



APRA

INSIGHTS PAPER

MySuper and Choice Heatmaps

16 DECEMBER 2021

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Contents

Dashboard	4
Introduction	5
Chapter 1 - MySuper Heatmap	6
1.1 Product closures	6
1.2 Drivers of underperformance	7
1.3 Fees and costs	9
Chapter 2 - Choice Heatmap	10
2.1 Benchmarking investment returns	11
2.2 Performance variability	12
2.3 Fees and costs	13
Chapter 3 - Industry next steps	15

Dashboard

Superannuation heatmaps



Objectives



Heighten transparency to hold trustees accountable



Provide comparable measures of performance across products



Promote industry consolidation to drive better outcomes

MySuper Heatmap coverage

75

MySuper products

14m

Member accounts at 30 June 2021

\$853b

Total member benefits at 30 June 2021

Choice Heatmap coverage

120

Choice products in scope

727

Multi-sector choice options in scope

\$349b

Estimated total member benefits at 30 June 2021

Introduction

APRA is committed to improving outcomes for superannuation members. Eradicating unacceptable product performance and improving transparency across the superannuation industry is key to achieving these better member outcomes.

To improve transparency and hold trustees accountable for outcomes they deliver to members, APRA publishes heatmaps on an annual basis. Heatmaps provide clear and comparable information on product performance across multiple dimensions: investment returns, fees and sustainability.¹

The 2021 MySuper Heatmap includes the results of the Government's inaugural *Your Future, Your Super* performance test (YFYS performance test). This year, for the first time, in addition to the MySuper Heatmap, APRA is publishing a heatmap for a segment of choice products.

This first Choice Heatmap has been compiled using external data sourced from SuperRatings. Commencing in 2022, it is intended that all APRA heatmaps will use data provided to APRA under the expanded data collections of the APRA Superannuation Data Transformation project, which were implemented in late 2021.

Together, the MySuper Heatmap and the Choice Heatmap cover around 60 per cent of total member benefits (excluding defined benefits) as at 30 June 2021 in funds with more than four members.

What are MySuper products and choice products?

MySuper products offer a single investment option and are designed to be simple, low cost default products for members that do not to make an active decision on their investment strategy (although any member may choose to be in a MySuper product).

Choice products and options are those in which members have made an active decision to invest and are aimed at members seeking greater flexibility. They are more heterogeneous and complex than MySuper products. Trustees may offer multiple choice products and within these products, trustees offer a wide range of investment options.

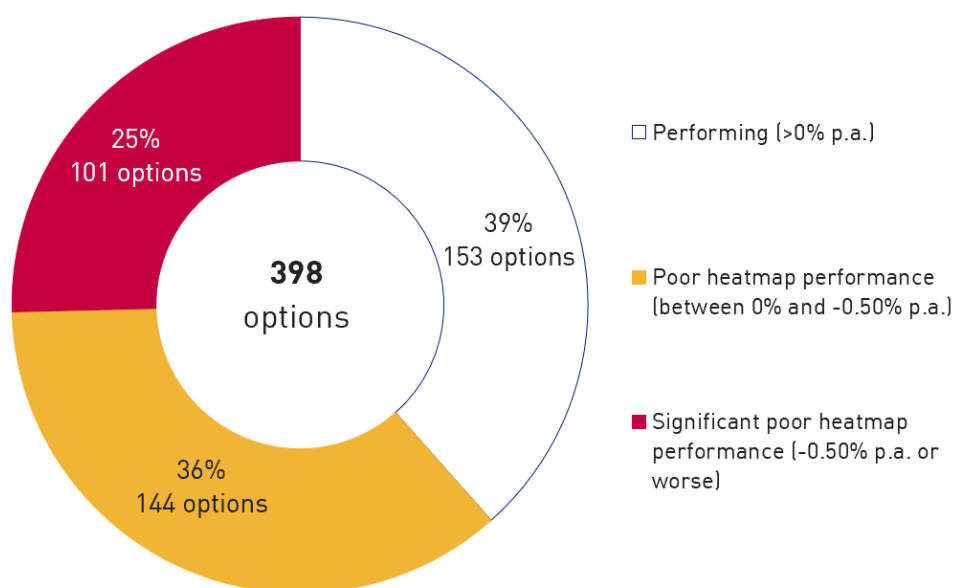
Choice investment options provide members with a broader offering with their investment mix that enables members to select their investment options based on their risk profile, goals and personal circumstances. Choice members generally get access to a wider range of features than members of MySuper products, such as additional website

¹ APRA expects to publish its key findings and insights on sustainability of member outcomes metrics in early 2022.

2.1 Benchmarking investment returns

More than 60 per cent of investment options in the Choice Heatmap had returns less than APRA's heatmap benchmarks, with 25 per cent of options delivering significantly poor returns.

Figure 6. 7-year investment returns of choice options relative to heatmap benchmarks



Sixty-one per cent of options (144 options in the amber segment and 101 options in the red segment of *Figure 6*) generated returns below the APRA heatmap benchmarks over the last seven years⁷. This indicates that the trustee's investment strategy has not delivered good investment returns compared to peers and benchmarks, particularly for the 101 options with significant poor investment returns in the heatmap.

Poor performing choice products are concentrated in the hands of a few trustees.

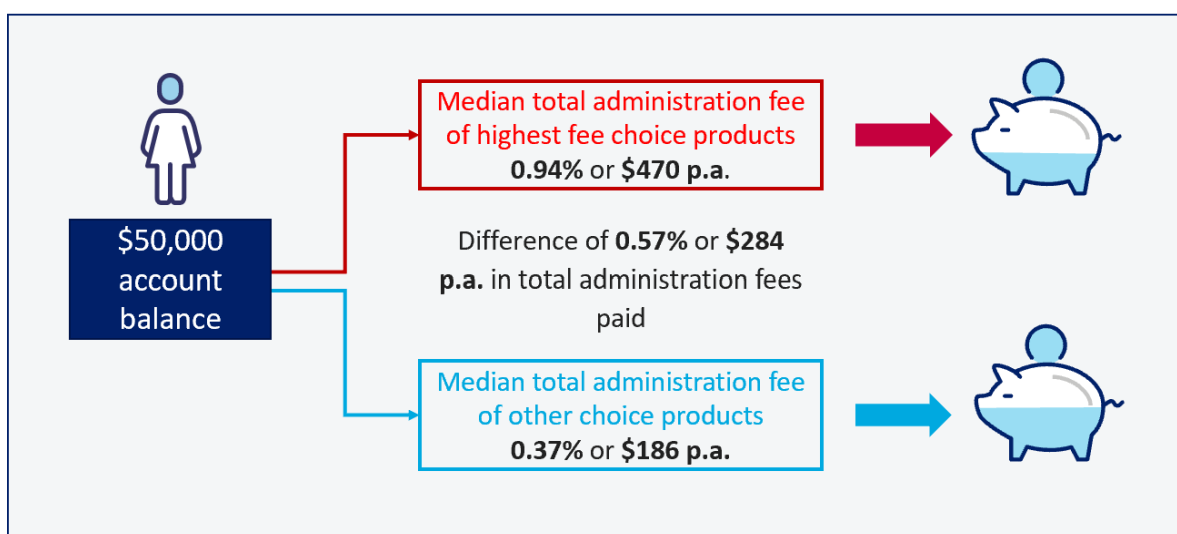
In addition to considering the investment returns of individual choice investment options, it is useful to look at the investment returns across options offered by the trustees. Multiple poor

⁷ To enable comparison, APRA has calculated a single measure of heatmap performance by taking the average relative difference of the option's investment return to the four heatmap benchmarks. Refer to the Technical Paper - Choice Heatmap for further explanation of heatmap performance.

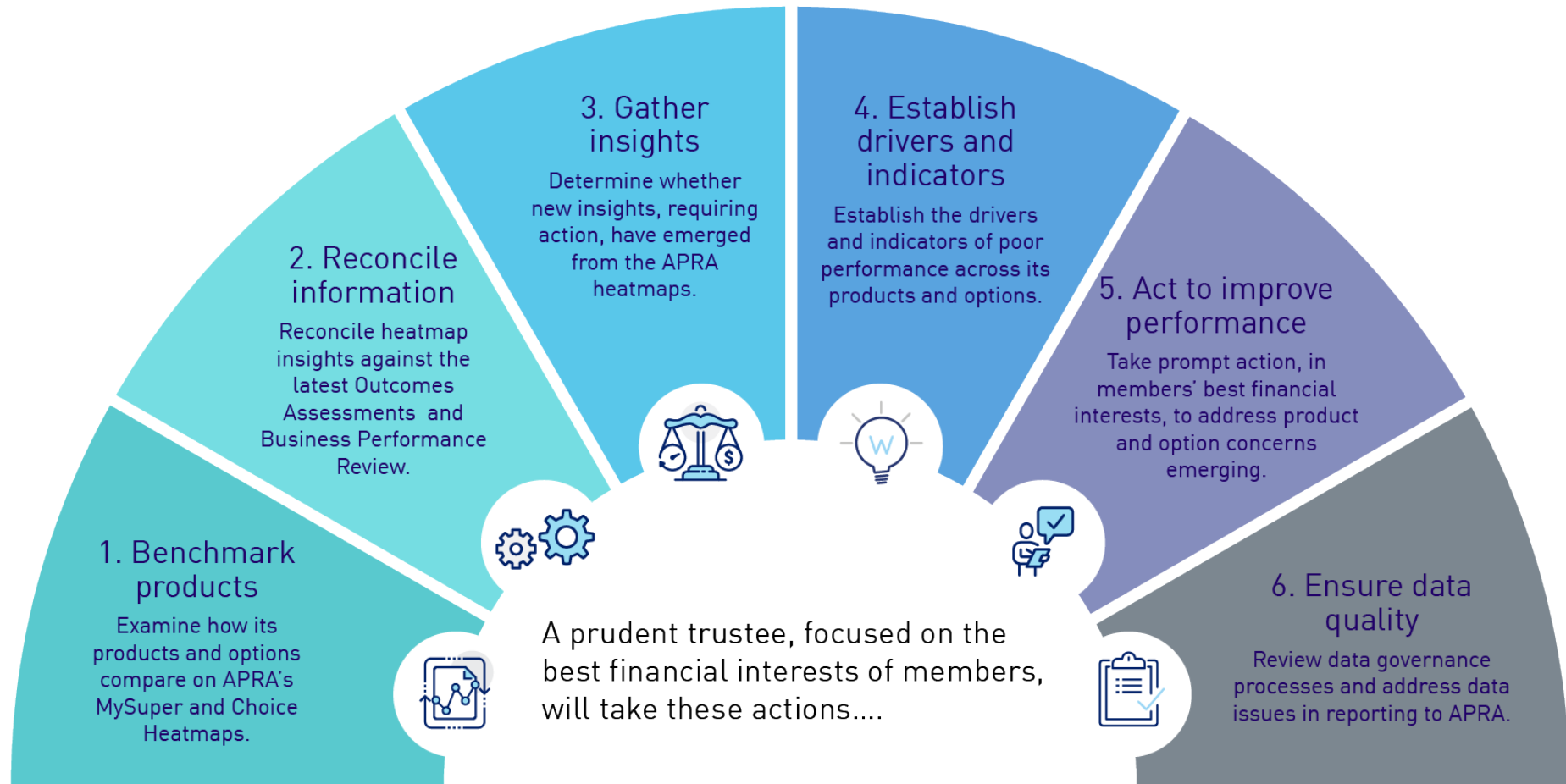
High fees erode retirement outcomes.

Figure 9 shows the median total administration fees paid by a member with a \$50,000 account balance of the 27 highest fee choice products, compared to other choice products. This difference of \$284 per annum (or 2.5 times higher than other choice products), over time, compounds the erosion of members' retirement income.

Figure 9. Total administration fees paid on \$50,000 account balance in highest fee choice products vs other choice products



Chapter 3 - Industry next steps





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