

New

super fund comparison tables a good start

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Australia's super fund regulator, the Australian Prudential Regulation Authority (APRA), recently released investment performance tables for Australia's 200 largest super funds. The tables provide detailed comparative information on super fund performance over the five-year period from 2004 to 2008. The regulator wants consumers to have performance data of the individual super funds from a single source.

APRA has released two tables, sourced from annual audited returns submitted by each super fund.

The first, *Superannuation fund-level rates of return*, presents three-year and five-year performance information on the funds by asset size, which cover 95 per cent of members and 98 per cent of the assets of APRA-regulated funds; plus eligible rollover funds (ERFs).

The second, *Superannuation fund-level profiles and financial performance* includes detailed data for each financial year from 2004 to 2008. This detailed data helps observers to analyse super funds over a range of measures.

The most important aspect to note about the tables is that the investment performance for each fund is calculated by aggregating performance across all the assets in each fund. For example, while each of legalsuper's 11 investment options has its own crediting rate, our performance is represented with a single figure, even though

65 per cent of legalsuper's assets are invested in just one of these 11 investment options.

The release of the tables has caused a stir in the super industry. Some funds and commentators have sought to discredit them. A prevalent weakness identified is that the performance results are more than one year old. Also, the aggregated performance results are perceived as not being meaningful for super fund members.

While there is room for improvement, in principle APRA's decision to release more fulsome, independent and transparent data on super fund performance is a positive step. Super is the second largest financial asset of Australian households and therefore has an important role in their retirement savings plan. Despite this, super is not top of mind for most Australians and anything that makes it easier for Australians to access information about super is a good initiative.

Giving super fund members easier access to independent and comprehensive information to compare super funds must be part of the equation. Comparison of super funds encourages greater competition between funds. Poorly performing funds will more quickly be identified by their members as being at the bottom of the pile. Greater competition will increase the pressure on funds to work harder and perform well.

Given that virtually every Australian

has super, it makes sense that this type of information is provided by the regulator. Super fund members need an independent and reliable source, calculated on a consistent basis. Commercial ratings agencies (SuperRatings, ChantWest and Rainmaker) have been the main source of this information to date, but a new world prevails: we have just emerged from two consecutive financial years of negative returns, complexity in the super industry continues to increase, and the community's focus and expectations of super are sharpening.

It is not unexpected that this first release of information has scope for improvement. Future information needs to be as current as possible and issued to allow appropriate time for super funds to complete due diligence on their final rates of return. The tables should also include rates of return for individual investment options; giving super fund members the actual return of the investment option in which their super is invested.

Overall, APRA's decision to issue performance tables is a welcome one and the super industry needs to get onboard and work with the regulator to enhance the reporting of performance information so super fund members have ready access to independent, timely and accurate performance information about their super.

To view APRA's table go to: www.apra.gov.au/Statistics/Superannuation-Fund-Level-Publications.cfm. }