

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2017 - 2018

**Division/Agency:** Australian Prudential Regulation Authority

**Question No:** 78

**Topic:** Performance Data

**Reference:** Written

**Senator:** Ketter, Chris

**Question:**

In response to Senator Gallagher's questions that: "...we have extensive data now going back years that have the for-profit banks and a lot of the individual bank-owned funds returning less than three per cent. I think that is the point that Alan Kohler was making: this is below term deposit rates. Does APRA have any concerns with this? In particular, there are many in the for-profit sector that are returning less than term deposit rates over the 10 years to June 2016. The questions are whether you are responding to that, whether it is on your radar and whether you think it is a problem. If you could respond to that for me."

Ms Rowell responded in part: "...The rate of return at a fund level or at an average across an industry segment level is not an appropriate measure of member outcomes, because it is not comparing like with like." And that "...The commentary by industry stakeholders, in our view, potentially undermines that confidence based on analysis that is quite narrowly focused. Making very selective use of APRA statistics is quite disappointing. As I said, we think a much broader view of performance assessment is appropriate..."

1. Has APRA undertaken any benchmark analysis of the performance major bank-owned funds based on their reported asset allocations? If so, please provide this and any other data that delivers the "broader view of performance assessment" APRA referred to in the response, including providing a like with like comparison and addressing the other concerns with the use of APRA data raised in the response.
2. As per Senator Gallagher's question, please clarify whether or not the major providers in the for-profit sector are returning less than term deposit rates over the 10 years to June 2016, and where they sit in relation to other benchmarks. In particular can you provide data in relation to the performance of the major banks' largest offerings (by FUM) as underperformance in this area would have the greatest impact on member outcomes.

**Answer:**

APRA collects data primarily for prudential purposes, and also has an ancillary role as a national statistical agency for the Australian financial sector. In that role we collect and publish statistics relating to the business operations of RSE licensees that are relevant to the superannuation industry, policy-makers, other regulators, employers, financial planners, market analysts and researchers.

APRA's published superannuation statistics contribute to enhanced transparency, accountability and understanding of the superannuation industry and facilitate analysis of outcomes and performance for the industry by a range of stakeholders.

APRA's own analysis, based on its superannuation data collection and other information and insights gathered through its supervision activities, provides APRA with the information necessary to support its prudential supervision of the superannuation industry. This includes assessing the extent to which RSE licensees are operating their businesses consistent with their obligation to act in the best interests of fund beneficiaries. It would, however, be inappropriate for APRA to publish the analysis and assessments used to support its prudential supervision of individual superannuation entities or their products as this would be likely to have adverse consequences for the viability of some superannuation funds, and potentially the sector as a whole.

As noted in APRA's recent *Insight* article<sup>1</sup>, core to RSE licensees acting in the best interests of their beneficiaries is the delivery of quality, value-for-money outcomes to members. APRA is currently undertaking targeted supervision activities across a cohort of RSE licensees, based on APRA's assessment using a range of metrics relevant to assessing member outcomes and future sustainability. This assessment of both MySuper and choice products looks at both qualitative and quantitative aspects to identify RSE licensees that appear to be providing relatively poorer quality outcomes in a number of core areas of their business operations. APRA will be providing further information to the superannuation industry about its supervision approach in relation to member outcomes assessment over the coming weeks. APRA is also happy to discuss this work with the Committee on a confidential basis.

APRA's *Insight* article also reiterates that the rate of return (RoR) at fund level should not, on its own, be used to assess the performance of RSE licensees given the variance in RSE structures. As highlighted in that article, fund level RoR is generally not reflective of the outcomes achieved for members, who will typically participate in one or more of the underlying products that the RSE comprises. That is particularly the case for the bank-owned RSEs listed in Table 1, which comprise a number of different products and investment options. Table 1 lists the five and ten year RoR for the public offer bank-owned RSEs for which this data is available, compared with an average five year deposit rate of 3.1 per cent and an average ten year deposit rate of 3.7 per cent<sup>2</sup> (the information in the table is sorted by asset size). Given the limitations of the RoR noted above, and in the *Insight* article referred to, APRA cautions against drawing conclusions about the performance of these RSEs based solely on the RoR metric.

To provide an indication of another benchmark that can be used as part of assessing performance, Table 2 provides information on the public offer MySuper products of the bank-owned RSEs. The Table includes details of the assets in each of these products, the proportion of total fund assets, and investment performance relative to the established target return for the MySuper product for the period 1 January 2014 to 31 March 2017 (i.e. 3.25 years).

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<sup>1</sup> See APRA *Insight* Issue 2 2017

<sup>2</sup> The five and ten year term deposits rates have been calculated using data sourced from the Reserve Bank of Australia, *F4 Retail deposit and investment rates; Banks' term deposits (\$10000); Average rate (all terms)* released on 2 June 2017. The rates are calculated as the geometric average of the one year term deposit rates for the relevant five and ten year periods. APRA notes that given the term deposit rates are an average across terms of varying lengths, it has limited comparability to the five and ten year superannuation fund rates of return, which is generally considered a longer term investment.

Table 1

### Q78.2: Superannuation funds owned by ANZ, CBA, NAB and Westpac (rates of return vs term deposit rates)

Financial year ending 30 June 2016

Related major bank (ANZ, CBA, NAB, WBC)	Fund name	Fund's RSE licensee	Total assets	Five-year rate of return	Five-year Banks' term deposits rate	Difference	Ten-year rate of return	Ten-year Banks' term deposits rate	Difference
			(\$'000)	(%)			(%)		
CBA	Colonial First State FirstChoice Superannuation Trust	Colonial First State Investments Limited	66,395,273	6.3%	3.1%	3.2%	3.4%	3.7%	-0.3%
WBC	Retirement Wrap	BT Funds Management Limited	56,975,775	6.1%	3.1%	3.0%	3.1%	3.7%	-0.6%
NAB	The Universal Super Scheme	MLC Nominees Pty Ltd	45,801,081	7.0%	3.1%	3.9%	3.8%	3.7%	0.1%
ANZ	OnePath Masterfund	OnePath Custodians Pty Limited	34,448,098	5.8%	3.1%	2.7%	3.3%	3.7%	-0.4%
WBC	ASGARD Independence Plan Division Two	BT Funds Management Limited	21,311,792	5.7%	3.1%	2.5%	3.3%	3.7%	-0.4%
NAB	Plum Superannuation Fund	PFS Nominees Pty Ltd	17,792,268	7.8%	3.1%	4.6%	4.5%	3.7%	0.8%
NAB	MLC Superannuation Fund	Nulis Nominees (Australia) Limited	17,057,286	6.5%	3.1%	3.3%	3.1%	3.7%	-0.6%
CBA	Avanteos Superannuation Trust	Avanteos Investments Limited	6,647,801	5.8%	3.1%	2.7%	2.8%	3.7%	-0.9%
WBC	Westpac Mastertrust - Superannuation Division	Westpac Securities Administration Limited	5,796,699	5.9%	3.1%	2.7%	3.2%	3.7%	-0.4%
ANZ	Oasis Superannuation Master Trust	Oasis Fund Management Limited	5,285,096	6.1%	3.1%	3.0%	2.4%	3.7%	-1.3%
NAB	National Australia Bank Group Superannuation Fund A	PFS Nominees Pty Ltd	4,365,083	7.9%	3.1%	4.8%	5.3%	3.7%	1.6%
CBA	Colonial Super Retirement Fund	Colonial Mutual Superannuation Pty. Ltd.	4,206,214	6.0%	3.1%	2.9%	4.0%	3.7%	0.3%
NAB	BHP Billiton Superannuation Fund	PFS Nominees Pty Ltd	3,477,741	7.6%	3.1%	4.4%	5.1%	3.7%	1.4%
CBA	Colonial First State Rollover & Superannuation Fund	Colonial First State Investments Limited	2,843,177	7.1%	3.1%	4.0%	3.8%	3.7%	0.1%
CBA	Symetry Personal Retirement Fund	Avanteos Investments Limited	2,190,593	5.1%	3.1%	2.0%	2.4%	3.7%	-1.3%
WBC	BT Lifetime Super	BT Funds Management Limited	1,809,459	6.6%	3.1%	3.5%	3.5%	3.7%	-0.1%
CBA	SuperTrace Eligible Rollover Fund	Colonial Mutual Superannuation Pty. Ltd.	1,488,005	4.5%	3.1%	1.3%	3.8%	3.7%	0.1%
CBA	Encircle Superannuation Fund	Avanteos Investments Limited	931,928	6.4%	3.1%	3.2%			
ANZ	Retirement Portfolio Service	OnePath Custodians Pty Limited	835,205	6.2%	3.1%	3.0%	3.8%	3.7%	0.1%
WBC	Westpac Personal Superannuation Fund	Westpac Securities Administration Limited	407,554	5.8%	3.1%	2.6%	3.5%	3.7%	-0.2%
NAB	Premiumchoice Retirement Service	Nulis Nominees (Australia) Limited	379,937	6.1%	3.1%	2.9%	2.6%	3.7%	-1.0%
NAB	Worsley Alumina Superannuation Fund	PFS Nominees Pty Ltd	242,227	7.0%	3.1%	3.8%	5.5%	3.7%	1.8%
NAB	DPM Retirement Service	Nulis Nominees (Australia) Limited	74,551	5.3%	3.1%	2.2%	2.9%	3.7%	-0.7%
CBA	Commonwealth Bank Approved Deposit Fund	Colonial Mutual Superannuation Pty. Ltd.	19,708	1.8%	3.1%	-1.4%	2.7%	3.7%	-0.9%
WBC	ASGARD Independence Plan Division Four	BT Funds Management Limited	17,714	5.2%	3.1%	2.0%	3.1%	3.7%	-0.6%
CBA	The State Bank Supersafe Approved Deposit Fund	Colonial Mutual Superannuation Pty. Ltd.	14,133	1.5%	3.1%	-1.7%	2.5%	3.7%	-1.1%
WBC	BT Superannuation Savings Fund	Westpac Securities Administration Limited	9,601	1.4%	3.1%	-1.8%	2.3%	3.7%	-1.3%

Table 2

Bank-owned MySuper products performance 31 March 2017									
Related major bank (ANZ, CBA, NAB, WBC)	Fund's RSE Licensee	Fund name	Product name	Product type	Option name	Total Assets (\$)	Assets proportion of Fund %	Return Target pa (Mar 2017 3.25 yr)	Actual Return pa (Mar 2017 3.25 yr)
ANZ	OnePath Custodians Pty Limited	OnePath Masterfund	ANZ Smart Choice Super	MySuper- Generic	ANZ Smart Choice Super 1940s	120,501,000	0.3%	3.6%	4.2%
ANZ	OnePath Custodians Pty Limited	OnePath Masterfund	ANZ Smart Choice Super	MySuper- Generic	ANZ Smart Choice Super 1950s	1,089,902,000	3.0%	5.0%	5.7%
ANZ	OnePath Custodians Pty Limited	OnePath Masterfund	ANZ Smart Choice Super	MySuper- Generic	ANZ Smart Choice Super 1960s	2,718,993,000	7.6%	6.2%	6.6%
ANZ	OnePath Custodians Pty Limited	OnePath Masterfund	ANZ Smart Choice Super	MySuper- Generic	ANZ Smart Choice Super 1970s	3,278,361,000	9.1%	6.9%	7.3%
ANZ	OnePath Custodians Pty Limited	OnePath Masterfund	ANZ Smart Choice Super	MySuper- Generic	ANZ Smart Choice Super 1980s	2,018,503,000	5.6%	7.3%	7.6%
ANZ	OnePath Custodians Pty Limited	OnePath Masterfund	ANZ Smart Choice Super	MySuper- Generic	ANZ Smart Choice Super 1990s	261,873,000	0.7%	7.3%	7.7%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1945-49	67,475,000	0.1%	4.1%	5.2%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1950-54	237,173,000	0.3%	4.1%	5.1%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1955-59	545,351,000	0.8%	4.8%	5.6%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1960-64	900,685,000	1.3%	5.7%	7.0%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1965-69	1,063,305,000	1.5%	6.1%	7.9%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1970-74	1,272,351,000	1.8%	6.1%	7.9%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1975-79	1,234,641,000	1.7%	6.1%	7.8%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1980-84	1,173,698,000	1.7%	6.1%	7.8%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1985-89	781,615,000	1.1%	6.1%	7.9%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1990-94	307,471,000	0.4%	6.1%	7.9%
CBA	Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust	Colonial First State FirstChoice Superannuation Trust	MySuper- Generic	FirstChoice Lifestage 1995-99	39,875,000	0.1%	6.1%	7.9%
CBA	Colonial First State Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	MySuper- Generic	Essential Super Lifestage 1940's option	29,756,000	1.2%	4.2%	5.3%
CBA	Colonial First State Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	MySuper- Generic	Essential Super Lifestage 1950's option	174,941,000	6.8%	4.4%	5.2%
CBA	Colonial First State Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	MySuper- Generic	Essential Super Lifestage 1960's option	409,929,000	15.9%	5.6%	7.0%
CBA	Colonial First State Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	MySuper- Generic	Essential Super Lifestage 1970's option	611,299,000	23.7%	5.8%	7.8%
CBA	Colonial First State Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	MySuper- Generic	Essential Super Lifestage 1980's option	854,020,000	33.0%	5.8%	7.8%
CBA	Colonial First State Investments Limited	Commonwealth Essential Super	Commonwealth Essential Super	MySuper- Generic	Essential Super Lifestage 1990's option	272,136,000	10.5%	5.8%	7.8%
NAB	Nulis Nominees (Australia) Limited	MLC Super Fund	MySuper	MySuper- Generic		21,837,113,000	28.6%	5.1%	-
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 1940s LifeStage	7,043,000	0.0%	3.3%	2.3%
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 1950s LifeStage	65,999,000	0.3%	4.0%	2.9%
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 1960s LifeStage	186,942,000	0.8%	4.8%	3.6%
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 1970s LifeStage	296,143,000	1.3%	5.4%	4.3%
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 1980s LifeStage	305,765,000	1.4%	5.4%	4.3%
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 1990s LifeStage	67,794,000	0.3%	5.4%	4.3%
WBC	BT Funds Management Limited	ASGARD Independence Plan Division Two	Asgard Employee MySuper	MySuper- Generic	MySuper 2000s LifeStage	23,000	0.0%	5.4%	4.1%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 1940s LifeStage	71,736,000	0.1%	3.3%	3.0%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 1950s LifeStage	791,747,000	1.3%	4.1%	3.8%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 1960s LifeStage	2,263,869,000	3.7%	4.8%	4.8%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 1970s LifeStage	2,951,657,000	4.9%	5.5%	5.8%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 1980s LifeStage	2,692,852,000	4.4%	5.5%	5.9%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 1990s LifeStage	569,077,000	0.9%	5.5%	6.0%
WBC	BT Funds Management Limited	Retirement Wrap	BT Super for Life MySuper; BT Lifetime Employer MySuper	MySuper- Generic	BT Super_ MySuper 2000s LifeStage	415,000	0.0%	5.5%	6.2%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 1940s LifeStage	57,488,000	1.0%	3.0%	4.1%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 1950s LifeStage	470,696,000	8.0%	3.9%	4.6%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 1960s LifeStage	1,014,539,000	17.2%	4.6%	5.7%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 1970s LifeStage	1,228,446,000	20.8%	5.2%	6.8%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 1980s LifeStage	943,396,000	16.0%	5.2%	6.8%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 1990s LifeStage	205,138,000	3.5%	5.5%	6.6%
WBC	Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division	BT Business MySuper	MySuper- Generic	MySuper 2000s LifeStage	109,000	0.0%	5.5%	6.7%

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<sup>3</sup> Return data is not yet available for MLC Super Fund as the RSE commenced from 1 July 2016.