

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2016 - 2017

Department/Agency: Australian Prudential Regulation Authority

Question: 162

Topic: Average annual fund level net returns

Reference: Written – 31 October 2016

Senator: Ketter, Chris

Question:

Can APRA provide a full list of ranked average annual fund level net returns over the 10 year period to June 2015, indicating fund name, sector, profit orientation, public offer status, assets at June 2015, and quartile boundaries of average annual net returns over the 10 year period?

- Could the table also flag the public offer funds owned by CBA, ANZ, WBC, NAB and their wealth management subsidiaries?
- Could the table flag the non-public offer 'retail funds' that have previously been categorised as corporate funds and not open to the general public?

Answer:

On 10 February 2016, APRA released the first edition of the *Annual Fund-level Superannuation Statistics (AFLSS)* report incorporating changes to the superannuation reporting framework, for financial years ended in the 12 months to June 2015 and June 2014. The report contains one year whole of fund ratios, including rate of return (ROR).¹

APRA has also previously published one year RORs for each year between 2004 and 2013, based on performance information reported under the previous superannuation reporting framework. Users are able to construct RORs over the period of interest by taking the geometric average of one year RORs over the period.

APRA intends to publish fund-level 10 year RORs in the 2016 edition of the AFLSS before the end of January 2017.

APRA's fund-level statistics can be found on APRA's website at:

<http://www.apra.gov.au/Super/Publications/Pages/superannuation-fund-level-publications.aspx>

The 2015 AFLSS contains the following requested information for each fund included in the report:

- fund name;
- fund type (Corporate, Industry, Public sector or Retail);
- RSE licensee profit status ('For profit status' or 'Not for profit status');
- RSE regulatory classification ('Non public offer' or 'Public offer'); and

¹ ROR is net earnings after tax divided by cash flow adjusted net assets. Net earnings after tax is the sum of net investment income and other income less operating expenses, less tax expense on earnings. Cash flow adjusted net assets is the sum of net assets at the beginning of the period and half of the sum of net members' benefit flows and net insurance flows.

- total assets at the balance date of each fund.

The information in the AFLSS can be readily sorted by each of the metrics in the list above.

The AFLSS also includes information on the membership base of each fund included in the report. As such, users are able to identify funds with a for profit RSE licensee and a corporate membership base. This combination of identifiers indicates those retail funds that were previously classified as corporate funds.

APRA's statistics do not separately identify funds owned by CBA, ANZ, WBC, NAB and their wealth management subsidiaries. APRA has provided in the table below a list of the funds in the 2015 AFLSS that are owned by these entities.

Superannuation funds owned by ANZ, CBA, NAB and WBC

RSE licensee name	Fund name
ANZ	
OnePath Custodians Pty Limited	OnePath Masterfund
OnePath Custodians Pty Limited	Retirement Portfolio Service
Oasis Fund Management Limited	Oasis Superannuation Master Trust
ANZ Staff Superannuation (Australia) Pty Limited	ANZ Australian Staff Superannuation Scheme
CBA	
Avanteos Investments Limited	Avanteos Superannuation Trust
Avanteos Investments Limited	Encircle Superannuation Fund
Avanteos Investments Limited	Star Portfolio Superannuation Fund
Avanteos Investments Limited	Symetry Personal Retirement Fund
Avanteos Investments Limited	Ultimate Superannuation Fund
Colonial First State Investments Limited	Colonial First State FirstChoice Superannuation Trust
Colonial First State Investments Limited	Colonial First State Rollover & Superannuation Fund
Colonial First State Investments Limited	Commonwealth Essential Super
Colonial Mutual Superannuation Pty Ltd	Colonial Super Retirement Fund
Colonial Mutual Superannuation Pty Ltd	Commonwealth Bank Approved Deposit Fund
Colonial Mutual Superannuation Pty Ltd	SuperTrace Eligible Rollover Fund
Colonial Mutual Superannuation Pty Ltd	The State Bank Supersafe Approved Deposit Fund
Commonwealth Bank Officers Superannuation Corporation Pty Limited	Commonwealth Bank Group Super
NAB	
MLC Nominees Pty Ltd	The Universal Super Scheme
Nulis Nominees (Australia) Limited	DPM Retirement Service
Nulis Nominees (Australia) Limited	MLC Superannuation Fund
Nulis Nominees (Australia) Limited	Premiumchoice Retirement Service
PFS Nominees Pty Ltd	BHP Billiton Superannuation Fund
PFS Nominees Pty Ltd	National Australia Bank Group Superannuation Fund A
PFS Nominees Pty Ltd	Plum Superannuation Fund
PFS Nominees Pty Ltd	Worsley Alumina Superannuation Fund
WBC	
Westpac Securities Administration Limited	BT Superannuation Savings Fund
Westpac Securities Administration Limited	Westpac Mastertrust - Superannuation Division
Westpac Securities Administration Limited	Westpac Personal Superannuation Fund
BT Funds Management No.2 Limited	BT Classic Lifetime
BT Funds Management Limited	Advance Retirement Suite
BT Funds Management Limited	ASGARD Independence Plan Division Four
BT Funds Management Limited	ASGARD Independence Plan Division Two
BT Funds Management Limited	Beacon Superannuation Plan
BT Funds Management Limited	BT Lifetime Super
BT Funds Management Limited	BT Lifetime Super - Employer Plan
BT Funds Management Limited	Retirement Wrap

APRA publishes information key ratios by fund type, including ROR, in Table 9 the *Annual Superannuation Bulletin*. The publication includes one year ROR (with 25th and 75th percentiles) as well as five and ten year RORs.

APRA's statistics promote understanding and enhance transparency of the superannuation industry, aid public discussion on policy issues, and support well-informed decision-making by regulated institutions, policy-makers, market analysts and researchers. Publication of fund-level information also improves transparency and accountability of the RSE licensees that APRA regulates.

APRA's fund-level statistics are not designed to provide individual members with information to compare the investment options offered by funds. ROR represents the net earnings on superannuation assets and measures the combined earnings of a superannuation fund's assets across all its products and investment options. Different funds have significantly different proportions of members in default or using the particular choice options that are made available by trustees. This can materially affect the overall ROR on superannuation assets for a fund and limits the comparability of the ROR between funds.

As noted in APRA's submission to the Productivity Commission Issues Paper: Superannuation efficiency and competitiveness, the majority of RSE licensees offer, from within their RSEs, both default and choice products. The default offering, now in the form of MySuper products, requires the RSE licensee to formulate and implement an investment strategy with no (or little) input from the membership and to meet additional legislative obligations. This reflects the fact that the member has typically not made a decision to be in the particular RSE.

For choice products, on the other hand, there is scope for much greater direction from members of the RSE in relation to investments, notwithstanding that the RSE licensee must still set the investment strategy for the choice products offered to members. This greater member involvement in investment decision-making means that assets in choice products are more likely to be moved between investment options or funds at the discretion or instigation of the member. In contrast, default assets are typically more long term or passive in nature. This has implications for the investment strategy and liquidity requirements of an RSE licensee when managing their choice products, as there is generally a need to ensure that sufficient assets are available to be moved at relatively short notice to a different option (or another RSE) based on the switching decisions made by members.

This difference in potential liquidity management needs between default and choice products also needs to be borne in mind when undertaking investment performance comparisons at the whole of fund level. For example, there are retail funds where over 80 per cent of assets are invested in choice products, whereas industry/public/corporate funds tend to have a much higher proportion of assets held for default members. Whole of fund investment performance comparisons between funds with substantially different levels of default vs choice members/assets are therefore likely to be less meaningful than comparisons at product or investment option level.