

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Review of the APRA Annual Report (Second Report) 2019

Division/Agency: Australian Prudential Regulation Authority

Question No: APRA01QW

Topic: Superannuation Fees

Member: Andrew Leigh MP

Question:

Given the significant impact on member accounts of margins built into fees which go beyond cost recovery in order to generate profits, and the expenditure this represents for ‘for profit’ funds:

- (a) does APRA monitor the profits retail super funds distribute to their owners and shareholders, and the payments made by funds to related entities (ie. entities which hold equity in, or are associated in some way with, the fund or its parent owner/shareholders) for particular services?
- (b) If ‘no’, why not? Has that been considered as an important measure of prudential conduct and performance benchmarking?
- (c) If yes, how much revenue did Australian ‘for profit’ super funds generate overall for owners and shareholders over each of the last five years?
- (d) What have been the payments made by funds to related entities?

Answer:

Included in APRA’s current data collection is data relating to payments made by funds to either internal or external service providers (including those that are associated with the RSE licensee). Data relating to this is published in APRA’s Annual Superannuation Bulletin which is available here: <https://www.apra.gov.au/annual-superannuation-bulletin> and is contained within Table 7b.

APRA’s Superannuation Data Transformation (SDT) project will introduce revised reporting standards that will provide greater granularity, consistency and transparency of expense data collected from superannuation funds. This will extend to data regarding profits paid to parent entities, which is not currently separately collected. It is expected that the first data collection under the revised reporting standards will be in the second half of 2021.

APRA’s expectation is that RSE licensees consider a range of factors when determining profit distributions, based on the specific circumstances and arrangements relating to their business operations.

As part of APRA’s entity specific supervision activities, the structure and relationships of each entity, and its arrangements with key service providers are considered.

APRA is also currently undertaking a broad review of trustee expenditure, looking at a range of different types of expenditure arrangements across all sectors of the superannuation industry. This review will consider the framework and decision-making process of boards pertaining to certain areas of expenditure, including a review of the metrics and approach to assessment of benefits to members. In addition, APRA is also undertaking a review of outsourcing arrangements with a focus on related parties.