Submission to SDT Consultation

April 2022

About Chant West & introduction

Chant West is a leading superannuation research firm established in 1997. It conducts research on most of the leading superannuation and pension funds, asset consultants and implemented consultants in Australia. Its research is purchased by most of Australia's leading superannuation suppliers and its comparison tools are widely used by consumers, funds and financial advisers. Chant West was purchased in June 2020 by Zenith Investment Partners.

This submission provides Chant West's feedback on APRA's Superannuation Data Transformation Publications and Confidentiality Discussion Paper Our comments are framed in response to the feedback questions included in Section 2.10 of the Discussion Paper.

#	Topic	Question	Chant West response
1	General	a) Of the proposed suite of publications (super facts, key metrics publication, key metrics datasets and granular datasets), which, if any, do you intend to use? Please outline any intended use of these publication types. b) Where more granular data is provided, what information would be most useful to you? Do you intend to use the granular datasets?	We would use both key metrics datasets and granular datasets in the various comparison tools we provide for super funds, advisers and consumers.
2	File format	a) For downloadable datasets, what file types other than CSV would be desirable?	CSV files would be fine. It would be good to know how large the granular dataset would be in advance of publication
3	Metrics	a) Are there any additional metrics beyond those in Attachment D that APRA should consider including in its publications? b) Of the proposed metrics in Attachment D, should APRA consider changing how any of these are calculated?	The metrics included in Attachment D seem to be sufficient
4	Segmentation	a) Are there alternative approaches or impediments to the proposed segmentation of products outlined in section 2.8? (i.e segmentation by product phase (accumulation, retirement), product type (MySuper, choice and defined benefit) b) Are there alternative approaches APRA should consider to the proposed segmentation of multi-sector investment options outlined in section 2.8 (by TDP and other)? c) Is it useful for multi-sector options to be segmented for publication, for example by risk measures such as volatility or by brackets of estimated allocation to growth-asset weights. d) Are there alternative approaches APRA should consider to segment single-sector investment options? e) Are there any additional approaches to segmentation APRA should consider?	We agree that the traditional fund type segmentation (e.g. industry funds, public sector funds) has little ongoing relevance. While we understand the challenges for funds to consistently classify their investment options based on their active or passive investment strategy, this could be another useful segmentation to consider. Segmentation by similar growth assets (e.g. 61-80%, 81-100%) would be helpful so that similar investment options can be grouped together, but given the current work on defining growth assets and potential implications for logical groupings, it may be best not to specify the bands until this work is completed.

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5	Fees and costs arrangements	a) Are there impediments to APRA publishing all fees and costs arrangement combinations reported under SRS 705.0 and SRS 706.0 in the Excel publication instead of only the standard fees and costs arrangement? b) Should a representative member balance be applied to illustrate the fee arrangements, and if so, what balance/s should be applied?	We believe publishing all fees and costs arrangement combinations would better represent the various products and fee structures available in the market, especially those with complex fee structure. There is no single set of representative member balances that would provide a full description of the fee structures for all products as thresholds for fee changes occur at very different balances. The proposed two representative member balances ($50,000 and $100,000) seem reasonable as a sample of fees for each product.
6	Performance	a) What alternatives, if any, should APRA consider to its proposal to publish reported net returns for each investment option in key metrics publications based on the investment pathway with the highest fees and costs charged (taking into account fee caps) for a representative member, noting that APRA proposes to include data for all investment pathways in the granular dataset. b) APRA invites comment on the proposal to publish risk-adjusted returns using the Sharpe Ratio. c) APRA invites comment on the proposal to publish the return objectives (i.e. return measurement, return objective, return margin and investment horizon) reported under SRF 705.1 Table 1 for TDP investment options. d) APRA does not propose to publish 'Return Objective Target Return' collected in SRF 705.1 Table 2 at this stage. APRA invites feedback on the potential for publication of this data in the future.	It would be good to clarify how APRA plan to include data for all investment pathways for platform products. We welcome APRA's intention to publish risk-adjusted returns using the Sharpe Ratio, although care needs to be taken in the application of these risk-adjusted returns given the use of unlisted assets in many portfolios that are not valued daily. We welcome APRA's intention to publish return objectives as these are central characteristics of any investment strategy.
7	Asset allocation	a) APRA invites comment on the proposed asset class categories in the Key metrics publications. Should APRA consider any additional combinations of sector, listing, domicile, international economy type and hedging, noting that all combinations will be included in the granular dataset?	The proposed list for the Key Metrics seems reasonable. Publication of estimated growth assets would be helpful, along with groupings (e.g. 61-80%, 81-100%), but given the current work on defining growth assets and potential implications for logical groupings, it

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		b) APRA seeks feedback on any additional asset class characteristics that would be of public interest to publish on an aggregated industry-level or fund-level basis? c) APRA invites comment on the proposal to publish the estimated allocation to growth assets and the use of this metric to segment multi-sector investment options into categories (0-40 per cent; 40-60 per cent; 60-75 per cent; 75-90 per cent; and 90-100 per cent).	may be best not to specify the bands until this work is completed.
8	Insurance	a) In the draft Insurance publication, APRA is proposing to calculate insurance fees as the difference between premiums collected from members and premiums paid to insurers. Should APRA consider an alternate method of calculating this amount? Please refer to Tables 2 and 2a of the Key metrics Publication mock-up for insurance for more information. b) APRA invites comment on the proposal to publish data on default insurance cover design and cost for representative members (male and female non-smoker) in the Key metrics publications.	We note that premiums collected from members may be lower than premiums paid to insurers for some funds as they would fund the difference using their tax reserve. Hence, should funds be reporting on insurance fees collected from members as an explicit reporting item. This is important information however given the volume of data, APRA will need to select particular sample members (i.e., certain combinations of age, gender, occupation) to make this accessible in the Key Metrics publication
9	Additional comments from Chant West		- We noted that it is important to distinguish performance of most superannuation funds (generally net of tax) with managed funds in wrap platforms (which are before tax as tax is determined at the investor level) - We note that it is currently up to the RSE to come up with the identifying code which could lead to duplicates which will make consuming this data much more difficult. Therefore, it is crucial that APRA ensures that the various identifiers (super product, investment menu, investment option etc) are unique in the dataset.