17%)	96
60-75%	50 (55%)	41 (45%)	15 (16%)	91
75-90%	45 (57%)	34 (43%)	13 (16%)	79
90-100%	44 (57%)	33 (43%)	15 (19%)	77
All	244 (55%)	196 (45%)	66 (15%)	440*

* Sample size reduced from 739 investment options to 440 due to availability of 5-year investment performance history in SuperRatings' dataset.

- Of the choice investment options with a growth allocation between 60-75 per cent, 50 (or 55 per cent) had performance above the trendline, and 41 (45 per cent) performed below the trendline.
- Relative underperformance (below the trend line) is evident in all asset allocation categories. Overall, 66 (or 15 per cent) of the 440 choice investment options analysed displayed underperformance of more than 0.75 per cent p.a. relative to the trend line. This is in comparison to 17 (or 7 per cent) of MySuper investment options²⁴, based on our analysis of data from the 2020 MySuper Product Heatmap²⁵.

This chapter represents APRA's initial analysis of member outcomes in the choice sector. APRA will include analysis of investment performance over more time periods in the Choice Product Heatmap to be published in late 2021, including analysis over three and seven year time horizons.

²⁴MySuper investment options include single strategy options and lifecycle stages of lifecycle products.

²⁵ <https://www.apra.gov.au/mysuper-product-heatmap-0>

Chapter 4 - APRA's initiatives to address identified areas of underperformance

Improving industry transparency

APRA continues to place significant focus on improving outcomes for all superannuation members, including addressing and eradicating underperformance. Between the publication of the first MySuper Product Heatmap in December 2019 and the Heatmap published in December 2020, the increased transparency on the outcomes being delivered for MySuper members and APRA's intensified supervision contributed to:

- an estimated 71 per cent of MySuper members (or 10 million member accounts) benefitting from a reduction in disclosed fees and costs, totalling \$408 million per annum; and
- 11 MySuper products that underperformed investment benchmarks exiting the industry²⁶.

Further progress has been made since December 2020 in the form of fee reductions or other actions to address underperformance.

Importantly, the first *Your Future, Your Super* performance test in August 2021 determined that 13 out of 76 MySuper products failed the test. APRA has set clear expectations of what trustees of these 13 products are required to do which is outlined later in this chapter.

APRA will use the Choice Product Heatmap to expose those choice products that are failing members by charging high fees and delivering poor investment returns. Trustees should consider the information in the Choice Product Heatmap and what it may indicate about the potential result of their trustee directed products in the upcoming performance test, which APRA will finalise at the end of August 2022.

APRA will also consider other initiatives to improve transparency of outcomes delivered by other segments of the choice sector, for example publishing the results of research or deep dive reviews into specific segments of the choice sector. In this regard, APRA is committed to further research into legacy products to understand their features and the benefits and costs to members that hold such products.

Intensifying supervision of member outcomes

Similar to the heightened supervision of MySuper products, trustees that have choice products that are underperforming will face increased scrutiny from APRA. Trustees will be required to identify the root cause of their underperformance and take appropriate action to improve performance going forward.

²⁶ [MySuper Product Heatmap – Insights Paper \(December 2020\)](#)

APRA has written to the trustees of the 13 MySuper products that failed the 2021 *Your Future, Your Super* performance test requiring these trustees to provide to APRA: a remediation plan, to understand the trustee's plans to improve performance; and a contingency plan outlining actions the trustee will take if it fails the test again. These contingency plans would include pre-positioning to be able to give effect to an orderly transfer of members to another fund, if required.

Trustees must also continually assess, review and improve how they are delivering outcomes for members via the legislative requirements of the outcomes assessment, the business performance review in Prudential Standard SPS 515 Strategic Planning and Member Outcomes, SPS 530 Investment Governance and ASIC's product design and distribution obligations²⁷ (DDO).

In the business performance reviews, trustees are expected to critically analyse their product offerings, and identify areas where improvement is required. APRA will challenge trustees to take the necessary action to improve the outcomes being delivered for all members.

Enhancing superannuation data collection

APRA's Superannuation Data Transformation project will drive better industry practices and improve outcomes for members by significantly enhancing the comparability and consistency of reported data. Expanded data collections will make it easier for APRA to both scrutinise and reliably compare product and investment option performance, especially in the choice segment of the market. APRA will produce the Choice Product Heatmap using data acquired through its own collections in 2022, subject to data quality, leveraging new reporting standards which come into effect in September 2021.

APRA will be commencing Phase 2 of the Superannuation Data Transformation project in late 2021 to increase the granularity of the entire collection, taking advantage of APRA Connect (APRA's new Data Collection Solution), and enhanced data analytics capabilities.

²⁷ [RG 274 Product design and distribution obligations | ASIC - Australian Securities and Investments Commission](#)

Attachment A: Definitions and Methodology

Segment definitions

Type	Definition
Accumulation product	Choice products in the accumulation phase with the same meaning as the growth phase in the Superannuation Industry (Supervision) Act 1993 (SIS Act) SIS Regulations 1.03 AB. This includes Eligible Rollover Funds (ERFs) and Retirement Savings Accounts (RSAs).
Pension products	Choice products not in the accumulation phase and which are designed to pay superannuation income streams in the retirement phase as defined in section 307-80 of the <i>Income Tax Assessment Act 1997</i> .
Platform product ²⁸	A product is a platform product if: <ul style="list-style-type: none"> - the PDS states that a holder of the product may give instructions, directions or requests for financial products to be acquired; - the issuer of the PDS has published a list of financial products the member may choose from and the list includes a security or interest in the entity; and - the arrangement under which instructions would be acted on is a custodial arrangement (within the meaning of s1012IA(1) of the Corporations Act 2001).
Open products	Products or investment options that are accepting new members
Closed products	Products or investment options that are no longer accepting new members (but may or may not be accepting contributions from existing members)
Direct investment option category	Means investment products or securities accessed directly by the member, often via an investment account, where the member directly transacts and determines their preferred exposure to the investment strategy of the

²⁸ As defined in ASIC RG97 - Disclosing fees and costs in PDSs and periodic statements

Type	Definition
	underlying investment manager or the risk/return profile of the security or financial instrument. These options include shares, term deposits, and exchange traded funds.
Generic product	A generic product is a product that is not a platform product.
Wholesale managed funds	Wholesale managed funds are investment products managed by an investment manager, typically offered on platforms. Investors acquire units in the wholesale managed fund.
Separately managed accounts (SMA)	A Separately Managed Account (SMA) is a managed investment product, held by investors and overseen by an investment manager, typically offered on platforms. The investor has direct ownership of the underlying securities that they invest in.
Single-sector investment option category	Single-sector investments are held in more than one distinct security, all belonging to a single asset sector, for example Australian equities.
Multi-sector investment option category	Multi-sector investments are held in more than one distinct security, belonging to two or more asset sectors.

Growth/Defensive classifications

Asset Class	Growth/Defensive classification
Equity, Listed Property, Listed Infrastructure	100% Growth
Unlisted Property, Unlisted Infrastructure	75% Growth, 25% Defensive
Commodities, Other	50% Growth, 50% Defensive
Fixed Interest, Cash	100% Defensive

SuperRatings investment performance methodology

Investment performance supplied by SuperRatings are calculated net of investment fees, tax and implicit asset-based administration fees. Explicit fees such as fixed dollar administration fees, exit fees, contribution fees and switching fees are excluded.

Product and investment option filters to determine scope

The following filters were applied to the dataset to arrive at a set of products and investment options suitable for analysis in this paper:

- Where a trustee offers multiple variations of a product (e.g. a personal division and an employer division) and the fees charged to members are the same, only one of these variations are included in the scope (where there is an employer and personal division, the personal division was used as part of APRA's scope). Where fees differed between different divisions, these divisions were treated as separate products.
- Investment options and lifecycle stages of MySuper products were removed from the scope.
- Cash investment options with allocations to fixed interest assets (e.g. enhanced cash) were not counted as multi-sector investment options.



 **APRA**