



20 April 2023

**TO: ALL RSE LICENSEES**

## **SUPERANNUATION PERFORMANCE TEST – PROPOSED TECHNICAL DETERMINATION FOR COMBINING MYSUPER PRODUCT PERFORMANCE HISTORIES**

APRA conducts an annual performance test for MySuper products. The performance test is intended to hold RSE licensees to account for underperformance through greater transparency and increased consequences.

APRA's administration of the performance test involves two situations where performance may need to be combined:

- *Within-product changes*: where there have been changes to the structure or nature of the product (for example, single strategy to lifecycle), but the product continues to exist. The Regulations require performance to be combined for these types of changes<sup>1</sup>; and
- *Across-product changes*: where a product has ceased and members have been transferred into a new product.<sup>2</sup>

### **Approach for within-product changes for MySuper products**

APRA is releasing for consultation a draft technical determination that modifies certain return formulae for the superannuation performance test contained in the SIS Regulations. This technical determination will operate in limited circumstances by adapting the Performance Test to reflect a product's changed circumstances.

At present, the Regulations permit APRA to issue a determination outlining how performance will be combined for an individual product.<sup>3</sup> APRA's approach to combining performance, outlined in the information paper, 'Combining MySuper product performance histories – APRA's approach' (the MySuper product information paper), has been in place since August 2021.<sup>4</sup>

The Government has recently released for consultation proposed amendments to the Regulations for the upcoming Performance Test. These amendments include new subregulations 9AB.12(4A) and 9AB.14(9A), which, if made, would permit APRA to make a legislative instrument to combine product performance histories for lifecycle products.

The draft technical determination, which APRA proposes to apply to the upcoming 2023 Performance Test, will relocate existing guidance relating to within-product changes in the

<sup>1</sup> Refer to regs 9AB.12(5) and 9AB.14(10) of the *Superannuation Industry (Supervision) Regulations 1994* (the SIS Regulations).

<sup>2</sup> Refer to reg 9AB.7(4) of the SIS Regulations.

<sup>3</sup> Refer to regs 9AB.12(5) and 9AB.14(10) of the SIS Regulations.

<sup>4</sup> Refer to [Information Paper - Combining MySuper product performance histories - APRA's approach](#)

MySuper product information paper into a legal instrument, removing the need for APRA to make individual determinations for every affected product. In short, the draft technical determination would modify the actual return formula in reg 9AB.12(2) and the benchmark return formula in reg 9AB.14(2) for lifecycle MySuper products to ensure that any changes to the product are reflected in the performance history used in the Performance Test.

APRA welcomes feedback on the draft technical determination, which is available on APRA's website at: [Proposed technical determination for combining MySuper product performance histories](#).

Written submissions should be sent to [superannuation.policy@apra.gov.au](mailto:superannuation.policy@apra.gov.au) by 11 May 2023 and addressed to the General Manager, Policy, APRA.

If the proposed amendment to permit APRA to make a legislative instrument to combine product performance histories for lifecycle products is made by the Government, APRA will finalise the technical determination soon after.

### **Approach to combining performance histories of trustee-directed products (TDPs)**

APRA has also released a new information paper, 'Combining trustee-directed product performance histories – APRA's approach' (the TDP information paper).<sup>5</sup> The TDP information paper describes APRA's approach for combining performance histories of TDPs, which will be tested for the first time in the 2023 Performance Test.

At this stage, APRA has drafted the technical determination to not apply to TDPs that are lifecycle products. APRA will use the experience of the upcoming TDP Performance Test to consider whether the determination should be extended to TDP lifecycle products in future years.

Further information about APRA's administration of the annual performance test is also available [here](#) on APRA's website.

Yours sincerely,

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<sup>5</sup> [Information paper: Combining trustee-directed product performance histories – APRA's approach April 2023](#).