



 APRA

INSIGHTS PAPER

MySuper Heatmap

DECEMBER 2022

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Contents

Dashboard	4
Introduction	5
Chapter 1 - Key insights	6
1.1 Product closures	6
1.2 Investment returns	7
1.3 Fees and costs	9
1.4 Sustainability	11
Appendix A – List of MySuper products with average performance below Heatmap benchmarks over 8 years	14
Appendix B – List of MySuper products with high total fees and costs disclosed	16
Appendix C – List of MySuper products with high administration fees and costs disclosed	18

Dashboard

MySuper Heatmap



APRA

Objectives



Heighten transparency to hold trustees accountable



Provide comparable measures of performance across products



Promote beneficial consolidation to drive better outcomes to members

Coverage

69

MySuper products

14.4m

Member accounts

\$884b

Member benefits

Significantly poor investment returns (8 year)

6

Number of products

5.5%

% Member accounts

5.2%

% Member benefits

Median annual fees and costs disclosed for \$50,000 balance

\$143

Admin

\$488

Total

Introduction

APRA is focused on driving an Registrable Superannuation Entity (RSE) licensee culture of continuous improvement, accountability and transparency in the delivery of quality outcomes to superannuation members to and through retirement.

Recent legislative reforms, including the annual performance test, have sharpened the focus on the financial nature of an RSE licensee's duty to act in the best financial interests of beneficiaries.

APRA's MySuper Heatmap ("the Heatmap") provides additional important insights into selected key areas of MySuper product performance that underpin member outcomes. RSE licensees are the key audience for the Heatmap and this insights paper. The Heatmap benchmarks MySuper products on multiple dimensions to hold RSE licensees to account for underperformance and help them identify areas for ongoing improvement.

It is in this context that APRA is reviewing *Prudential Standard SPS 515 Strategic Planning and Member Outcomes* (SPS 515)¹. The SPS 515 framework requires RSE licensees to embed a holistic approach to assessing and improving the delivery of outcomes to members.

APRA expects RSE licensees to take both the annual performance test and Heatmaps into account when undertaking their annual business performance review (BPR), to identify where outcomes for members need to be improved and how such improvements will be made.

APRA's supervision of RSE licensees will continue to focus on the business plan and the BPR as key tools to understand how an RSE licensee views its current performance, how it will act to improve outcomes based on this assessment and, in certain cases, whether the RSE licensee's assessment of its strategic future and longer-term viability is reasonable.

¹ [Strategic planning and member outcomes: proposed enhancements | APRA](#)

Chapter 1 - Key insights

The Heatmap provides credible, clear, and comparable information on the performance of MySuper products, enabling like-for-like comparisons of performance outcomes. The Heatmap incorporates the entire MySuper population, comprising 69 MySuper products with 14.4 million member accounts and \$884 billion in member benefits.

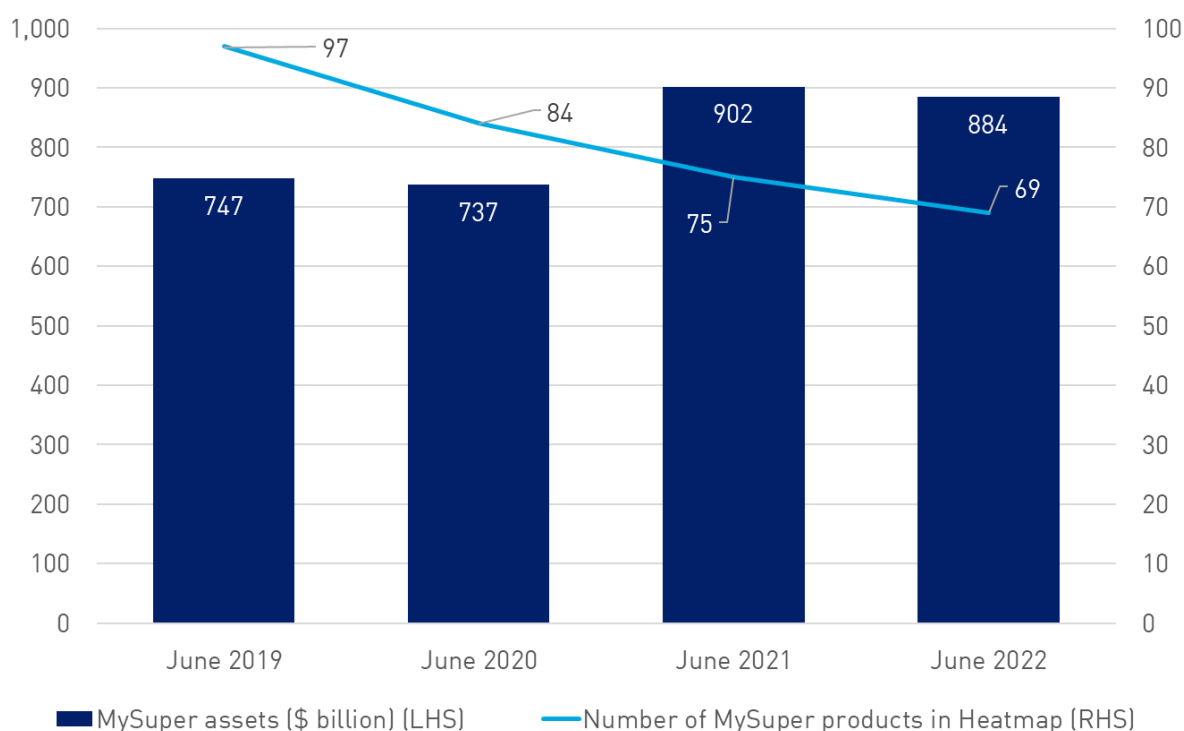
1.1 Product closures

Since December 2019, 28 MySuper products have closed

Since APRA released the first Heatmap in 2019, 28 MySuper products have closed resulting in 1.5 million member accounts with \$51.6 billion in member benefits being transferred to other MySuper products. Most of these closed products had been identified as having poor investment outcomes and/or high fees and costs through the Heatmap.

Among the closed MySuper products are four that failed the legislated annual performance test in 2021 (comprising 195,000 member accounts and \$9.8 billion in member benefits).

Figure 1. MySuper total assets and number of MySuper products



The reduction in MySuper products since the first iteration of the Heatmap (see Figure 1) is part of a broader trend of consolidation at the RSE level. APRA has sought to facilitate increased consolidation activity, in part using insights obtained through the Heatmap, and particularly where the poor performance of an RSE licensee’s MySuper product has called into question the ability of the RSE licensee to continue to provide strong outcomes for the members of the RSE more broadly.

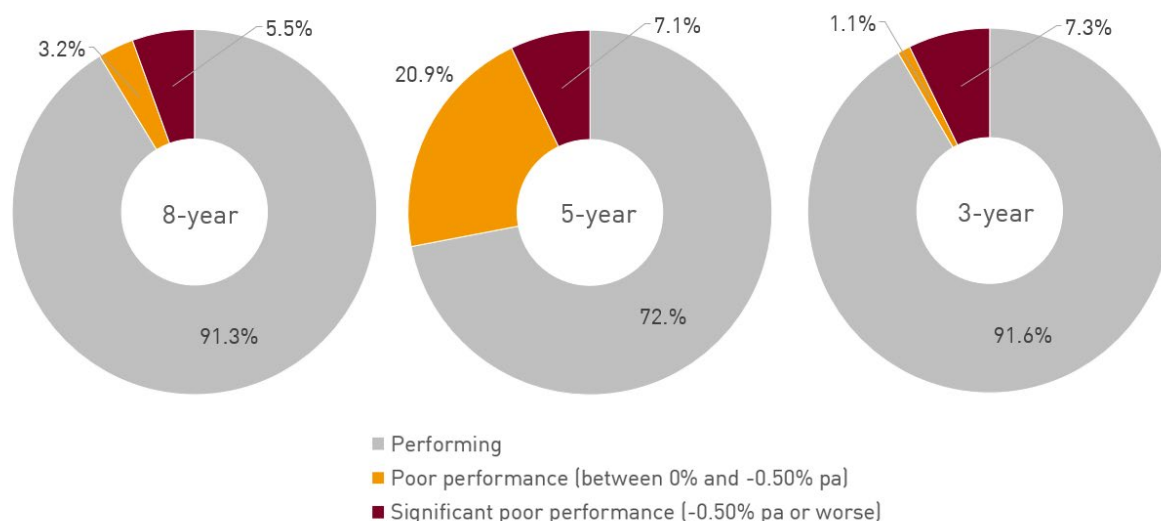
1.2 Investment returns

There are fewer members in MySuper products that have had significant poor investment performance than there were in 2021, but many remain in such products (around 800,000 member accounts).

Investment performance is the key driver of net returns generated for members. Poor investment performance compounded over time will result in detrimental outcomes for members in retirement.

The Heatmap assesses investment performance over three time horizons (3, 5 and 8 years) using different benchmarking methods. Looking at performance over a range of horizons can inform RSE licensees how products have performed in different market environments, or how investment decisions of RSE licensees have played out in practice. Figure 2 categorises investment returns averaged across the four investment benchmarks used in the Heatmap by member accounts.

Figure 2. Investment returns (% of member accounts)

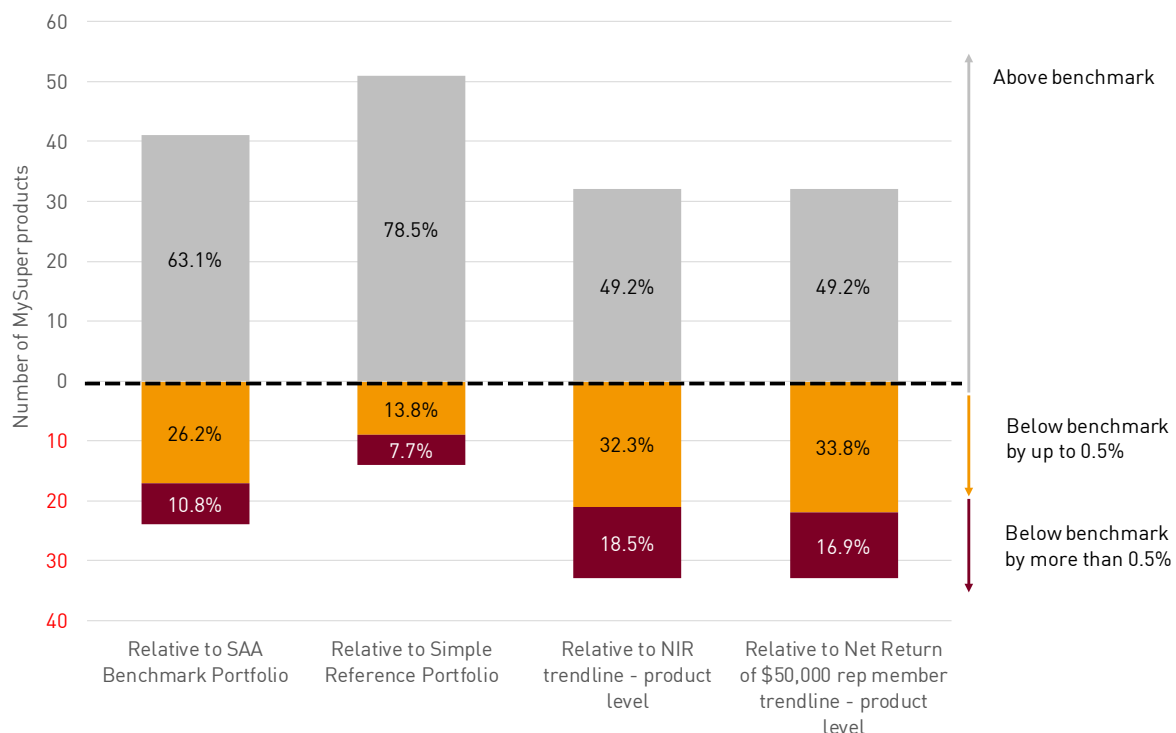


Assessing performance over longer time periods is most relevant as this is more consistent with the long-term nature of most members’ investment in superannuation. Six MySuper products have been determined as posting significantly poor investment performance over the last 8 years, lagging benchmarks by an average of more than 0.50% per annum. As

shown in Figure 2, these products collectively account for 5.5% of total MySuper member accounts. This compares to 11 significantly poor performing MySuper products in the 2021 Heatmap over the longest period available at that time (7 years), which collectively accounted for 8.1% of total MySuper member accounts. Around 350,000 fewer MySuper member accounts are now captured in significantly poor performing products on this basis.

Looking at the individual investment performance benchmarks can provide RSE licensees with insights into trends in investment returns and the value generated for members through the investment process (Figure 3).

Figure 3. Looking across investment return metrics (8 years²)



When looking at returns relative to portfolio benchmarks over 8 years, 37% of MySuper products had Net Investment Returns (NIRs) below Strategic Asset Allocation (SAA) benchmark with 11% significantly underperforming (by more than 0.50% per annum). 22% of MySuper products fell short of the Simple Reference Portfolio (SRP) benchmark with 8% significantly underperforming.

² Using 8- year data where available. The percentages relative to trendline for NIR and Net Return of a \$50,000 representative member in this chart are calculated from product level peer data. The colouring in the Heatmap is determined from both product and lifecycle stage peer data.

Of the 37% products that underperformed the SAA benchmark, almost half of these outperformed the SRP benchmark. As such, the value added through strategic asset allocation decisions of some RSE licensees has offset the value detracted through investment implementation decisions.

Looking at peer-relative assessments of investment returns for MySuper products, based on each product’s growth asset allocation, 19% and 17% of MySuper products significantly underperformed the peer derived benchmarks for NIR and net return over 8 years, respectively.

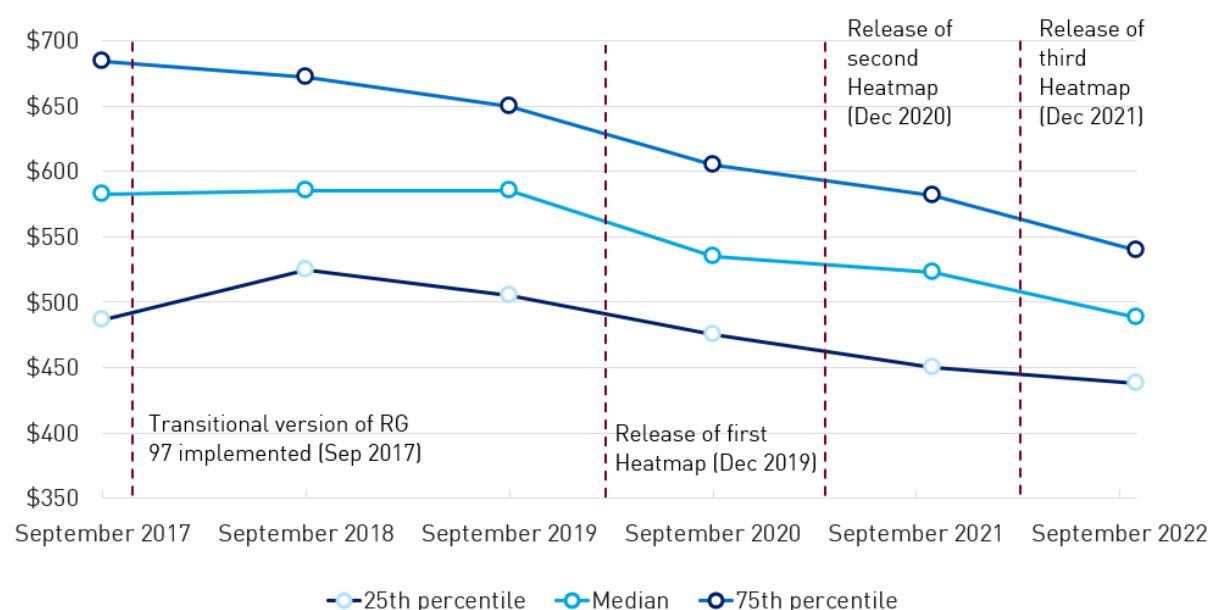
1.3 Fees and costs

Fees and costs have fallen in recent years for most MySuper products though expensive products remain

Since the first Heatmap in 2019, total fees and costs have declined for most MySuper products. The reductions have primarily been driven by lower investment fees and transaction costs, suggesting RSE licensees have adopted more efficient ways to execute their investment strategy. APRA estimates that 8.1 million members (56% of member accounts) have experienced a drop in disclosed total fees and costs from the date of the 2021 Heatmap to the 2022 Heatmap. The total estimated savings for members is \$210 million per annum.

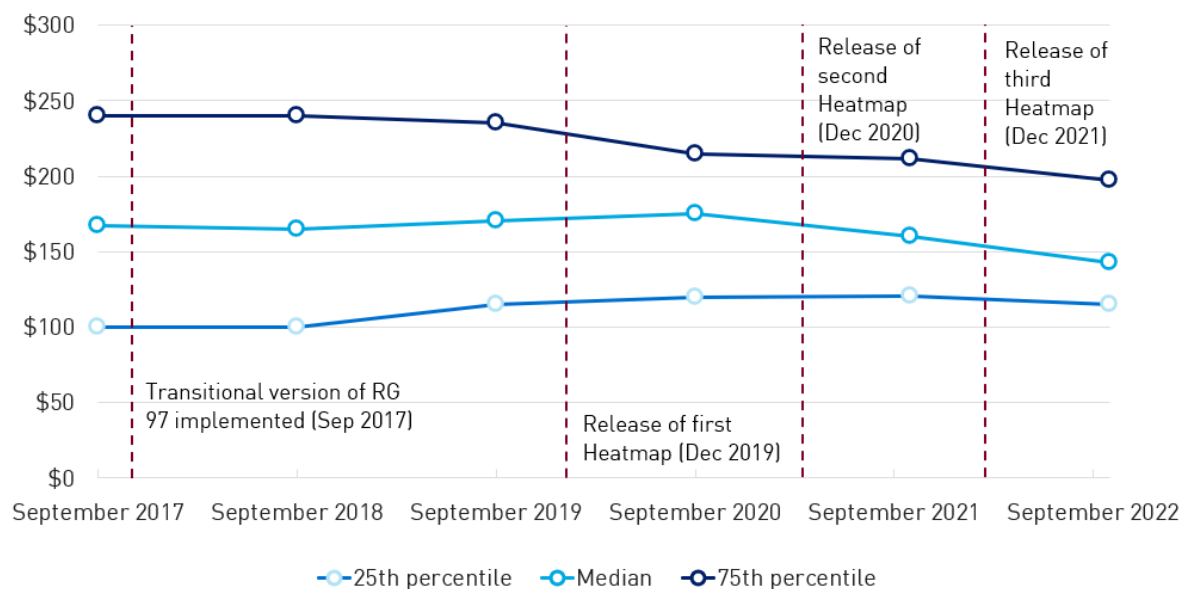
For a representative member with a \$50,000 account balance, total fees and costs have fallen from \$523 per annum in the 2021 Heatmap to \$488 per annum for the median product and now sit below 1% of asset value (see Figure 4).

Figure 4. Trend of total fees and costs (\$50,000 account balance)



Administration fees and costs have declined for most MySuper products and are now \$143 per annum for a representative member with a \$50,000 account balance in the median product, down from \$160 per annum in the 2021 Heatmap (see Figure 5).

Figure 5. Trend of administration fees and costs (\$50,000 account balance)

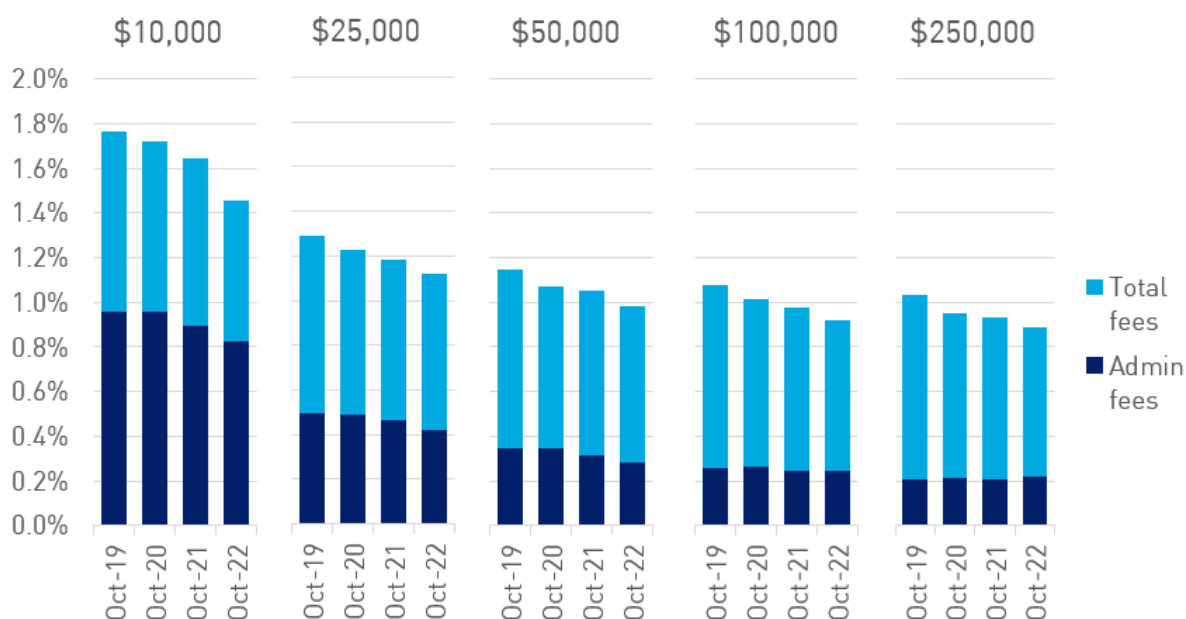


The reductions in fees and costs metrics since the 2021 Heatmap are representative of the reductions that have occurred across the products that remain in the 2022 Heatmap. The closure of products through the year did not significantly contribute to these reductions.

APRA expects RSE licensees to continue to prioritise delivering reduced fees and costs, particularly for those with more expensive MySuper products. It is important that RSE licensees that offer MySuper products with high fees can demonstrate these products deliver robust member outcomes. If RSE licensees are unable to do so then they must consider alternatives which may include transferring members to better performing, lower cost products.

Median total fees and costs metrics have fallen in each of the past four years across all the account balances captured in the Heatmap, with more significant falls in percentage terms for lower account balances (see Figure 6).

Figure 6. Fees and costs by account balance (median % of balance)



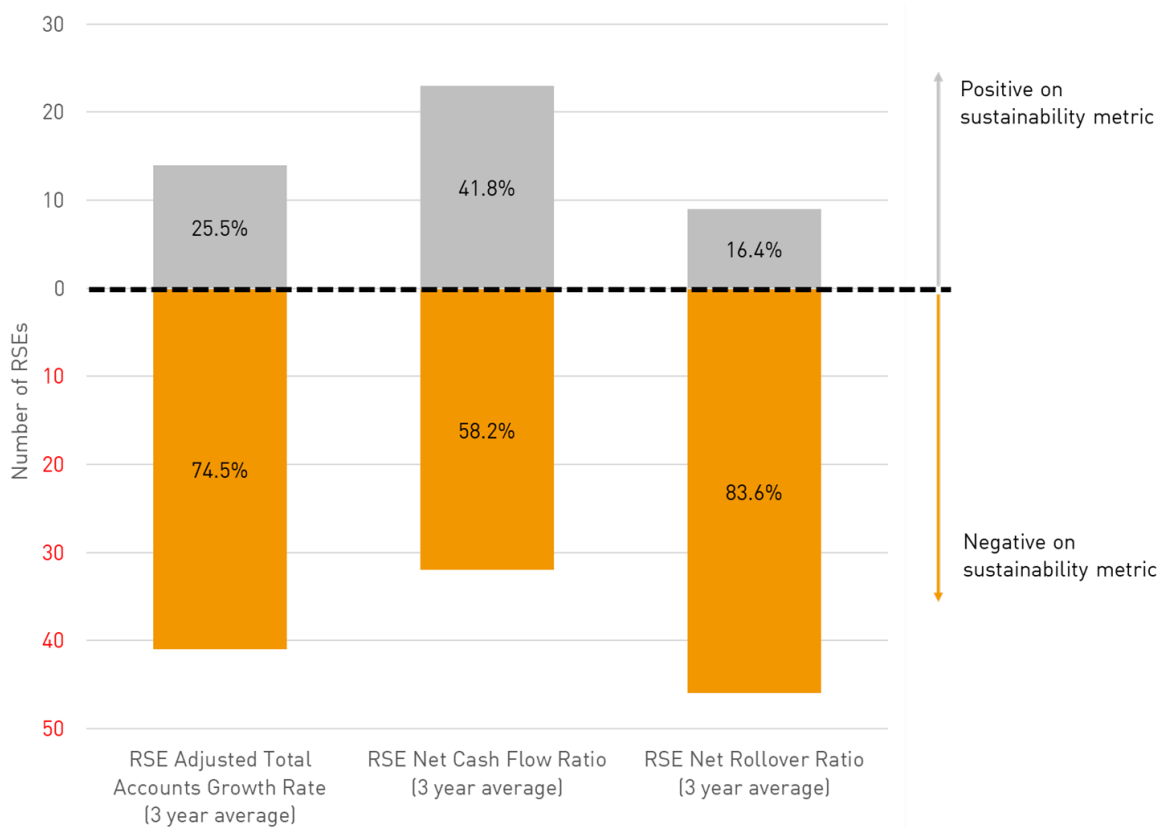
Appendix B outlines MySuper products that have high total fees and costs disclosed. Appendix C outlines MySuper products that have high administration fees and costs disclosed.

1.4 Sustainability

The majority of RSEs face declining growth profiles. RSE licensees should factor growth outlooks into their business planning and delivery plans for member outcomes

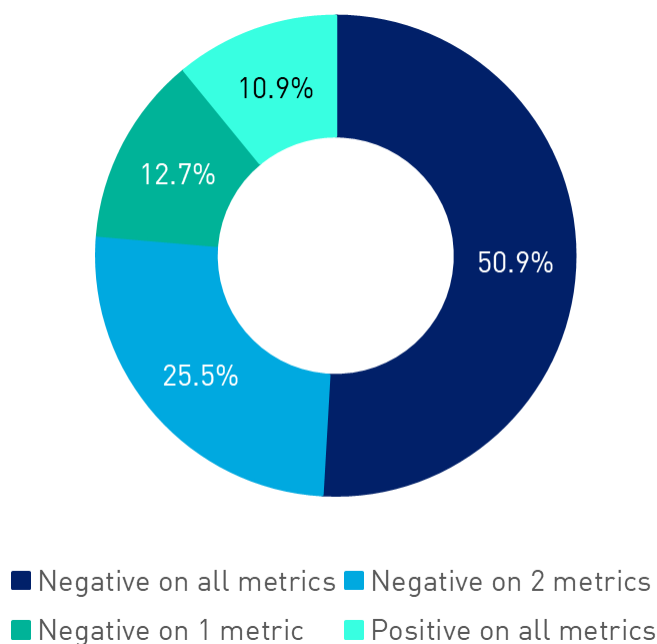
Sustainability pressures exist across a large swathe of the industry. The Heatmap provides sustainability metrics determined at the whole of fund (RSE) level. The majority of RSEs have posted negative growth over the past three years across one or more of the Heatmap sustainability metrics. Only 42% of RSEs (23 RSEs) have experienced positive net cash flow over the 3 year horizon indicating that member outflow payments (e.g. benefit payments) have outweighed member inflow payments (e.g. contributions) (see Figure 7). Rollover growth and accounts growth is even more concentrated in a small number of RSEs, with a long tail of RSEs experiencing decline.

Figure 7. Percentage of RSEs with positive or negative metrics



More than half of all RSEs faced negative growth across all three metrics over the past three years, while only 10.9% of RSEs displayed growth for all three metrics (see Figure 8).

Figure 8. Percentage of RSEs by number of negative sustainability metrics



RSE licensees must take account of growth profiles in their business planning activities and consider the likely effects and risks for member outcomes. Sufficient scale is required to support efficient and resilient business models, keep fees and costs low, and finance operational and service improvements expected by members and APRA. APRA expects that RSE licensees will consider options to transfer members or otherwise restructure their businesses, particularly where sustainability pressures are significant and/or the growth outlook is weak.

Appendix A – List of MySuper products with average performance below Heatmap benchmarks over 8 years

Significantly poor performance (-0.50% p.a. or worse)

RSE Licensee	RSE	Product Name	Performance Test Result
Energy Industries Superannuation Scheme Pty Ltd	Energy Industries Superannuation Scheme-Pool A	Balanced (MySuper)	Fail (Second)
Avanteos Investments Limited	Colonial First State FirstChoice Superannuation Trust	FirstChoice Employer Super	Pass
BT Funds Management Limited	Retirement Wrap	BT Super MySuper	Fail (Second)
BT Funds Management Limited	Retirement Wrap	Westpac Group Plan MySuper	Fail
Avanteos Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	Pass
Equity Trustees Superannuation Limited	AMG Super	AMG MySuper	Fail (Second)

Poor Performance (Between 0% and 0.50% p.a.)

RSE Licensee	RSE	Product Name	Performance Test Result
OnePath Custodians Pty Limited	Retirement Portfolio Service	ANZ Smart Choice Super for employers and their employees	Pass
SCS Super Pty. Limited	Australian Catholic Superannuation and Retirement Fund	LifetimeOne	Fail (Second)
AvSuper Pty Ltd	AvSuper Fund	AvSuper Growth (MySuper)	Pass

RSE Licensee	RSE	Product Name	Performance Test Result
AUSCOAL Superannuation Pty Ltd	Mine Superannuation Fund	Default Lifecycle	Pass
Guild Trustee Services Pty. Limited	Guild Retirement Fund	Guild Retirement Fund (MySuper)	Pass
Bendigo Superannuation Pty Ltd	The Bendigo Superannuation Plan	Bendigo MySuper	Pass
Total Risk Management Pty Limited	Russell Investments Master Trust	GoalTracker	Pass
Mercer Superannuation (Australia) Limited	Mercer Super Trust	Virgin Money MySuper	Pass
Mercer Superannuation (Australia) Limited	Mercer Super Trust	Mercer Santos MySuper	Pass

Appendix B – List of MySuper products with high total fees and costs disclosed

Significantly High (above the upper limit outlined in the methodology paper across three or more balances)

RSE Licensee	RSE	Product Name	Performance Test Result
Qantas Superannuation Limited	Qantas Superannuation Plan	Glidepath	Pass

High (above the lower limit outlined in the methodology paper across three or more balances)

RSE Licensee	RSE	Product Name	Performance Test Result
Australian Ethical Superannuation Pty Ltd	Australian Ethical Retail Superannuation Fund	Balanced (accumulation)	Pass
Host-Plus Pty. Limited	HOSTPLUS Superannuation Fund	Balanced option	Pass
Mercer Superannuation (Australia) Limited	Mercer Super Trust	Mercer SmartPath	Pass
Mercy Super Pty Ltd	Mercy Super	MySuper Balanced	Pass
Prime Super Pty Ltd	Prime Super	MySuper	Pass
Christian Super Pty Limited	Christian Super	My Ethical Super	Pass
I.O.O.F. Investment Management Limited	I00F Portfolio Service Superannuation Fund	I00F MySuper	Pass
AvSuper Pty Ltd	AvSuper Fund	AvSuper Growth (MySuper)	Pass
Maritime Super Pty Limited	Maritime Super	MYSUPER INVESTMENT OPTION	Pass
LGSS Pty Limited	Local Government Super	Active Super Lifestage Product	Pass
Total Risk Management Pty Limited	Russell Investments Master Trust	GoalTracker	Pass

RSE Licensee	RSE	Product Name	Performance Test Result
Nulis Nominees (Australia) Limited	MLC Super Fund	MySuper	Pass
Nulis Nominees (Australia) Limited	MLC Super Fund	NAB Staff MySuper	Pass

Appendix C – List of MySuper products with high administration fees and costs disclosed

Significantly High (above the upper limit outlined in the methodology paper across three or more balances)

RSE Licensee	RSE	Product Name	Performance Test Result
Prime Super Pty Ltd	Prime Super	MySuper	Pass
I.O.O.F. Investment Management Limited	I00F Portfolio Service Superannuation Fund	I00F MySuper	Pass
Equity Trustees Superannuation Limited	Smart Future Trust	smartMonday Lifecycle	Pass
SPSL Limited	SPSL Master Trust	Suncorp Lifestage Funds	Pass
Diversa Trustees Limited	OneSuper	MySuper Passive Balanced	Pass

High (above the lower limit outlined in the methodology paper across three or more balances)

RSE Licensee	RSE	Product Name	Performance Test Result
Australian Ethical Superannuation Pty Ltd	Australian Ethical Retail Superannuation Fund	Balanced (accumulation)	Pass
Mercer Superannuation (Australia) Limited	Mercer Super Trust	Mercer SmartPath	Pass
Mercer Superannuation (Australia) Limited	Mercer Super Trust	Virgin Money MySuper	Pass
BT Funds Management Limited	Retirement Wrap	BT Super MySuper	Fail (Second)
Christian Super Pty Limited	Christian Super	My Ethical Super	Pass
N. M. Superannuation Proprietary Limited	AMP Super Fund	AMP MySuper No.3	Pass

RSE Licensee	RSE	Product Name	Performance Test Result
CARE Super Pty Ltd	Care Super	CareSuper	Pass
Energy Industries Superannuation Scheme Pty Ltd	Energy Industries Superannuation Scheme-Pool A	Balanced (MySuper)	Fail (Second)
LCA NOMINEES PTY. LTD.	Lutheran Super	Balanced Option_MySuper Compliant	Pass
Meat Industry Employees Superannuation Fund Pty. Ltd.	Meat Industry Employees Superannuation Fund	MIESF MySuper	Pass
Legal Super Pty Ltd	legalsuper	MySuper Balanced	Pass
Qantas Superannuation Limited	Qantas Superannuation Plan	Glidepath	Pass
T W U Nominees Pty Ltd	TWU Superannuation Fund	Balanced (MySuper)	Pass
BUSS (Queensland) Pty Ltd	Building Unions Superannuation Scheme (Queensland)	BUSSQ MySuper	Pass
BEST Superannuation Pty Ltd	Goldman Sachs & JBWere Superannuation Fund	Goldman Sachs & JBWere Superannuation Fund_MySuper Product	Pass
LGSS Pty Limited	Local Government Super	Active Super Lifestage Product	Pass
United Super Pty Ltd	CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND	Growth (Cbus MySuper)	Pass
Togethr Trustees Pty Ltd	equisuper	Equisuper MySuper	Pass
Togethr Trustees Pty Ltd	equisuper	MyCatholicSuper	Pass
First Super Pty Limited	First Super	First Super MySuper	Pass
SCS Super Pty. Limited	Australian Catholic Superannuation and Retirement Fund	LifetimeOne	Fail (Second)
Total Risk Management Pty Limited	Russell Investments Master Trust	GoalTracker	Pass
Guild Trustee Services Pty. Limited	Guild Retirement Fund	Guild Retirement Fund (MySuper)	Pass

RSE Licensee	RSE	Product Name	Performance Test Result
Nulis Nominees (Australia) Limited	MLC Super Fund	MySuper	Pass



APRA