

Australia's best and worst default superannuation funds revealed

The financial regulator says six MySuper products have significantly underperformed over the last eight years.



Megan Neil
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About 800,000 Australians have their superannuation in default funds that have significantly underperformed over the long term, the regulator says.

The Australian Prudential Regulation Authority's [2022 MySuper Heatmap](#) identified six default superannuation products that delivered significantly poor investment returns over the last eight years.

The heatmap, which was first launched in 2019, assesses a number of metrics, including investment returns, fees and costs and the long-term sustainability of member outcomes.

Since its introduction, APRA deputy chair Margaret Cole says costs to members have reduced, many underperforming products have closed and the number of people in funds with significantly poor investment performance has declined.

"However, there are still hundreds of thousands of members in funds with sub-par investment performance, and the industry has serious sustainability issues to address," Cole says.

"APRA expects that trustees with underperforming products will consider options to transfer members or otherwise restructure their businesses, particularly where sustainability pressures are significant."

Fees and costs have fallen

APRA says disclosed total fees and costs have fallen for an estimated 8.1 million MySuper members, or 56% of member accounts, since its 2021 heatmap, delivering total annual savings of \$210 million.

Morningstar Australasia's director of manager research ratings Annika Bradley says APRA's performance test has brought fees and costs into intense focus, with fee savings flowing through to investors.

"Morningstar are strong advocates for lower fees and costs, so it's a very positive result for investors and a job well done by the regulator," Bradley says.

"There's still more work to be done with a handful of funds disclosing administration fees above 0.6% per annum - a significant hurdle in an environment where a Balanced or Growth option might be expected to generate say between 6% and 7% per annum of returns over the long term."

APRA says administration fees and costs have fallen for most MySuper products, but it expects super fund trustees to continue to prioritise delivering reductions, particularly for those with more expensive MySuper products.

According to APRA, fees and costs are now \$143 per annum for a representative member with a \$50,000 account balance in the median product, down from \$160 a year ago.

Long-term underperformers named

In terms of net investment returns, APRA says six MySuper products with about 800,000 members delivered a 'significantly poor' investment performance over the last eight years, lagging benchmarks by an average of more than 0.5% per annum.

Energy Industries Superannuation Scheme's (EISS) Balanced (MySuper) was identified as one of the six long-term underperformers, returning an average net investment return of 4.71% per annum.

The other products are Colonial First State's FirstChoice Employer Super and Commonwealth Essential Super, BT Super MySuper and BT's Westpac Group Plan MySuper, and Equity Trustees' AMG MySuper.

Another nine MySuper products have 'poor' performance ratings over the eight years, lagging benchmarks by between 0% and 0.5% per annum.

That compares to a net investment return of 8.48% per annum in Hostplus Superannuation Fund's Balanced option, which achieved the best overall result according to the heatmap.

While noting past performance is not an indicator of future performance, Bradley says the growth options of the three industry super funds Morningstar covers - AustralianSuper, ART and CBUS - produced eight-year net investment returns of between 7.5% and 8% per annum.

"These returns rank very strongly compared to other funds in the heatmap with a strategic growth allocation of between 70%-80%," she says.

"The lowest return in this strategic growth allocation band came in at under 5% per annum.

"Over time, there's a big difference to your retirement savings between those returns and it is worth all Australians keeping an eye on the long-term performance of their super fund.

"But always assess the return in the context of the risk you're taking. If your strategic growth allocation is low, it's important to compare this to other funds in a similar growth allocation."

APRA says there are about 350,000 fewer members in underperforming products than in 2021, when 11 MySuper products had sub-par investment performances over a long period.

The worst performers of 2022

The heatmap expands on APRA's annual performance test, released in August, which assesses products on both investment performance, and fees and costs.

EISS's Balanced (MySuper) product was ranked Australia's worst default superannuation product of 2022, underperforming the objective benchmark by 1.49%. It's one of three products to fail the legislated annual performance test for a second consecutive time, alongside BT Super MySuper and AMG MySuper.

The 5 worst performing MySuper funds in 2022

2022 MySuper Heatmap

Fund	Product	Performance
Energy Industries Superannuation Scheme - Pool A	Balanced (MySuper)	-1.49%
Retirement Wrap	BT Super MySuper	-1.02%
Australian Catholic Superannuation and Retirement Fund	LifetimeOne	-0.79%
Retirement Wrap	Westpac Group Plan MySuper	-0.73%
AMG Super	AMG MySuper	-0.67%

Source: APRA



APRA notes 28 MySuper products have closed since it released its first heatmap in 2019, resulting in 1.5 million member accounts with \$51.6 billion in benefits being transferred to other products.

Products that fail the annual performance test for a second time are closed to new members.

The best performers of 2022

UniSuper is the top performer in the 2022 performance test, with its UniSuper Balanced product outperforming the benchmark by 1.56%.

Not far behind is a Meat Industry Employees Superannuation Fund product.

The 5 best performing MySuper funds in 2022

2022 MySuper Heatmap

Fund	Product	Performance
UniSuper	UniSuper Balanced	1.56%
Meat Industry Employees Superannuation Fund	MIESF MySuper	1.54%
Goldman Sachs & JBWere Superannuation Fund	MySuper product	1.38%
Hostplus Superannuation Fund	Balanced option	1.32%
AMP Super Fund	Macquarie Group MySuper	1.22%

Source: APRA



The 2022 heatmap examines 69 MySuper products with 14.4 million member accounts and \$884 billion in member benefits.

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