TECHNICAL PAPER

2021 Heatmaps – Sustainability of member outcomes

MARCH 2022

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Introduction

As the Superannuation industry continues to grow Australians should rightly expect their superannuation fund to be acting in their best financial interests continually striving to improve the outcomes they receive.

APRA publishes heatmaps on an annual basis to improve transparency and to drive accountability for doing just that. Heatmaps provide clear and comparable information on product performance across multiple dimensions: investment returns, fees and costs and sustainability of member outcomes.

In December 2021 APRA published the third annual MySuper Heatmap and the first iteration of the Choice Heatmap (collectively the Heatmaps), together with accompanying Insight and Technical Papers. The insights published in December 2021 focused on investment returns and fees and costs. Insights Paper – MySuper and Choice Heatmaps contained APRA's key findings from the Heatmaps and more detailed information can be found in Technical Paper – *MySuper Heatmap* and Technical Paper – *Choice Heatmap*.

In this paper APRA focuses on sustainability of member outcomes. For the purposes of these insights, a reference to the sustainability of member outcomes means an RSE licensee's ability to:

- deliver strong financial outcomes for its members now and in the future; and
- address areas requiring improvement.

Sustainability of member outcomes metrics

APRA measures sustainability of member outcomes in the Heatmaps using the following metrics calculated at the **RSE (or fund)** level:

- Total Accounts Growth Rate (3-year average), which is an RSE's rate of growth in member accounts relative to total member accounts;
- Net Cash Flow Ratio (3-year average), which is an RSE's rate of growth in net cash flows relative to net assets. Net cash flows include member benefit flows such as member contributions and benefit payments, but excludes cash flows from investments; and
- Net Rollover Ratio (3-year average), an RSE's rate of growth in net rollovers relative to net assets.

APRA considers that these three metrics together indicate an RSE's growth outlook, with reference to whether the membership or asset base of an RSE is trending positively or negatively. An RSE that is declining, particularly when it is already relatively small, will face challenges both in keeping fees and costs low for members, and funding operational improvements that benefit members.

Key points

Sustainability is a key indicator of the future ability of a superannuation fund to keep delivering strong financial outcomes to members.

Key findings in relation to sustainability are as follows:

- Scale is an important driver of outcomes for members now and in the future.
    - Large RSEs (net assets greater than $50 billion) are able to leverage the benefits of scale by spreading the cost of their operations over a larger membership base, thus improving operational efficiency and member outcomes (by way of lower fees).
    - The administration and operating expenses (as a % of net assets) for large RSEs are significantly less than that of small RSEs (net assets less than $10 billion), 0.33% compared to 0.57%, respectively.
- Half of small RSEs face immediate sustainability challenges due to declining net cash flows and member accounts.
    - The MySuper and Choice Heatmaps identify 24 small RSEs that are declining. Such RSEs will likely face challenges in addressing areas of underperformance, such as high fees and poor investment returns, and funding operational improvements that ultimately benefit members.
- More than half of medium-sized RSEs have adverse trends in sustainability.
    - 11 medium-sized RSEs (with $10 to $50 billion net assets) are declining in net cash flows and member accounts. APRA considers that these RSEs will find it challenging to compete for membership growth in the medium term with larger RSEs as the large RSEs become even bigger and further leverage the benefits of scale.
- The majority of mergers and simplification programs lead to immediate fee savings for members. However further benefits of mergers, including improved operating efficiency, will be realised over time particularly where full integration is not achieved on day one.
    - Mergers since the release of the first MySuper Heatmap in 2019 have delivered a combined total fee savings of around $21 million per annum to approximately 350,000 MySuper member accounts (or $60 per account).
    - Simplification programs, including product consolidations, have delivered fee savings to approximately 780,000 member accounts, with estimated total savings of almost $16 million per annum (or $20 per account).

Sustainability of member outcomes – Business Performance Review

APRA expects RSE licensees to assess sustainability of member outcomes as part of the annual Business Performance Review.

In the Business Performance Review an RSE licensee is required to assess whether it expects to continue to deliver the financial outcomes it seeks for its members. To achieve this an RSE licensee must set strategic objectives in its Business Plan to deliver financial outcomes and ensure the prudent management and resilience of its business operations. APRA expects that the financial projections in the Business Plan together with the RSE licensee's assessment of current and future scale are key components of its analysis of the delivery of financial outcomes for members.

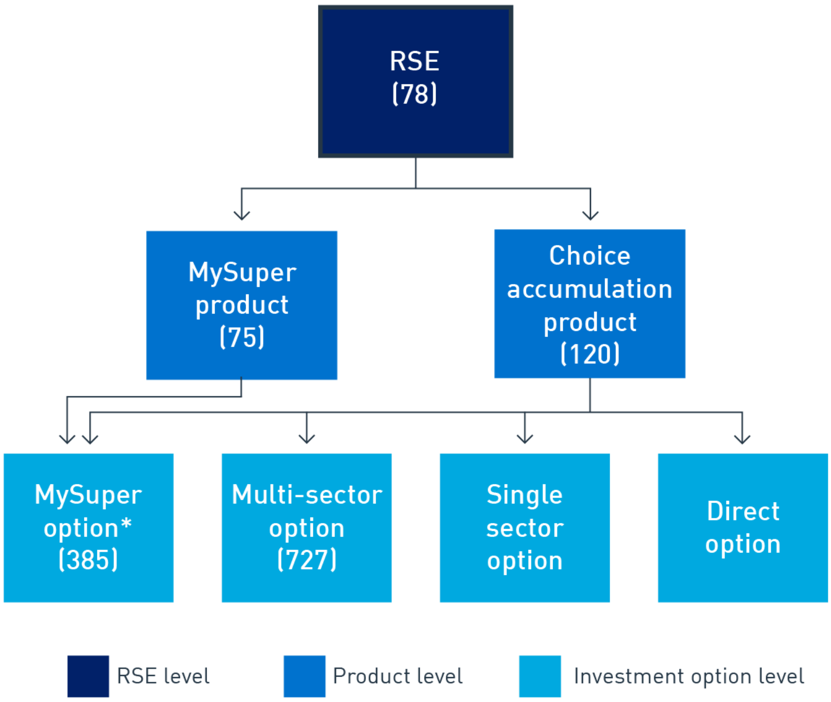
APRA expects that an RSE licensee of an RSE with limited prospects of addressing sustainability concerns must consider its strategic options, such as whether its members are likely to be better served in another RSE. This includes developing well-maintained contingency plans with clear triggers for when these plans will be enacted.

An RSE licensee acting in the best financial interests of members is expected to continuously strive to improve the outcomes delivered to members. This may include merging with another RSE where the result is an overall improvement in scale metrics and operating efficiency. Not only will members typically receive the benefit of lower fees, but larger RSEs with economies of scale often provide better long-term retirement outcomes.

Chapter 1 - Heatmap coverage

APRA's MySuper and Choice Heatmaps cover 78 RSEs of the overall population of 140 APRA-regulated RSEs with more than four members (refer to *Figure 1*).[1]

Figure 1. Sustainability of member outcomes is assessed at the RSE level



(* MySuper options are single strategy MySuper products and lifecycle stages of lifecycle MySuper products.)

61 of these RSEs offer a MySuper product and one or more choice products; the remaining 17 offer choice products only (refer to Table 1). This sample includes each RSE with a product reflected in either the MySuper Heatmap or the Choice Heatmap.[2] Combined, the RSEs in the sample represent aggregate assets in excess of $1.7 trillion, or 81% of all APRA-regulated assets. The 17 RSEs with only choice products are generally smaller than RSEs that offer MySuper and/or choice products, with the majority having $2 billion or less in net assets.

[1] The population and total net assets of APRA-regulated RSEs with more than four members are sourced from APRA's Annual Fund-level Superannuation Statistics as at 30 June 2021.

[2] The sustainability metrics are calculated at the overall RSE level. This means that net assets, member accounts and RSE flows will reflect all products and investment options held by a RSE, including some options not covered in either the MySuper or Choice Heatmap.

Table 1. Number of RSEs (by asset cohort) in the superannuation industry, and the sample covered by the Heatmaps

	RSE net assets			
	<$10bn	$10bn - $50bn	> $50bn	Total
Total APRA-regulated RSEs	100	23	17	140
Of which: RSEs in the Heatmaps	47	18	13	78
Of which: in the MySuper Heatmap	31	17	13	61
Of which: in the Choice Heatmap only	16	1	0	17

RSEs not covered in the Heatmaps include defined benefit-only funds, insurance-only funds, eligible rollover funds, multi-member approved deposit funds, RSEs offering only platform products and RSEs where SuperRatings do not have coverage over (for example certain non-public offer, corporate funds).

Chapter 2 - Sustainability of member outcomes

Scale is an important driver of outcomes for members now and in the future.

In promoting the best financial interests of members, RSE licensees must ensure sufficient scale in their business operations to deliver quality outcomes for members. While scale, which is typically measured by the total net assets or member accounts of RSE(s) under an RSE licensee, does not guarantee good outcomes, RSEs with greater scale typically have a competitive edge by being able to leverage the benefits of it.[3] Such benefits include:

- increased ability to negotiate scale discounts with service providers;
- access to a wider range of investment markets, such as unlisted assets; and
- the ability to spread the cost of their operations over a larger membership base.

APRA considers that the sustainability metrics together indicate an RSE's growth outlook with reference to whether the membership or asset base of an RSE is trending positively or negatively. An RSE that is declining, particularly when it is already relatively small, will face challenges both in keeping fees and costs for members low, and funding operational improvements that benefit members.

2.1 Sustainability metrics

Large RSEs, in particular, are growing and are generally well-positioned to further leverage the benefits of scale.

APRA has analysed the sustainability metrics of RSEs across different net assets cohorts (small RSE or less than $10 billion; medium-sized RSE or $10 to $50 billion; and large RSE or greater than $50 billion), as shown in *Figures 2, 3 and 4*.[4]

[3] APRA Executive Board Member, Margaret Cole - speech to the Financial Services Council webinar | APRA

[4] Refer to the Appendix for further information on interpreting box and whisker charts.

2.1.1 Total account growth rate

Figure 2. 3-year average total account growth by RSE size (as at 30 June 2021)[5]

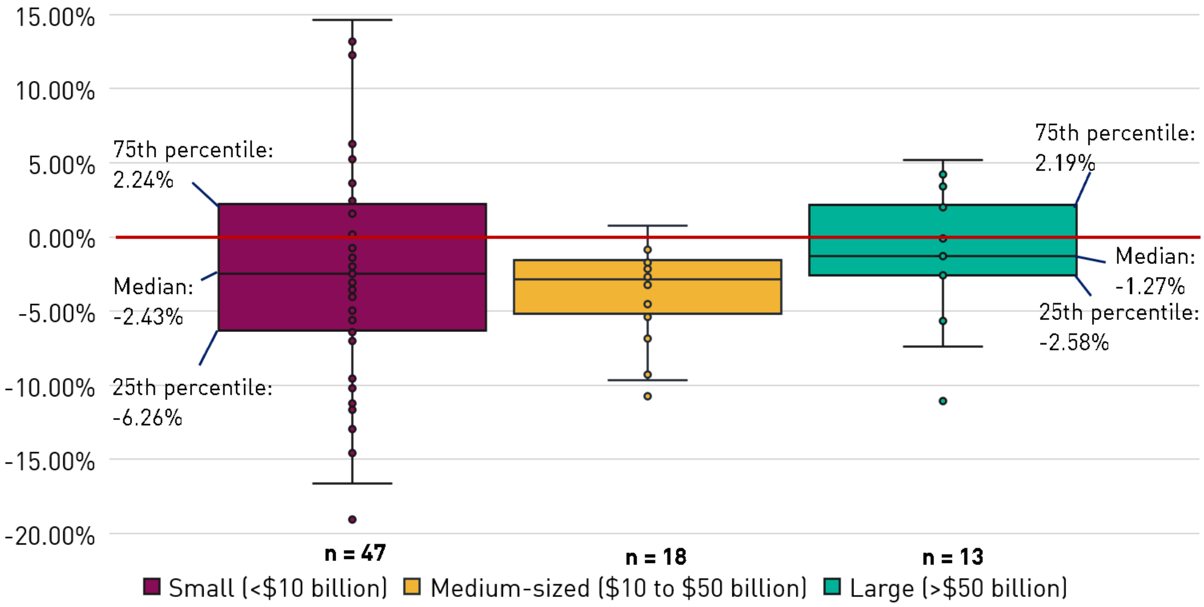


Figure 2 illustrates that:

- All cohorts have a negative median account growth rate, which indicates that, for the majority of RSEs, the number of member accounts have reduced over the last three years. This reflects the recent trend in account consolidation, following legislative measures such as the Protecting Your Superannuation Package (movement of low balance, inactive accounts to the Australian Taxation Office) and the COVID-19 Early Release Scheme in 2020.

- Small RSEs show a wide range in growth – from the most adverse reduction in member accounts to the fastest increase. Seven small RSEs exhibited strong growth in member accounts of more than 10%.

- The significant majority of medium-sized RSEs have lost member accounts (only 1 RSE had total accounts growth rate above 0%).

[5] Figure 2 does not display the following four RSEs in the small cohort due to large total account growth rates: Grosvenor Pirie Master Superannuation Fund Series 2 (66.87%), Tidswell Master Superannuation Plan (49.79%), Future Super Fund (49.68%), and Australian Defence Force Superannuation Scheme (35.82%).

2.1.2 Net cash flow ratio

Figure 3. 3-year average net cash flow ratio by RSE size (as at 30 June 2021)[6]

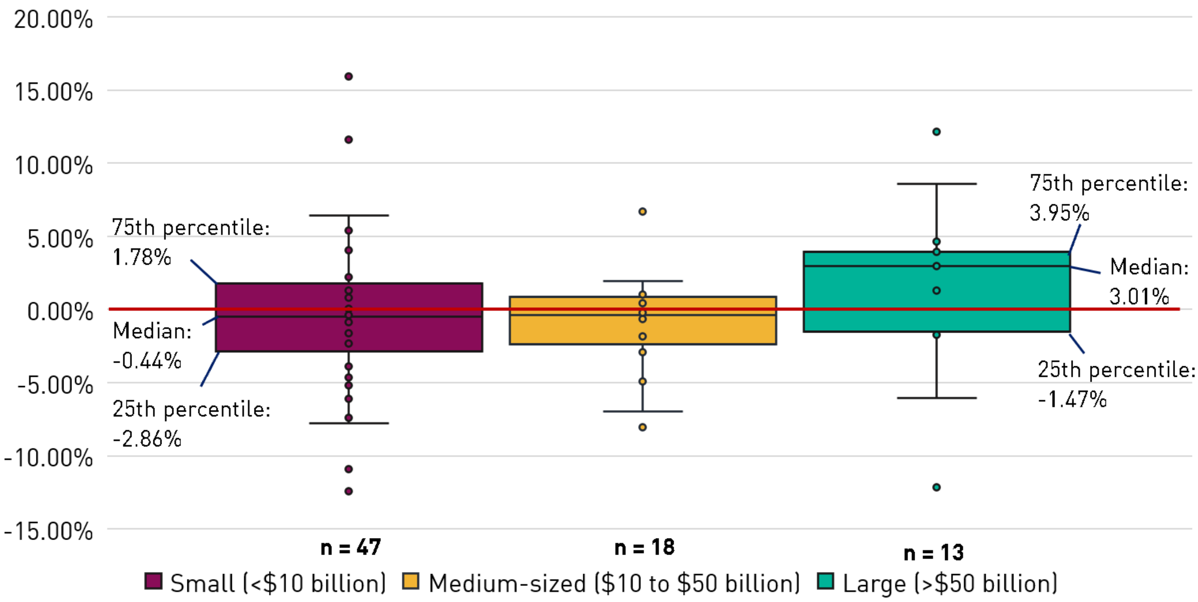


Figure 3 illustrates that:

- Large RSEs are generally growing, as indicated by the median net cash flow ratio of 3.01%. RSE licensees of these RSEs manage combined assets of $1.3 trillion, or 72% of total net assets of the sample covered in the Heatmaps. APRA views that these RSEs are generally well-positioned to realise further scale benefits and pass them on to members.
- Small RSEs have a wide range of growth in net cash flows:
  - Some small RSEs experience the most adverse trends – as illustrated by the net cash flow ratio at the 25th percentile level being the lowest across all cohorts.
  - However, six small RSEs demonstrated strong growth in net cash flows of more than 10%. These RSEs generally provided new or niche product offerings, such as environmental, social, governance (ESG) focused products.
- Medium-sized RSEs generally displayed negative trends, with only six RSEs having positive net cash flow ratios.

[6] Figure 3 does not display the following four RSEs in the small cohort due to large net cash flow ratios : Australian Defence Force Superannuation Scheme (55.36%), DIY Master Plan (46.75%), Future Super Fund (36.10%) and Grosvenor Pirie Master Superannuation Fund Series 2 (25.21%).

2.1.3 Net rollover ratio

Figure 4. 3-year net rollover ratio by RSE size (as at 30 June 2021)[7]

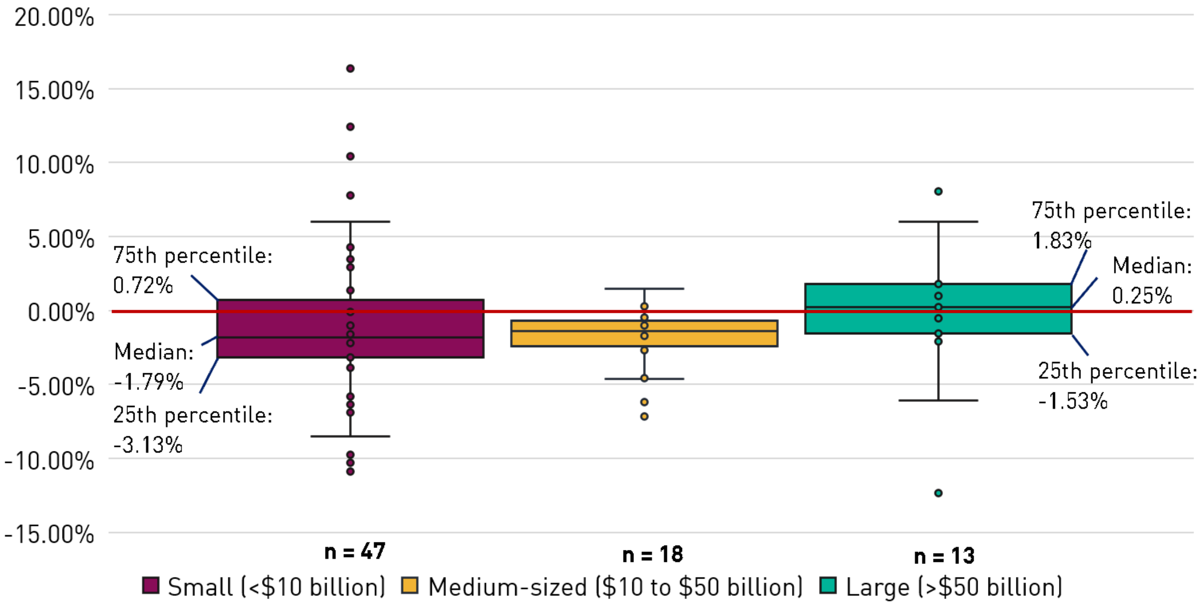


Figure 4 illustrates that:

- More than half the large RSEs are experiencing net asset growth due to members rolling their benefits in, indicated by a positive median net rollover ratio of 0.25%.
- Assets in small and medium-sized RSEs are declining due to members rolling their benefits out of the RSE, indicated by a negative median net rollover ratio.
  - Rollovers for five small RSEs, however, exceeded 10%.

2.1.4 Summary of sustainability metrics

Half of small RSEs face immediate sustainability challenges, and more than half of medium-sized RSEs have adverse trends in sustainability.

Table 2 outlines the distribution of RSEs in the sample with reference to the combined results across all three sustainability metrics (total accounts growth rate, net cashflow ratio and net

[7] Figure 4 does not display the following two RSEs in the small cohort due to large net rollover ratios: DIY Master Plan (44.70%) and Future Super Fund (28.60%).

rollover ratio), specifically whether RSEs are growing or declining on all, or some, of the metrics.

Table 2. Sustainability metrics by RSE size

	Net assets			
	<10bn	$10bn -50bn	>$50bn	Total
No. of RSEs growing on all metrics[8]	8	1	4	13
No. of RSEs growing on 2 metrics and declining on 1 metric[9]	9	1	3	13
No.of RSEs growing on 1 metric and declining on 2 metrics	6	5	3	14
No. of RSEs declining on all metrics	24	11	3	38
Total	47	18	13	78

Table 2 illustrates that, of the 78 RSEs in the analysis:

- 13 (or 17% of RSEs) are growing across all sustainability metrics, suggesting a positive growth outlook. Of these 13 RSEs, eight are small and four are large.
- 38 (or 49% of RSEs) are declining across all three sustainability metrics, indicating that these RSEs are losing member accounts, and paying out more cash in benefit payments and outward rollovers. Of these 38 RSEs, 35 are small or medium-sized.

In summary, the Heatmaps show that:

- 24 small RSEs (or 51%) generally have the most adverse sustainability metrics (refer to Table 4 in the Appendix). These RSEs manage a total of $84.7 billion in net assets (5% of total net assets of RSEs in the Heatmaps) and 1.1 million member accounts (6% of total member accounts in RSEs in the Heatmaps).

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[8] A reference to 'growing' means a sustainability metric value greater than 0%.

[9] A reference to 'declining' means a sustainability metric value less than 0%.

- 11 medium-sized RSEs (or 61% of medium-sized RSEs) are declining across all three sustainability metrics trends.

APRA views that these RSEs may find it challenging to compete with larger RSEs, as the large RSEs become even bigger and further leverage the benefits of scale.

2.2 Operating expenses

Scale delivers lower operating costs and lower fees.

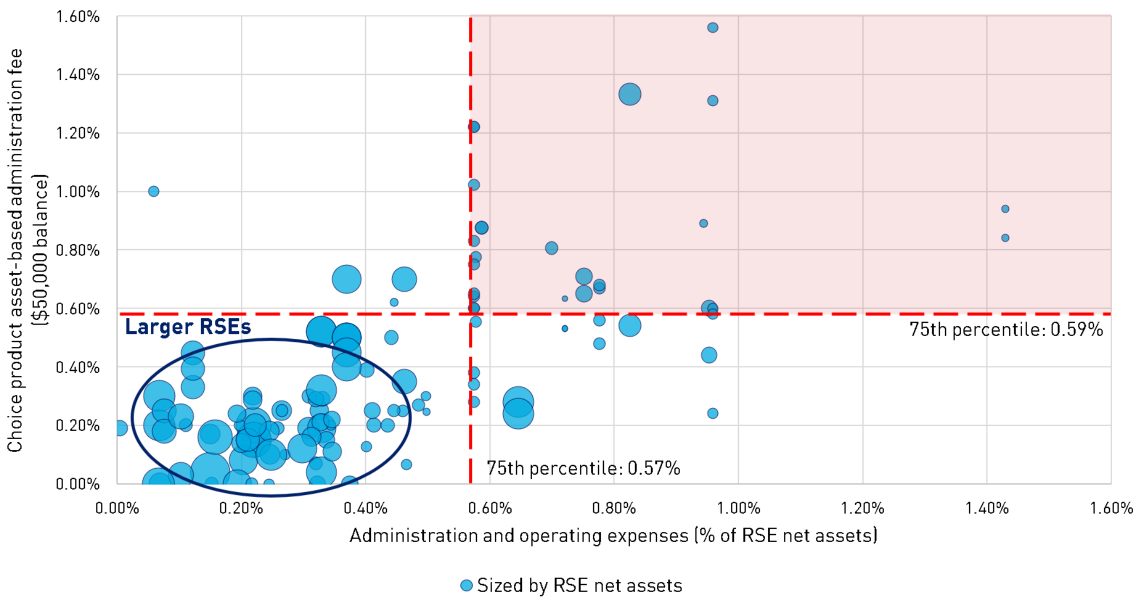
RSEs with adverse sustainability metrics will likely find it even more challenging to remain competitive and provide sustainable outcomes for members into the future, as revenue declines and/or operating expenses rise.

An RSE licensee can capitalise on the benefits of scale by spreading the cost of their operations over a larger membership base, thus improving operational efficiency and member outcomes (by way of lower fees). A measure of an RSE's operating efficiency is its total administration and operating expenses as a percentage of net assets ('AOE ratio') – a higher AOE ratio may point to operational inefficiencies.

To demonstrate the potential member impact arising from inefficiency in an RSE licensee's operating model, *Figure 5* illustrates the relationship between:

- RSE size (net assets);
- the AOE ratio; and
- the asset-based administration fees of choice products in the Choice Heatmap.

Figure 5. Impact of RSE size on AOE ratio on choice product asset-based administration fees (as at 30 June 2021)



RSEs with net assets less than $10 billion tended to operate less efficiently compared to RSEs with net assets greater than $50 billion, as indicated by the median AOE ratio of 0.33% and 0.57%, respectively.

Figure 5 illustrates that:

- RSEs with high AOE ratio (i.e. 75th percentile or higher) and offer choice products with high asset-based administration fees are generally small RSEs, as indicated by the size of the bubbles in the red-shaded quadrant. This suggests that members may be paying higher administration fees as a result of the operational inefficiency of the RSE (refer to Table 5 in the Appendix for the RSEs and choice products in the red-shaded quadrant).
- Larger RSEs tend to have lower AOE ratio and offer choice products with lower asset-based administration fees, as indicated by the larger RSEs circled in the bottom left quadrant. This may suggest that larger RSEs are able to operate more efficiently due to economies of scale.

2.3 Mergers and simplification programs

Majority of mergers and simplification programs lead to fee savings for members.

APRA continues to encourage RSE licensees to improve outcomes to members or consider whether members are better served in another RSE. APRA welcomes the recent merger activity, especially where RSE licensees of smaller RSEs recognise that they lack the necessary scale and capability to deliver the required change and improvements to ensure strong outcomes are delivered for members now and into the future. Where mergers are yet to fully integrate, for example products consolidated and/or business processes and systems streamlined at a later date, the benefits of the merger, such as improved operating efficiency or reduced AOE, may not be fully realised in the short term.

RSE licensees with multiple RSEs and a wide range of product offerings, often administered on different systems, can experience operational inefficiencies arising from the complexity of their operations. This suggests that such RSE licensees may gain efficiencies by simplifying their product structure or business operations.

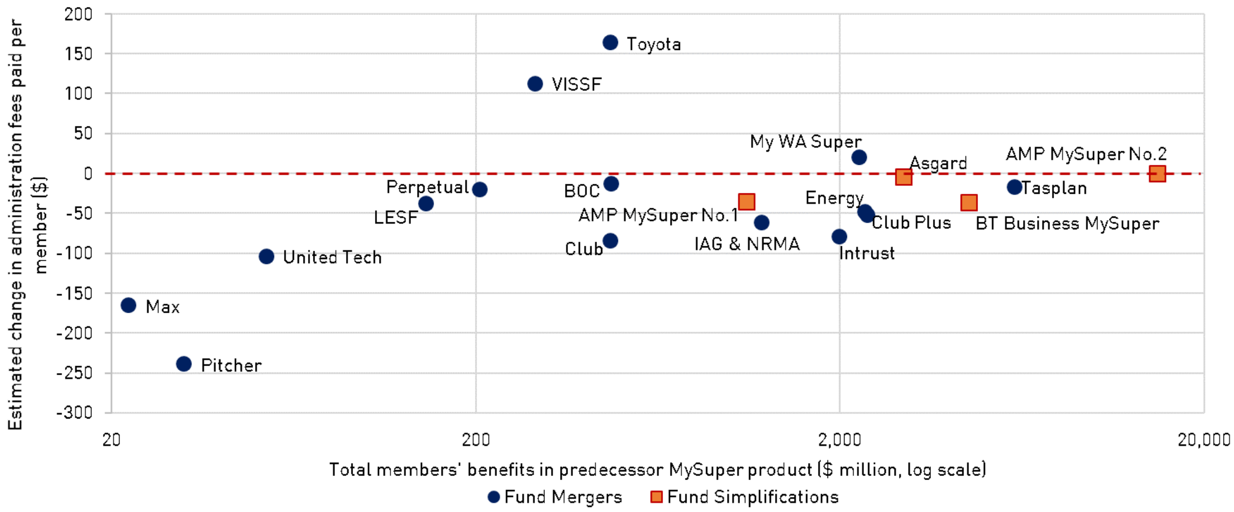
APRA has analysed the difference in fee outcomes following the closure of 19 MySuper products since the first MySuper Heatmap was published in December 2019, which has identified fee reductions for some members.[10] Further details on these activities and associated changes in fee can be found in Table 6 of the Appendix.

Of these 19 products:

- 15 closed and merged with another RSE; and
- Four closed as a result of RSE licensees undertaking simplification programs, including consolidating products under their trusteeship

Figure 6 illustrates the estimated change in administration fees after being transferred to another MySuper product. Note that the predecessor product is shown in the figure below.

Figure 6. Estimated change in administration fees after transfer to another MySuper product



All but four transfers led to savings in administration fees for members (three increased, and one resulted in no change in administration fees).

APRA's analysis further illustrates:

- Mergers (blue dots shown in Figure 6) have delivered combined fee savings to approximately 350,000 member accounts, with estimated total savings of $21 million per annum, split between:
  - $13 million in administration fees per annum (or $36 per member account); and

[10] See the Appendix for the methodology for calculating the estimated fee changes following the closure of MySuper product. Analysis performed by Super Consumers Australia demonstrated similar conclusions on the benefits of merging.

- $8 million in investment fees and costs per annum (or $24 per member account).

- Simplification programs undertaken by four RSE licensees (orange dots shown in Figure 6) have delivered fee savings to approximately 780,000 member accounts, with estimated total savings of almost $16 million per annum, split between:
  - almost $9 million in administration fees savings per annum (or $12 per member account); and
  - almost $7 million in investment fees and costs per annum (or $8 per member account).

Mergers where large RSEs are the successor RSE delivered the greatest fee savings, especially in administration fees.

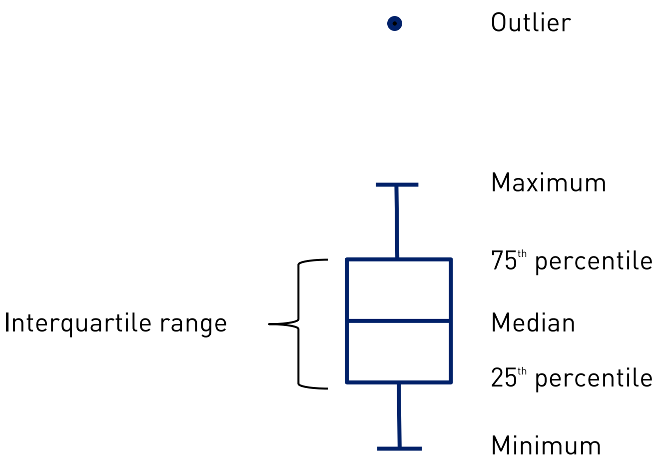
APRA has compared the level of fee savings from seven mergers where the successor RSE is large, and eight mergers where the successor RSE is small or medium-sized (in *Table 3* below). Table 3 illustrates that MySuper fee savings (both administration fees and total fees) were higher for mergers involving large RSEs, particularly administration fees. Administration fee savings were nearly 2.5 times greater for mergers involving large RSEs compared to other mergers ($48 per member account for mergers involving large RSEs compared to $20 for other mergers).

Table 3. MySuper member fee savings from recent mergers

Merger involves	Administration fee saved per annum, per member account (% reduction)	Total fees and costs saved per annum, per member account (% reduction)
Successor RSE is large	$48 (30% reduction)	$78 (15% reduction)
Successor RSE is small or medium-sized	$20 (11% reduction)	$36 (5% reduction)

Appendix

Interpreting box and whisker chart



The box or interquartile range (IQR) is the distance between the 25th and 75th percentile (or lower and upper quartiles).

Outliers are data points that fall outside 1.5 times the IQR.

The whiskers extend from the box to the maximum and minimum data points of an adjusted data set that excludes any outliers. The maximum is the largest data point that is less than or equal to 1.5 times the IQR from the 75th percentile, and the minimum is the smallest data point that is greater than or equal to 1.5 times the IQR from the 25th percentile.

Outliers are included in the calculation of median and percentile values.

Table 4. RSEs with net assets less than $10 billion, where all three sustainability metrics are negative

RSE Licensee	RSE	RSE net assets ('000)	Member accounts
Alcoa of Australia Retirement Plan Pty Ltd	Alcoa of Australia Retirement Plan	$2,321,451	5,336
Australian Meat Industry Superannuation Pty Ltd	Australian Meat Industry Superannuation Trust	$2,513,818	60,923
BUSS (Queensland) Pty Ltd	Building Unions Superannuation Scheme (Queensland)	$5,782,839	68,679

RSE Licensee	RSE	RSE net assets ('000)	Member accounts
BEST Superannuation Pty Ltd	Goldman Sachs & JBWere Superannuation Fund	$647,724	1,767
Club Plus Superannuation Pty Ltd	Club Plus Superannuation Scheme	$3,121,131	60,407
Colonial First State Investments Limited	Commonwealth Essential Super	$3,923,283	150,069
Diversa Trustees Limited	ING Superannuation Fund	$3,179,238	56,270
Diversa Trustees Limited	OneSuper	$1,273,643	56,270
Equity Trustees Superannuation Limited	Zurich Master Superannuation Fund	$996,618	11,163
First Super Pty Limited	First Super	$3,521,667	46,003
L.U.C.R.F. Pty. Ltd.	Labour Union Co-Operative Retirement Fund	$7,470,030	133,058
LCA NOMINEES PTY. LTD.	Lutheran Super	$679,851	5,953
Maritime Super Pty Limited	Maritime Super	$6,137,495	23,858
Meat Industry Employees Superannuation Fund Pty. Ltd.	Meat Industry Employees Superannuation Fund	$944,418	16,788
Media Super Limited	Media Super	$6,789,366	72,401
Perpetual Superannuation Limited	Perpetual WealthFocus Superannuation Fund	$1,725,496	11,888
Perpetual Superannuation Limited	Perpetual's Select Superannuation Fund	$1,253,567	5,275

RSE Licensee	RSE	RSE net assets ('000)	Member accounts
PostSuper Pty Ltd	Australia Post Superannuation Scheme	$8,304,856	28,649
Qantas Superannuation Limited	Qantas Superannuation Plan	$8,532,172	27,609
Rei Superannuation Fund Pty Limited	Rei Super	$1,932,915	24,618
Suncorp Portfolio Services Limited	Suncorp Master Trust	$6,851,659	139,369
T W U Nominees Pty Ltd	TWU Superannuation Fund	$6,273,696	104,148
Towers Watson Superannuation Pty Ltd	Incitec Pivot Employees Superannuation Fund	$210,323	774
Towers Watson Superannuation Pty Ltd	Oracle Superannuation Plan	$357,817	2,161

Table 5. RSE Licensees *with high AOE ratio and high choice product asset-based admin fees (75th percentile or higher)*

RSE Licensee	RSE	Choice product	RSE net assets ('000)	Asset-based administration fees (as at 30 June 2021)	RSE AOE ratio
BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee Superannuation Account	$22,915,026	1.33%	0.83%
Diversa Trustees Limited	Future Super Fund	Verve Super	$1,246,425	0.78%	0.58%
Diversa Trustees Limited	Grosvenor Pirie Master Superannuation Fund Series 2	Cruelty Free Super	$204,811	0.94%	1.43%

RSE Licensee	RSE	Choice product	RSE net assets ('000)	Asset-based administration fees (as at 30 June 2021)	RSE AOE ratio
Diversa Trustees Limited	Grosvenor Pirie Master Superannuation Fund Series 2	The Grosvenor Pirie Master Superannuation Fund - Series 2	$204,811	0.84%	1.43%
Diversa Trustees Limited	OneSuper	brightday Complete Super	$1,273,643	0.64%	0.57%
Diversa Trustees Limited	OneSuper	Grow Super - Personal	$1,273,643	0.60%	0.57%
Diversa Trustees Limited	OneSuper	Lesf and Macmahon Super	$1,273,643	0.83%	0.57%
Diversa Trustees Limited	OneSuper	MAP Superannuation Plan	$1,273,643	0.65%	0.57%
Diversa Trustees Limited	OneSuper	max Super Fund - Personal	$1,273,643	1.02%	0.57%
Diversa Trustees Limited	OneSuper	MYONESUPER	$1,273,643	0.75%	0.57%
Diversa Trustees Limited	OneSuper	Smartsave - Employer	$1,273,643	1.22%	0.57%
Diversa Trustees Limited	OneSuper	Smartsave - Personal	$1,273,643	1.22%	0.57%
Diversa Trustees Limited	OneSuper	Whole Super	$1,273,643	0.60%	0.57%
Diversa Trustees Limited	Tidswell Master Superannuation Plan	Australian Expatriate Superannuation Fund	$949,603	0.60%	0.96%
Diversa Trustees Limited	Tidswell Master Superannuation Plan	mobiSuper	$949,603	1.31%	0.96%

RSE Licensee	RSE	Choice product	RSE net assets ('000)	Asset-based administration fees (as at 30 June 2021)	RSE AOE ratio
Diversa Trustees Limited	Tidswell Master Superannuation Plan	Tidswell Superannuation Fund - Personal Super	$949,603	1.56%	0.96%
Equity Trustees Superannuation Limited	AMG Super	AMG Super - Corporate Super	$1,551,683	0.67%	0.78%
Equity Trustees Superannuation Limited	AMG Super	AMG Super - Personal	$1,551,683	0.68%	0.78%
Equity Trustees Superannuation Limited	AON Master Trust	smartMonday DIRECT	$5,599,341	0.60%	1.02%
Equity Trustees Superannuation Limited	Crescent Wealth Superannuation Fund	Crescent Wealth Super	$312,847	0.89%	0.94%
Equity Trustees Superannuation Limited	CUBS Superannuation Fund	Defence Bank Super	$86,743	0.63%	0. 72%
Fiducian Portfolio Services Limited	Fiducian Superannuation Fund	Fiducian Super	$1,986,010	0.81%	0.70%
Guild Trustee Services Pty. Limited	Guild Retirement Fund	Child Care Super - MyMix	$2,419,903	0.88%	0.59%
Guild Trustee Services Pty. Limited	Guild Retirement Fund	GuildSuper - MyMix	$2,419,903	0.88%	0.59%
Suncorp Portfolio Services Limited	Suncorp Master Trust	Suncorp Brighter Super - Business	$6,851,659	0.71%	0.75%
Suncorp Portfolio Services Limited	Suncorp Master Trust	Suncorp Brighter Super - Personal	$6,851,659	0.65%	0.75%

Methodology for fees and costs savings analysis

In section 2.3 of this paper, APRA has calculated estimates for administration and total fees and costs per member account for MySuper products. This calculation enables comparisons between the fee structures of a product before and after a merger or simplification has been completed.

The estimated administration, investment and indirect cost ratio (ICR), and total fees per member account for a MySuper product are:

- $Estimated\ administration\ fees\ per\ member\ account = [(Number\ of\ member\ accounts\ \times dollar\ based\ administration\ fee\ disclosed\ p.a.) + (total\ members'\ benefits\ \times asset\ based\ administration\ fee\ p.a.)]/ Total\ Member\ Accounts$

- $Estimated\ investment\ fees\ and\ ICRs\ per\ member\ account = [(Total\ members'\ benefits\ \times investment\ fee\ and\ ICR\ disclosed\ p.a.)]/ Total\ Member\ Accounts$

- $Estimated\ total\ fees\ and\ costs\ per\ member\ account = Estimated\ administration\ fees\ per\ member\ account + Estimated\ investment\ fees\ and\ ICRs\ per\ member\ account$

The total member accounts and members' benefits data is sourced from data collected under *Reporting Standard SRS 610.2 Membership Profile*; the back-series of the *Annual MySuper Statistics* contains historical product-level data for each MySuper product.

The estimated change in fees per member following the closure of a MySuper product (predecessor product) and transfer into another MySuper product (successor product) is the difference in the estimated fees per member account between the predecessor and successor products.

Consider the hypothetical example of two MySuper products, ADV MySuper (a single strategy product) and FUJ MySuper (a lifecycle product). FUJ MySuper (predecessor product) has closed and the members of FUJ MySuper have been transferred to ADV MySuper (successor product). The fee structures of the products are 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	0.1%	0.6%
FUJ MySuper	-	-	-
FUJ Lifestage 1	$50	0.2%	0.8%
FUJ Lifestage 2	$50	0.2%	0.6%
FUJ Lifestage 3	$50	0.2%	0.4%

The estimated administration, investment and ICR, and total fees and costs paid by the members when they were in FUJ MySuper and following the merger (in ADV MySuper) can be found in the table below.

MySuper product	Total member benefits	Total member accounts	Estimated administration fees	Estimated investment fees and ICR	Estimated total fees and costs	Total fees per member account
ADV MySuper	$954,140,000*	18,621*	$2,406,578	$5,724,840	$8,131,418	$436.68
FUJ MySuper			$2,839,330	$7,099,632	$9,938,962	$533.75
FUJ Lifestage 1	$700,269,000	15,222	$2,161,638	$5,602,152	$7,763,790	
FUJ Lifestage 2	$240,998,000	3,111	$637,546	$1,445,988	$2,083,534	
FUJ Lifestage 3	$12,873,000	288	$40,146	$51,492	$91,638	

* The latest available total member benefits and member accounts for FUJ MySuper is used to calculate the total fees savings per member account.

The total fee savings for FUJ MySuper members is $97.07 ($533.75 – $436.68).

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, and employer discounts and subsidies were not considered.

Table 6. Estimated MySuper changes in fees from mergers and simplification program

Predecessor RSE (and MySuper product)	Successor RSE (and MySuper product)	Administration fee change per member account	Total fees and costs change per member account
Mergers			
Boc Gases Superannuation Fund (BOC MySuper)	equipsuper (equipsuper MySuper)	-$12	-$494

Predecessor RSE (and MySuper product)	Successor RSE (and MySuper product)	Administration fee change per member account	Total fees and costs change per member account
Pitcher Retirement Plan (Pitcher Retirement Plan MySuper)	equipsuper (equipsuper MySuper)	-$239	-$444
IAG & NRMA Superannuation Plan (MySuper)	Sunsuper (Sunsuper for Life)	-$61	-$416
Toyota Super (MySuper Growth)	equipsuper (equipsuper MySuper)	+$164	-$244
Club Plus Superannuation Scheme (Club Plus MySuper)	AustralianSuper (AustralianSuper MySuper)	-$47	-$193
United Technologies Corporation Retirement Plan (Balanced)	Sunsuper (Sunsuper for Life)	-$104	-$151
Max Super Fund (Max Super Fund MySuper Plan)	OneSuper (MySuper Passive Balanced)	-$165	-$83
The Victorian Independent Schools Superannuation Fund (VISSF Balanced Option (MySuper Product)	Aware Super (MySuper Lifecycle)	$113	-$76
Energy Super (MySuper)	LGIAsuper (LGIASuper MySuper)	-$52	-$70
LESF Super (LESF MySuper)	OneSuper (MySuper Passive Balanced)	-$37	-$69
Club Super (Club MySuper)	HOSTPLUS Superannuation Fund (Balanced option)	-$84	-$63
Tasplan Superannuation Fund (Tasplan MySuper)	Spirit Super (Balanced (MySuper))	-$16	-$8
WA Local Government Superannuation Plan (My WA Super)	Aware Super (MySuper Lifecycle)	+$20	-$3

Predecessor RSE (and MySuper product)	Successor RSE (and MySuper product)	Administration fee change per member account	Total fees and costs change per member account
Intrust Super Fund (Intrust MySuper)	HOSTPLUS Superannuation Fund (Balanced option)	-$79	+$8
Perpetual's Select Superannuation Fund (Perpetual MySuper)	Care Super (CareSuper)	-$20	+$18
Simplifications			
Westpac Mastertrust - Superannuation Division (BT Business MySuper)	Retirement Wrap (BT Super MySuper)	-$37	-$45
AMP Superannuation Savings Trust (AMP MySuper No.2)	Super Directions Fund (AMP MySuper No.3)	$0	-$22
ASGARD Independence Plan Division Two (Asgard Employee MySuper)	Retirement Wrap (BT Super MySuper)	-$4	-$9
AMP Retirement Trust (AMP MySuper No.1)	Super Directions Fund (AMP MySuper No.3)	-$35	+$11

In the above table, (-) represents a decrease in fees (or savings) and (+) represents an increase in fees following a merger or simplification.