Super Insights 2024

Is Super *really* super?

May 2024

KPMG.com/au/SuperInsights2024

Foreword

With the current system of superannuation being in place for over 30 years, coupled with the 10-year anniversary of MySuper, it is time to review, and understand, what is being delivered to members – in other words: Is Super *really* super?

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Since the introduction of the Superannuation Guarantee (SG) system in 1992, total assets have grown to over $3.5 trillion (as at 30 June 2023), seeing growth of 7.6% over the last 12 months due to strong inflows and investment performance.

With a focus on core performance objectives and prudential reforms, KPMG believes member outcomes across the superannuation system have strengthened, with a reduction in underperforming funds and greater competition to attract and retain members through improved performance and fee arrangements. However, going forward, we believe for ***Super to really be super,*** funds need to continue to focus on:

1. **Net investment performance**
   This area is arguably the most important aspect to members and the core driver of retirement benefits. Funds need to continually deliver strong net investment returns to their members in an ever-changing investment landscape. FY23 saw year-on-year improved investment returns, with an average return of 8.62% compared to -3.09% in FY22. Due to the size of the industry, it is likely that an increasing proportion of superannuation assets will be invested offshore, with funds exploring global operating models and presence to compete in the modern investment landscape.

2. **Competitive fee arrangements**
   Competition between funds continues to put downward pressure on fees, with average fees continuing to decline across the industry. Competition to attract and retain members, and greater transparency and comparability, means this trend is likely to continue. Trustees need to balance these competitive pressures while ensuring fee arrangements are sustainable, allowing for funds to undertake key transformation projects and initiatives which are in the best financial interests of members.

3. **Sustainability of super funds**
   Super funds need a sustainable business model in order to remain competitive, respond to regulatory reform and to deliver strong member outcomes in accumulation and increasingly in retirement. If members do not have access to appropriate retirement strategies, products and affordable advice, funds risk losing members who may look to more appropriate alternatives. FY23 has followed a similar trend to FY22 with increased competition in the market, and funds continuing to engage with members directly through enhanced digital experience and advertising.

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APRA and ASIC have called out the lack of progress from funds around embracing the retirement income covenant, and unsatisfactory member servicing especially in relation to complaints and claims. Through CPS 230 and CPS 190, Regulators expect Trustees to address operational and financial resilience as key pillars for their long-term sustainability.

Continued sustainability will also ensure a focus on fit-for-purpose operating model and supporting technology. This will require funds to manage their transformation agenda with an eye on prioritisation and cost management. Transformation will also need to be assessed against potential risks and the long-term best financial interests of members.

When responding to whether 'Super is really super' it is worthy to note that long-term net investment performance of MySuper has been strong and administration fees are trending down. Yet sustainability is the ongoing challenge for industry participants. KPMG also applauds the intention of the government to pay superannuation contributions on Australia's paid parental leave. This is an important step, but there is still more to do to improve gender equity, with women retiring with an average balance 25% lower than men. Consideration also needs to be given to the superannuation outcomes of other groups (such as Indigenous Australians).

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The KPMG Super Insights Dashboard contains interactive versions of many of the charts and graphs included in this report, as well as additional information.

Throughout this report, we have tips on how to use the Dashboard to get additional information. For example, the Dashboard enables you to filter the data based on your own preferences. You can view industry and fund metrics for a particular year or segment of the industry, as well as view metrics for an individual fund in comparison to a peer group.

The Dashboard can be accessed via our website at:
KPMG.com/au/SuperInsights2024

Additional analysis or information

For any funds seeking additional information or further analysis of the data contained within the KPMG Super Insights Dashboard, KPMG's data analytics and insights team would be more than happy to discuss your requirements. This can include analysis of the performance of your fund against peer or competitor funds, modelling of impacts of potential fund mergers and projections of data. Feel free to get in touch with one of the KPMG contacts in this report.

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Investment performance delivered by funds

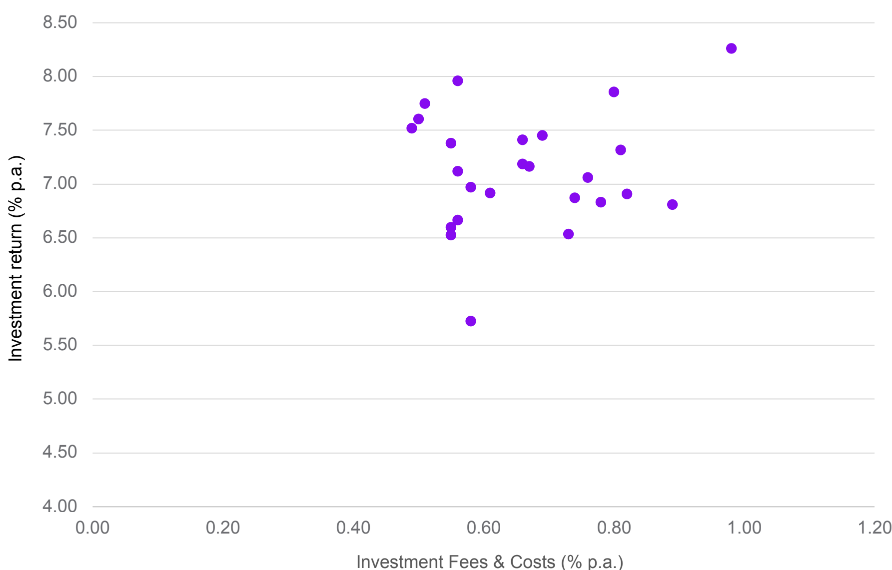
The superannuation industry rebounded in 2023 after a challenging 2022.

Following a year of strong growth on financial markets globally, super funds in Australia posted strong investment returns in FY23, with an average return of 8.62% on the universe of funds in Super Insights.

This was a great outcome following the loss of 3.09% in FY22. It rewarded members who remained patient and maintained a long-term focus during a year that had its fair share of uncertainty. Strong share markets were the main driver with international shares providing a tremendous 23% return over the year, led by the tech sector, and Australian shares delivering a healthy 12% return over the year. Bonds and cash delivered 5% and 4% respectively while unlisted property was negative for most funds mainly due to falls in office valuations.

Chart 1: MySuper Growth Funds – Returns and Investment Fees

Net Investment Returns – 10 years to 31 December 2023



Source: Chant West

When we assess how successful MySuper products have been over their first 10 years, the first metric we need to consider is how have they gone against their objectives. For the universe of single option MySuper products that typically have about 70% in growth assets and generally target a rolling 10-year return of CPI + 3.5% p.a., it can only be regarded as a big success. The median return of these MySuper products has been 7.1% p.a. whereas the CPI + 3.5% p.a. benchmark over 10 years has been 6.1% p.a. – these MySuper products have beaten their target by about 1% p.a. For lifecycle MySuper products, the CPI-targets vary based on age so such an assessment is more complex – these products will be addressed on the next page.

Performance of MySuper Funds – 10 years to 31 December 2023

Charts and tables in this section of the report have been provided by Chant West from their research paper – 10 years of MySuper.

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Chart 1 plots the investment returns (net of investment fees and taxes) of 25 funds in Chant West's MySuper Growth category (61% to 80% growth assets) with 10 years of performance history against their investment fees and costs.

The chart illustrates there is little correlation between the two measures with some of the top performers having the highest investment fees, while some in the lower fee contingent are among the laggards in performance.

Table 2: MySuper Growth Funds – Returns and Investment Fees

Net Investment Returns – 10 years to 31 December 2023

INVESTMENT FEE	MEDIAN RETURN (% P.A.)
65 bps or less (12 products)	7.05
Over 65 bps (13 products)	7.16

Source: Chant West

Table 2 shows the median annual return for products with investment fees above and below the median of 65 basis points. We can see that the median annual return over the full 10 years of MySuper is slightly higher (7.16% vs 7.05%) for the higher fee group.

This should help shift the focus towards funds being recognised for doing what their members value most, which is generating the best net returns, rather than having the lowest fees.

Table 3: MySuper Growth Funds vs Lifecycle Funds – Returns and Investment Fees

Net Investment Returns – 10 years to 31 December 2023

	GROWTH ASSETS ALLOCATION (%)	MEDIAN RETURN (% P.A.)
MySuper Growth	72	7.1
MySuper Lifecycle – 1940s	50	4.7
MySuper Lifecycle – 1950s	52	5.1
MySuper Lifecycle – 1960s	71	6.3
MySuper Lifecycle – 1970s	88	7.2
MySuper Lifecycle – 1980s	90	7.3
MySuper Lifecycle – 1990s	90	7.2

Source: Chant West

Table 3 compares the median annual return of the traditional single option MySuper Growth fund with the returns of different age cohorts that are typical of lifecycle products. The table also shows the growth asset allocations for the different groups. These asset allocations are the current allocations, which differ from those in the original models back in 2014, some of which were far more conservative at older ages. The 10-year period saw relatively strong returns from growth assets so we would expect the younger lifecycle portfolios with higher growth assets to do much better, but they were only slightly ahead of the median single option MySuper Growth fund. This was due to the underlying assets of these lifecycle products (mainly from retail funds) not performing as well as the underlying assets of the single option MySuper products. The older lifestyle cohorts missed out on some of the performance as they reduced risk over a period where there were generally strong returns, although they did have greater downside protection in the Covid-induced downturn in 2020 – important if they needed access to their super at that time or soon after.

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Investment performance – growth funds

The most important aspect of an accumulation superannuation account is net investment performance. This is a core driver of retirement benefits and therefore forms a key part of the 'nuts and bolts' of super.

FY23 was strong in terms of investment returns with nine funds recording double digit returns for the year, with an average net return of 8.62% across the landscape of Chant West Growth category (61% to 80% growth assets) options. The strong one-year investment performance has contributed to an increase in the average superannuation benefit (as explored later in the report). Another key trend is that the gap between the fund returning the best investment performance and the average investment performance has reduced from 4.66% last year to 3.62% this year.

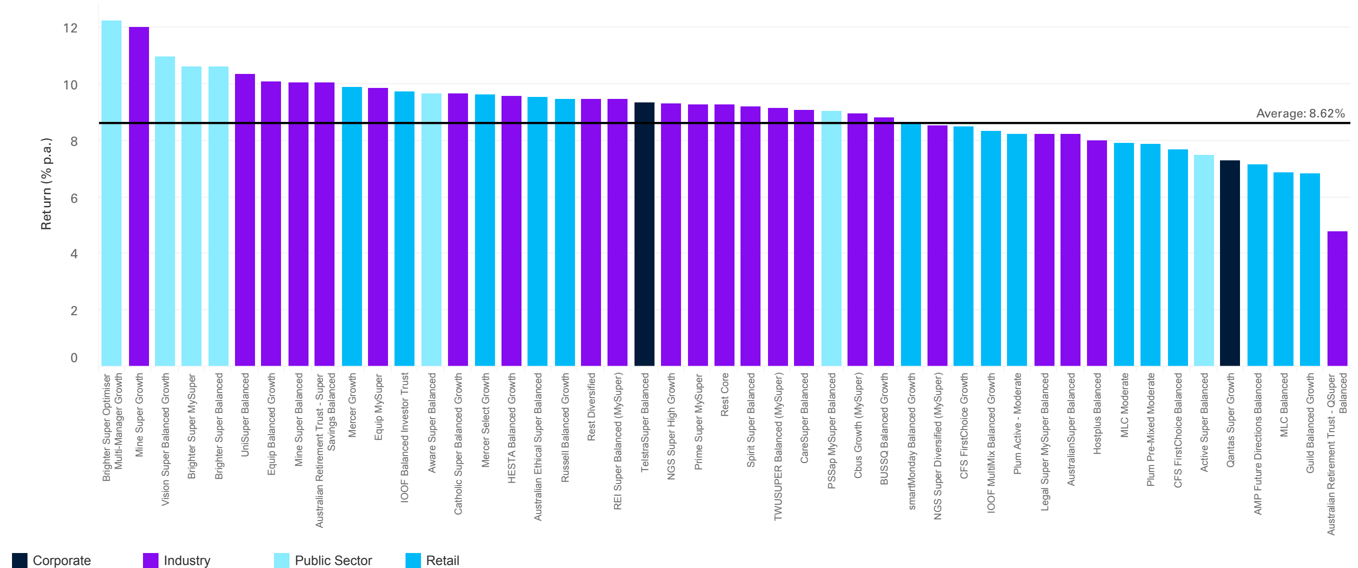
The strong performance across the industry contributed to a 7.6% increase in total superannuation assets (including self-managed super funds) from $3.291 trillion to $3.541 trillion.

We have incorporated the 1, 5 and 10 year results (net of investment fees and tax returns) for 'growth funds'. These are investment options offered by funds that have a 61% to 80% strategic allocation to growth assets. Generally, a similar trend was observed where industry funds demonstrated stronger long-term performance (over the 10-year period ended 30 June 2023).

This view uses data collected and provided by Chant West.

Performance of Growth Funds – 1 year to 30 June 2023

The average (net) return over the 1-year period to 30 June 2023 was 8.62%.



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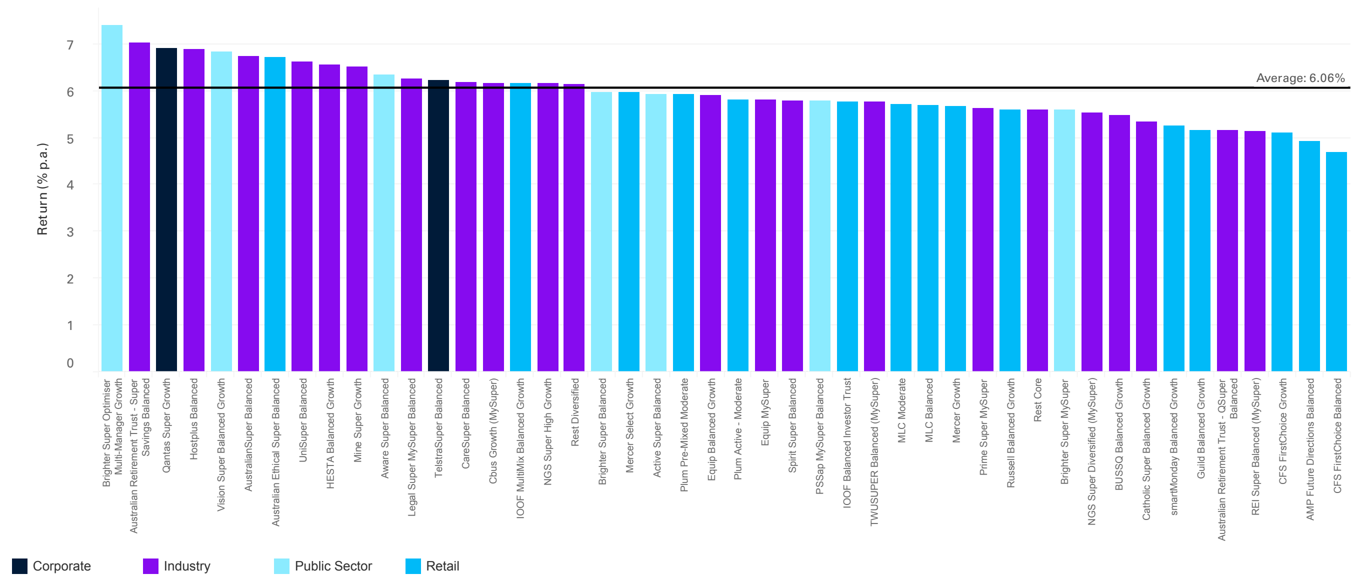
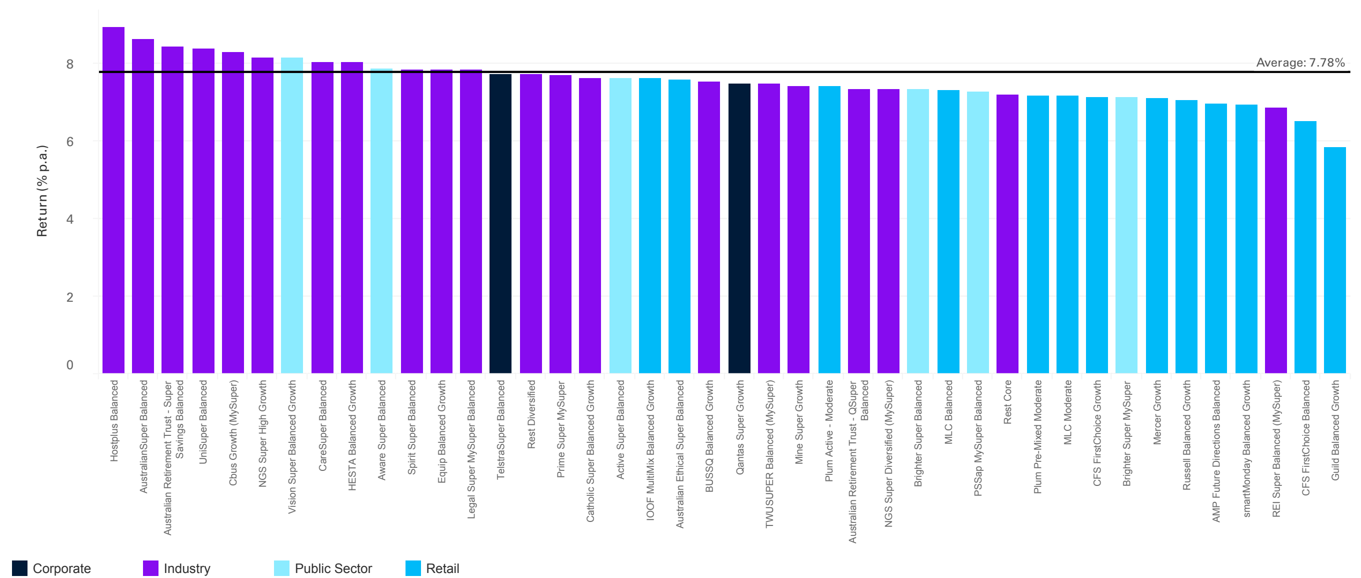
Performance of Growth Funds – 5 years to 30 June 2023

The average (net) return over the 5-year period to 30 June 2023 was 6.06%.



Performance of Growth Funds – 10 years to 30 June 2023

The average (net) return over the 10-year period to 30 June 2023 was 7.78%.



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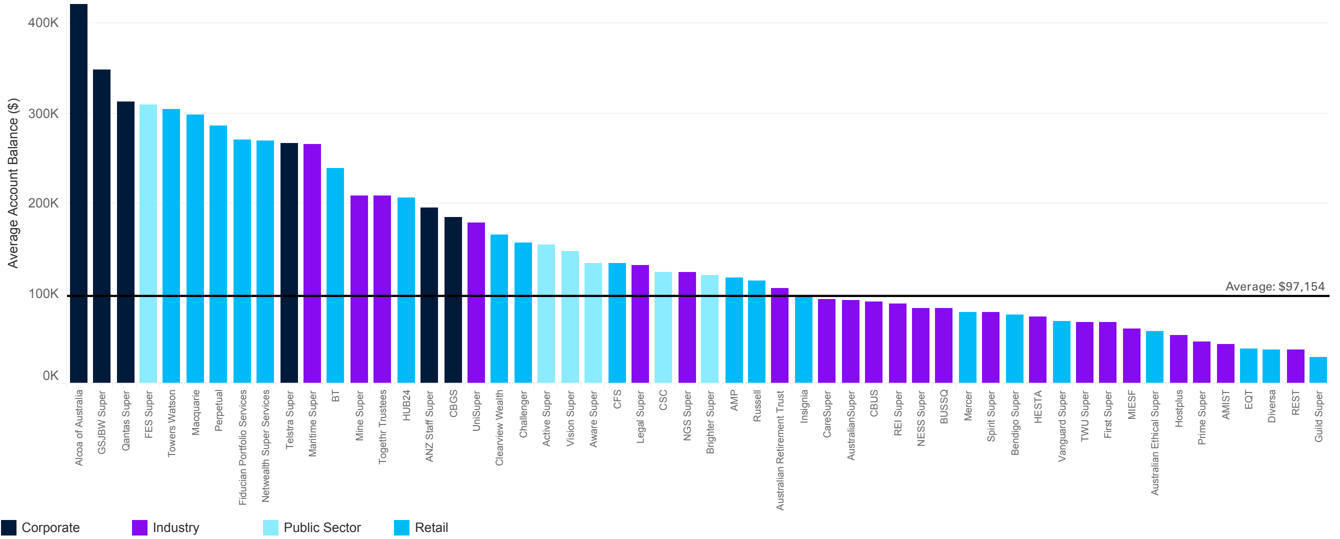
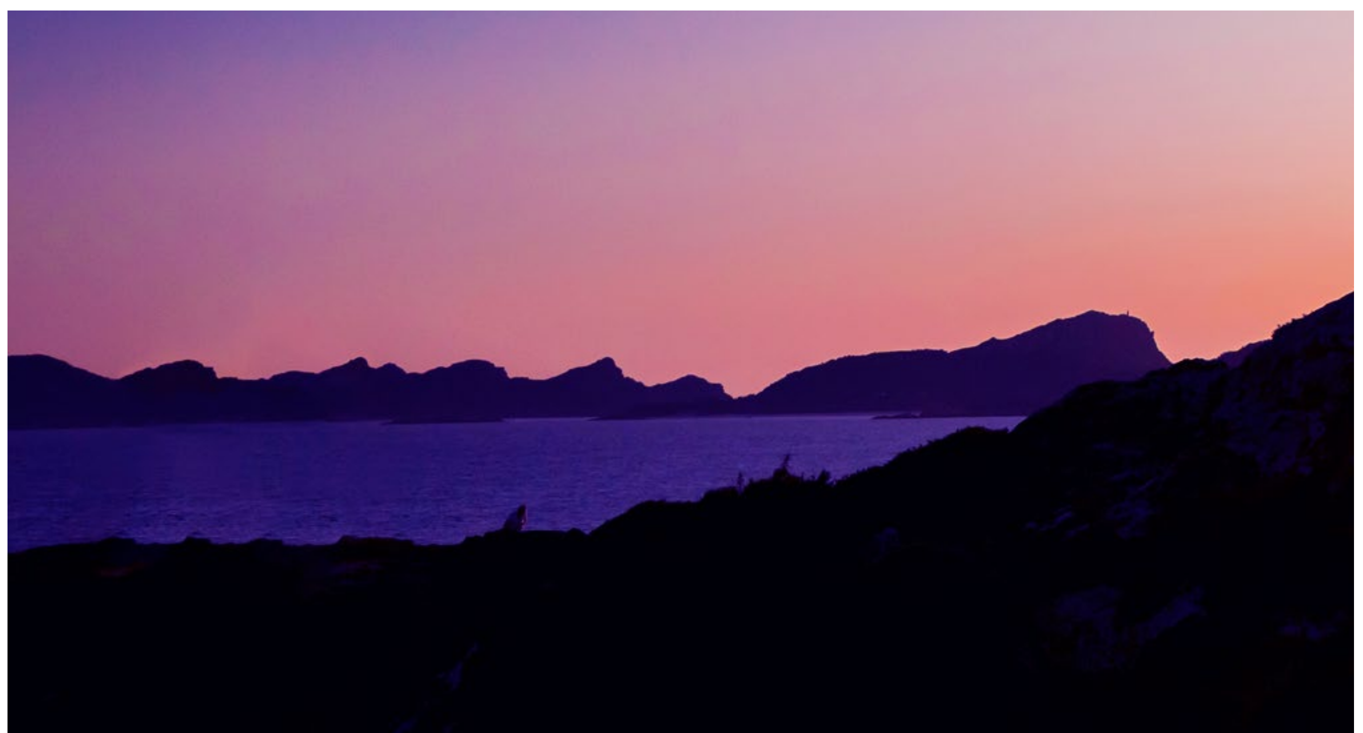
Average balances increased

Following strong investment returns and the legislated increase in Superannuation Guarantee (SG) contributions, the average account balance for members has increased from $90,783 in FY22 to $97,154 in FY23. Most funds making up the top 10 funds by average account balance are retail and corporate funds.

Average Balances





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Competitive fee arrangements

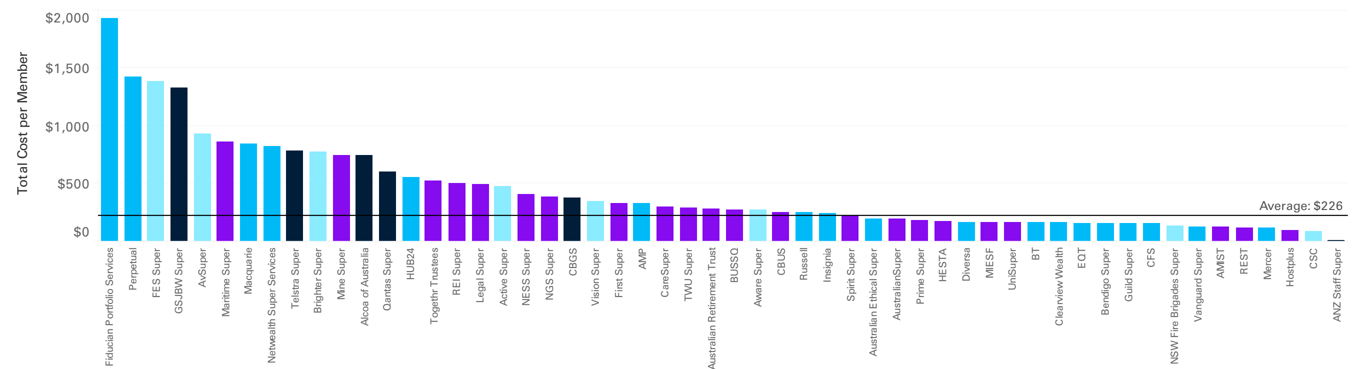
Competition between funds continues to put downward pressure on administration fees.

Between FY22 and FY23 the average operating cost on an asset basis decreased from 0.27% to 0.24% for all funds (excluding SMSFs). This is also reflected by the decrease in average operating cost per member between FY22 and FY23 from $251 to $226 for all funds (excluding SMSFs).

Highlighting the benefits of scale in the industry, the 13 funds with assets under management (AUM) of over $50 billion have an average cost per member of $200, whereas the 17 funds between $10 billion and $50 billion in AUM have an average cost per member of $363.

To view this data in the Dashboard select view 18: Operating Costs per Member by Fund.

Operating Costs per Member



Highest cost per member	
Fiducian Portfolio Services	$1,931
Perpetual	$1,427
FES Super	$1,391
GSJBW Super	$1,326
AvSuper	$929

Lowest cost per member	
ANZ Staff Super	$9
CSC	$87
Hostplus	$98
Mercer	$112
Vanguard Super	$125

Corporate   Industry   Public Sector   Retail

While the average operating cost per member decreased across the funds considered within this report (excluding SMSFs), the average MySuper administration fee (charged to a MySuper member with a $50,000 balance) decreased significantly as well, from 0.33% to 0.26% of the account balance.

With MySuper administration fees continuing to decrease across the industry, it is becoming increasingly important for funds to consider how their operating costs are managed on an ongoing basis. Cost management is a key aspect to manage sustainability challenges that are being faced by funds in the industry.

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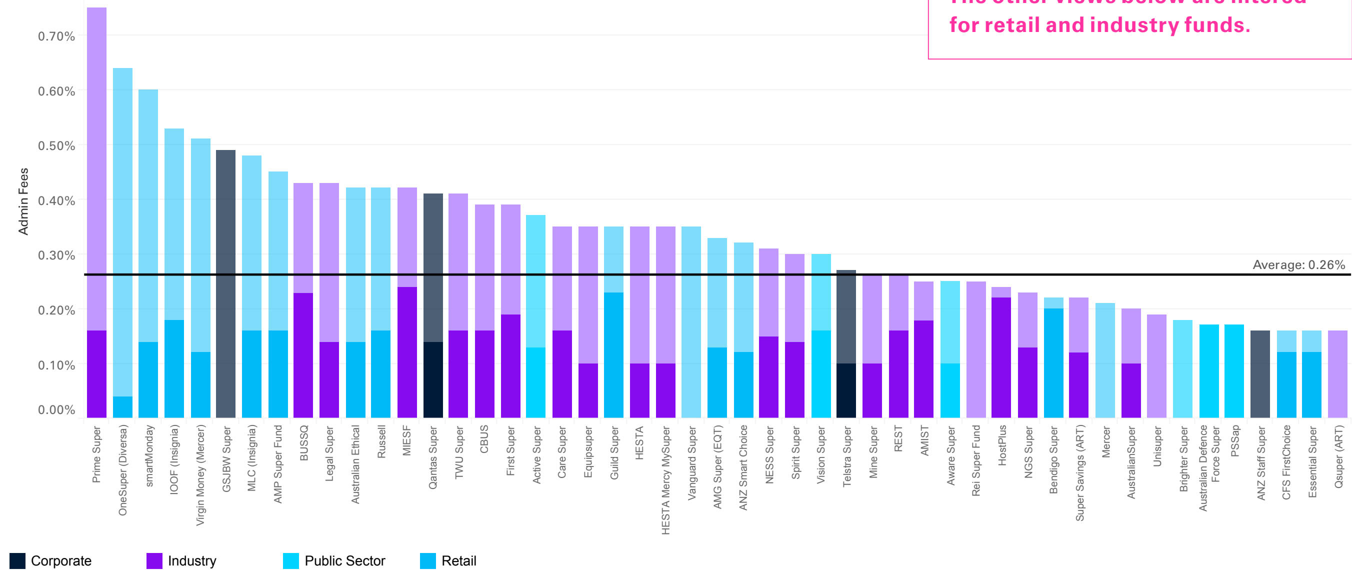
To view this data in the Dashboard select view 20: MySuper Admin Fees ($50K Balance). Hover over each bar to see the breakdown of dollar-based and asset-based fees. The other views below are filtered for retail and industry funds.

MySuper Admin Fees ($50,000 Balance)



Based on the MySuper administration fees reported to APRA as at 30 June 2023, the average MySuper administration fee charged on a $50,000 balance within the retail fund sector was 0.33% (a reduction of 0.14% between FY22 and FY23) whereas the average MySuper administration fee within the industry fund sector decreased from 0.30% to 0.24% between FY22 and FY23.

The 'MySuper Admin Fee' view shows the split of administration fees charged between fixed dollar fees and asset based fees. The retail products tend to have a higher portion of fees calculated as a percentage of assets than for industry funds, although the bulk of the industry funds' MySuper products now charge a percentage of assets fee.

Many of the retail funds have been able to achieve competitive fee offerings within their MySuper product (which has resulted in a reduction in the average MySuper administration fee).

Some of these providers are master trust providers and have offered competitive fees to their corporate plans (as a result of fee rebates/discounted fee arrangements).[1] Mercer has reduced their admin fee from 0.48% to 0.21% following the BT SFT and CFS has reduced their admin fee to 0.16%. This compares to the most competitive industry funds, Australian Retirement Trust (QSuper product) and UniSuper, being 0.16% and 0.19% respectively.

Transformation projects are still high on the agenda for super funds in FY24, with Trustees working hard on ensuring that costs are maintained, while allowing room for strategic projects/innovation.

[1] Discounted fee arrangements (such as corporate plan fee rebates) are not included within the disclosed MySuper fees above. Further, investment fees are not considered within the analysis above. While not considered within the analysis above, insurance premiums are also an important component of MySuper member account balances, and is an additional transaction outflow that should not be forgotten.

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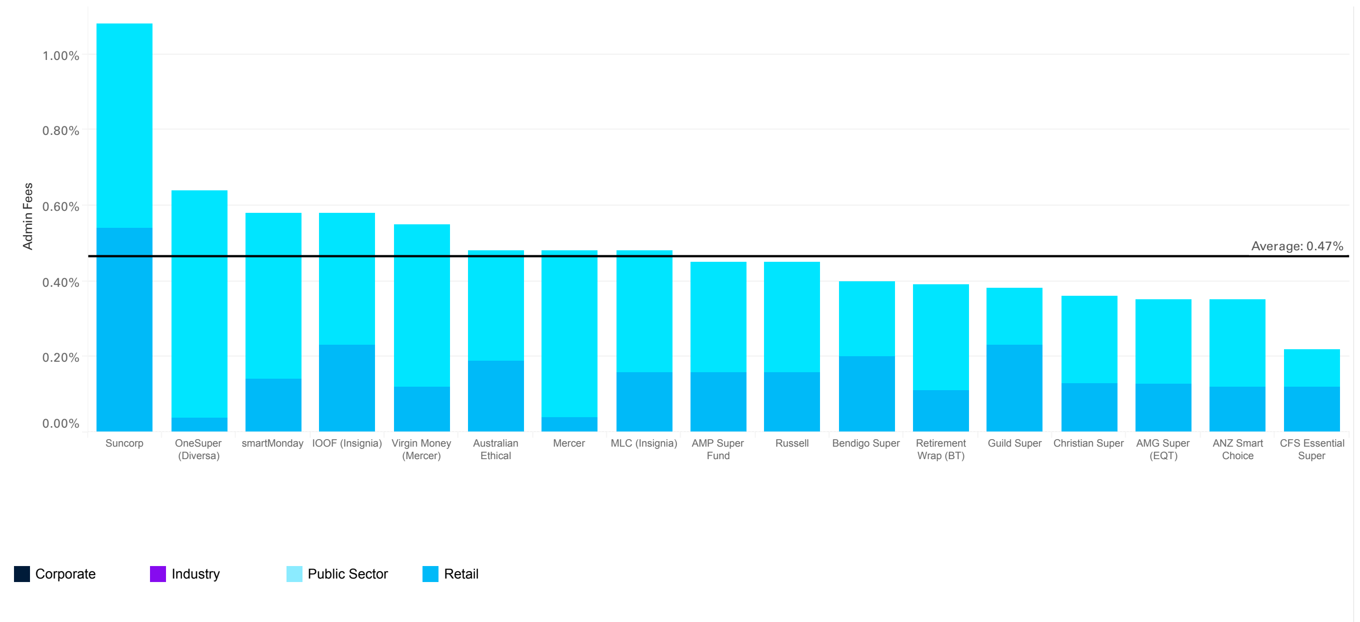
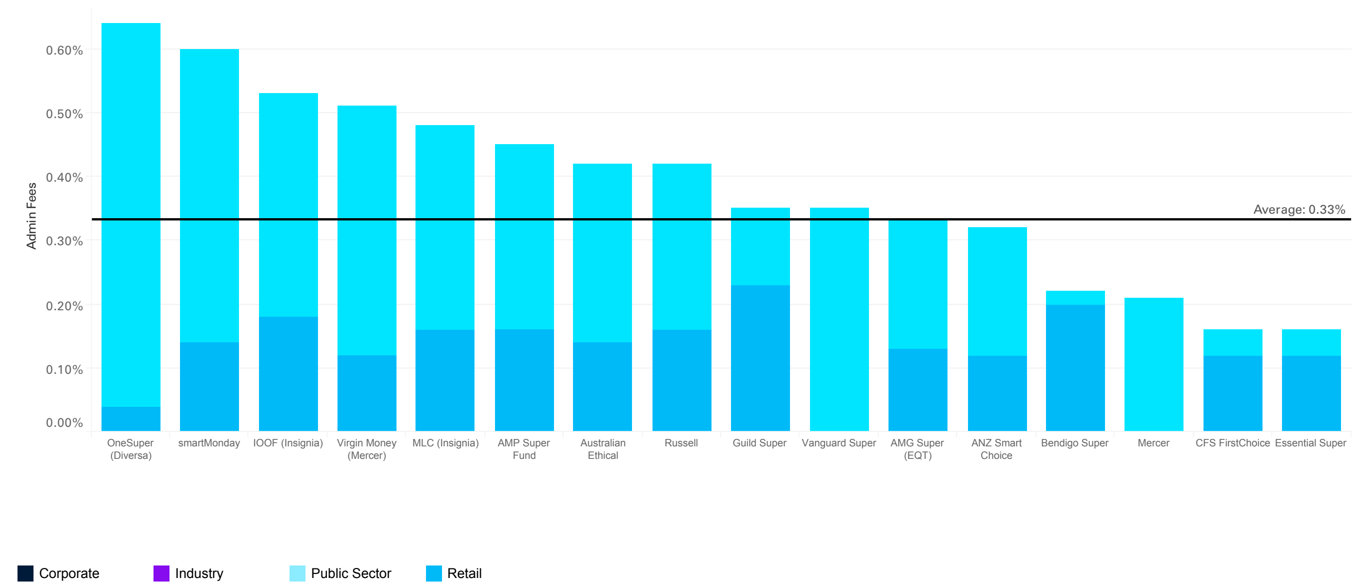
MySuper Administration Fee ($50,000 Balance) – Retail Funds 30 June 2022



MySuper Administration Fee ($50,000 Balance) – Retail Funds 30 June 2023



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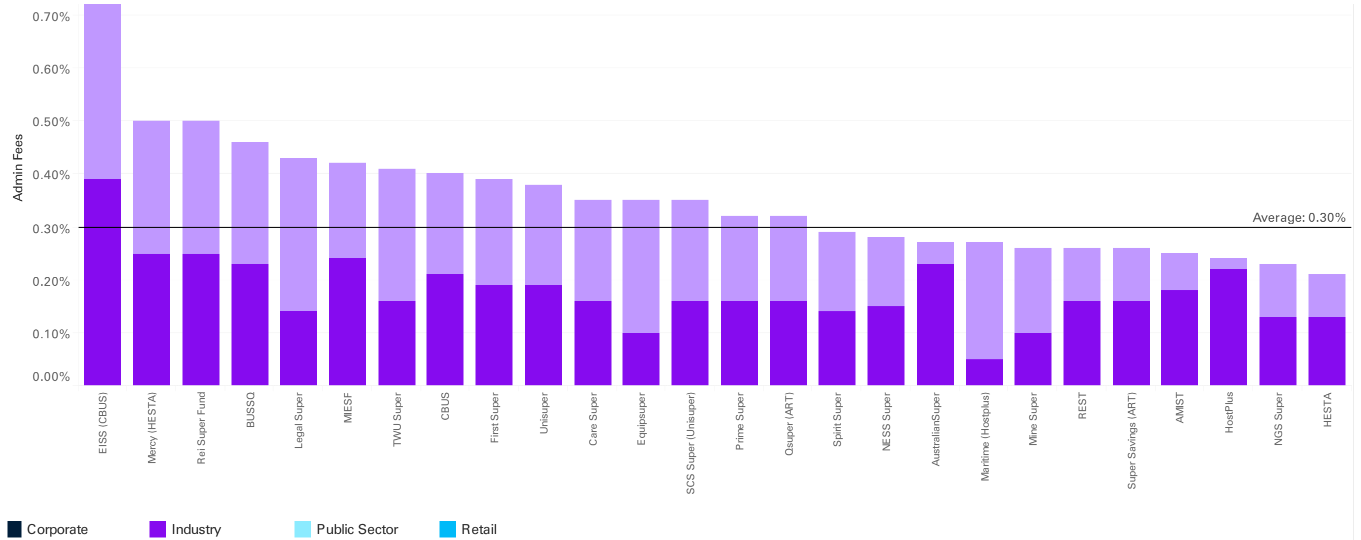
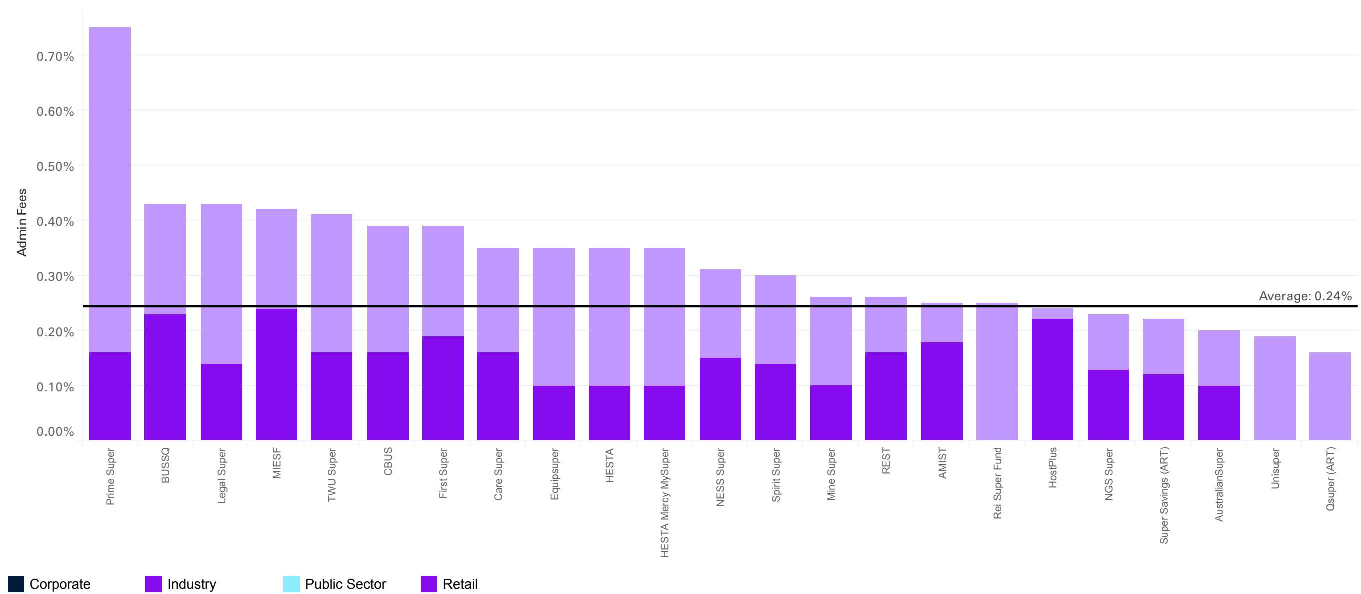
MySuper Administration Fee ($50,000 Balance) – Industry Funds 30 June 2022



MySuper Administration Fee ($50,000 Balance) – Industry Funds 30 June 2023



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Sustainability of Super funds

Many participants in the industry have experienced strong net inflows for FY23.

Organic net cash flow position by fund size (FUM)

HUB24 and Netwealth have continued their strong performance over FY23 and remained the two funds with the highest net cash flow ratios over FY23. In FY23, HUB24's net cash flow ratio was 26.7% whereas Netwealth's was 15.1%. Both funds experienced a decrease in net cash flow ratio when compared to FY22 (HUB24's ratio was 32.4% whereas Netwealth's ratio was 20.1% in FY22). Of the largest funds in the industry (ranked by asset size) Hostplus has had the highest net cash flow ratio of 7.5% in FY23, which was the strongest of the 13 largest super funds over $50 billion (as set out below).

For the 13 largest super funds over $50 billion, their relative flow traction from 2022 to 2023 is represented in the table that follows:

RANKING BY ASSET SIZE	FUND NAME	NET CASH FLOW RATIO 2023	NET CASH FLOW RATIO 2022
1	AustralianSuper	7.2%	10.1%
2	Australian Retirement Trust	3.7%	3.7%
3	Insignia	-2.0%	-2.5%
4	Aware Super	1.3%	1.7%
5	UniSuper	3.9%	3.7%
6	AMP	-2.6%	-3.4%
7	CFS	-1.8%	-2.3%
8	Hostplus	7.5%	7.0%
9	CBUS	3.3%	3.0%
10	HESTA	3.8%	3.9%
11	REST	5.4%	3.7%
12	Mercer	-1.6%	-1.7%
13	BT	-5.0%	-2.2%

Hostplus, AustralianSuper and REST all had a net cash flow ratio of over 5.0% in FY23. Both stapling and increases to the SG contributions continue to support the net inflows of these funds, with many members now carrying these funds throughout their working career and seeing a 0.5% increase on SG contributions from the previous year.

HESTA, UniSuper, Australian Retirement Trust and CBUS continue to demonstrate relatively healthy net cash flow ratios. Insignia, AMP, CFS and Mercer have again experienced net outflows, however they have gained traction from FY22 and decreased the rate of net outflows. This appears to have been achieved by stemming the flow of rollovers out and focusing on the core aspects of their offerings such as fees and performance.

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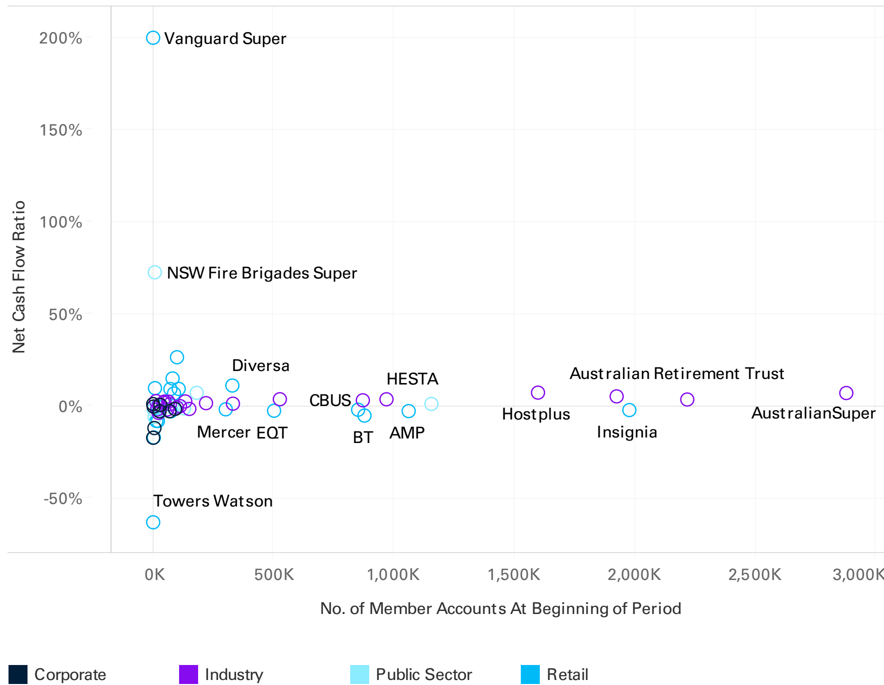
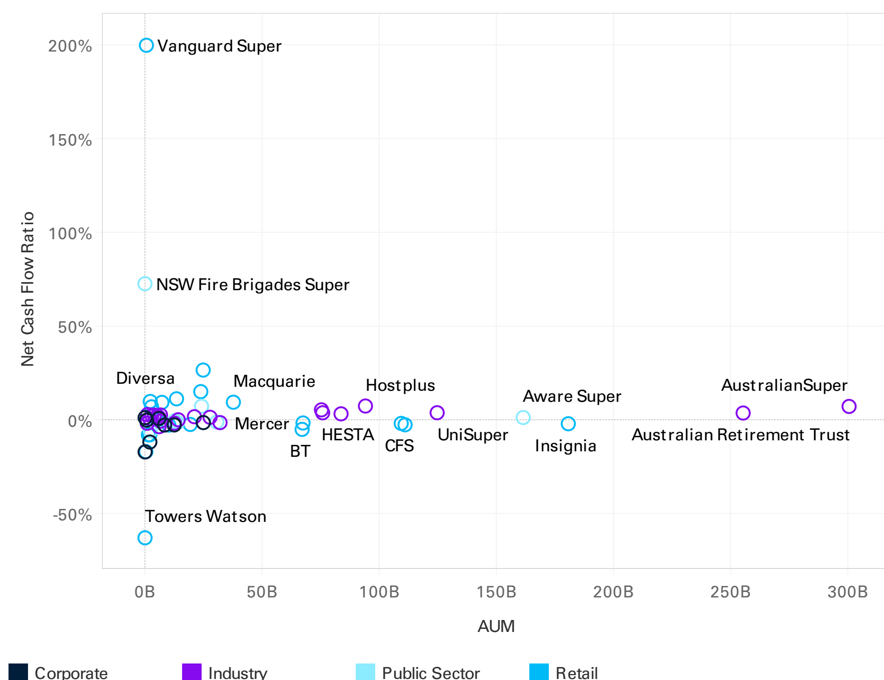
Net Cash Flow Position by Member Accounts



We have also analysed the net cash flow ratio by size of fund (by membership) to assess the correlation between both metrics. It is observed that while generally the mega funds[2] have a higher net cash flow ratio, there are some outliers, namely Insignia, AMP and CFS.

Based on this chart, we can conclude that size of fund (by membership) does not always correlate to strong net cash flows. Conversely, we have seen funds <100,000 members such as HUB24 exhibiting a healthy positive net cash flow ratio. Vanguard Super is an outlier on the chart, being a new entrant in FY23. Vanguard Super received inflows of $613 million during the year into its new superannuation product.

Net Cash Flow Position by AUM



A very similar pattern was observed when plotting the net cash flow ratio against the size of fund (by AUM). Some mega funds had a negative net cash flow ratio for FY23. Based on this analysis, the question remains as to whether scale of fund (based on membership and AUM) matters compared to the quantum of net cash flows?

It is important that funds focus on the relativity of net cash flows compared to size of fund as it is an important aspect of sustainability of funds (and the system largely).

[2] We define a 'mega fund' as having $100 billion or more in AUM.

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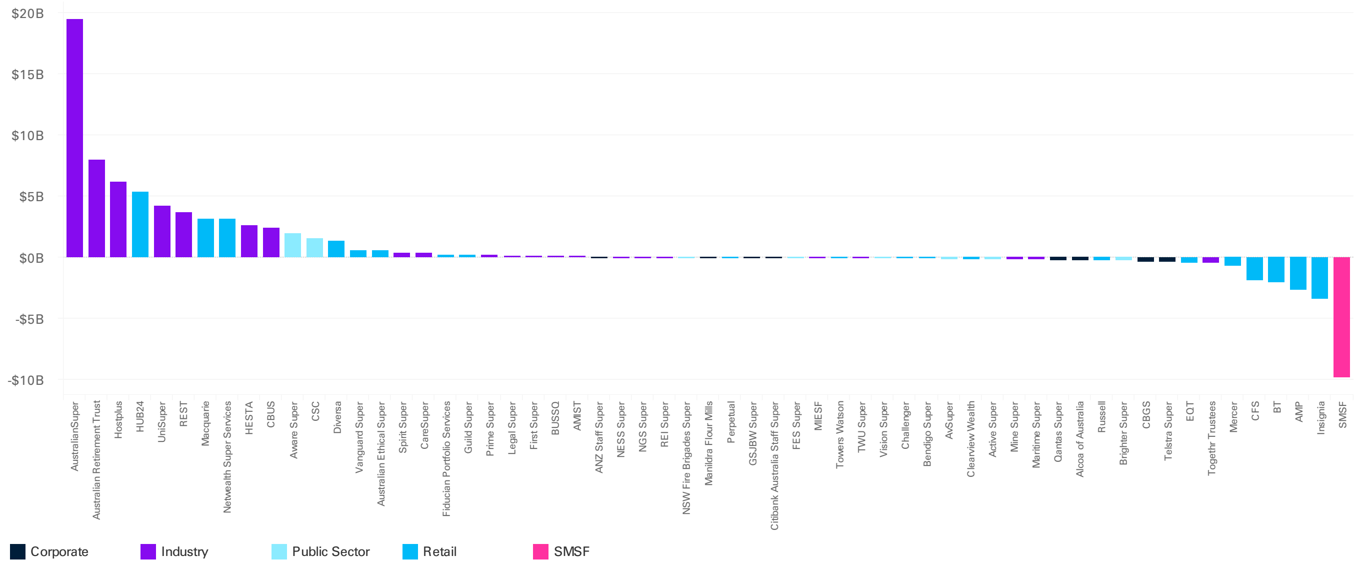
Another perspective is to consider which funds have net cash flow momentum.

This chart demonstrates the organic net cash flows by fund.

Organic Cash Flow by Fund



AustralianSuper's net cash flow is again the envy of the industry at $19.5 billion in FY23. This has decreased from $25 billion in FY22, however is still equal to the combined net cash flows of the next three largest funds in FY23.

In second place is Australian Retirement Trust at $7.9 billion, which was an increase compared to last year's $6.1 billion. Hostplus was third at $6.2 billion (an increase from $5 billion in FY22), followed by HUB24 at $5.4 billion, a jump from its $5.1 billion net cash flow in FY22. Most funds in the industry by number are at, or close to, zero net flows. As with FY22, a group of corporate and retail super funds as well as SMSFs are in a net outflow position.

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Continued scale and momentum of the mega funds

There are currently seven mega funds with no new entrants into this category in FY23. This trend is due in part to the slowdown in mergers/SFTs as well as the modest growth in assets from the previous year (albeit some funds have recorded double-digit AUM growth for the year).

Interestingly, the market share of the mega funds (by AUM) has remained neutral for FY23. Notwithstanding this, the mega funds have continued to capture scale in terms of AUM and membership, contributed by strong investment performance, members joining the mega funds directly and the increase in legislated SG contributions.

Some of these mega funds are also active in the corporate super space, and there have been a number of corporate super wins/transitions that have occurred in FY23.

FUND NAME	AUM AS AT 30 JUNE 2023	PERCENTAGE GROWTH FROM 30 JUNE 2022
AustralianSuper	$300 billion	15.8%
Australian Retirement Trust	$255 billion	9.9%
Insignia	$181 billion	6.5%
Aware Super	$161 billion	10.3%
UniSuper	$125 billion	12.6%
AMP	$111 billion	5.7%
CFS	$109 billion	6.9%

From the table above, it is observed that the two mega funds that saw the largest percentage growth in AUM in FY23 were both industry funds (AustralianSuper and UniSuper). We note that UniSuper merged with Australian Catholic Superannuation and Retirement Fund (ACS) in FY23. The smallest rate of growth amongst the mega funds was evident at AMP, Insignia and CFS which potentially reflects the impact/effects of negative net cashflows.

To see the list of fund mergers completed and announced, with dates, click on our new Dashboard view 'Fund and Trustee Groupings' and refer to the 'Date of Merger/Potential Merger' column.

We have identified all the large mergers and as many of the small ones as we could find, however, there may be some small ones we have not picked up on this list.

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What is the optimum level of scale?

	MEGA FUNDS	ALL FUND SIZES
Net Investment Performance (30 June 2023)	All (Weighted Average)	All (Weighted Average)
– 1 Year	8.82%	8.62%
– 5 Year	6.25%	6.06%
– 10 Year	7.94%	7.78%
MySuper Admin Fees	0.25%	0.26%

With the continued scale and momentum of the mega funds, we have analysed the investment performance of an average member over 1, 5 and 10 year periods to 30 June 2023. The data in the table above demonstrates investment performance in respect of an average member in a mega fund compared to all funds.

This investment performance data shows that there is still no clear evidence as to what the optimum level of scale is for a super fund, and funds are all at different stages of maturity.

Administration fees and operating costs

As a result of the transformational projects currently underway, we would expect that mega funds will continue to drive cost efficiencies and synergies due to realisation of economies of scale. There are of course funds (below the $100bn mega fund minimum range) with low fees and high performance and KPMG believe they will continue to be competitive and successful.

Further, it is important that super funds undergoing mergers/SFTs commit to appropriate levels of operational synergies, timing/phasing of synergy realisation and a disciplined action plan to achieve these operational synergies. The operational synergy/benefit profile of the merger needs to appropriately consider the anticipated effort and transition costs associated with administration/platform migrations to ensure these mergers are in the best financial interests of members.

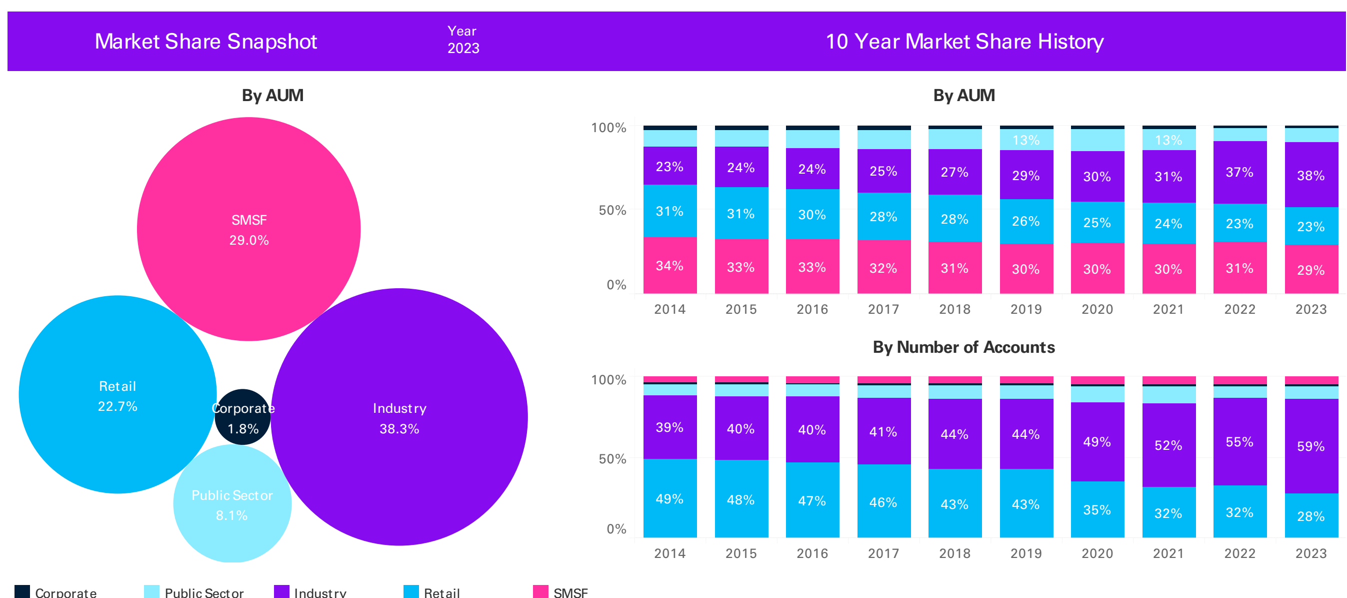
To view this data in the Dashboard select view 2: Market Share.

Sustained growth of the industry funds

In FY22 we saw industry funds increase their market share by 5.6%, to jump from 31% to 36.6% However, in FY23 the market share of industry funds only increased by a further 1.7% to 38.3%, this came at the expense of SMSFs who saw a decrease of 2%, from a market share of 31% to 29% at the end of FY23.

Public sector funds also saw growth in FY23, with their market share increasing by 0.4%.

Corporate funds continued to see contraction with a 0.1% decrease in market share throughout FY23. We note that a number of corporate funds were wound up in FY23 and merged into industry and retail funds.



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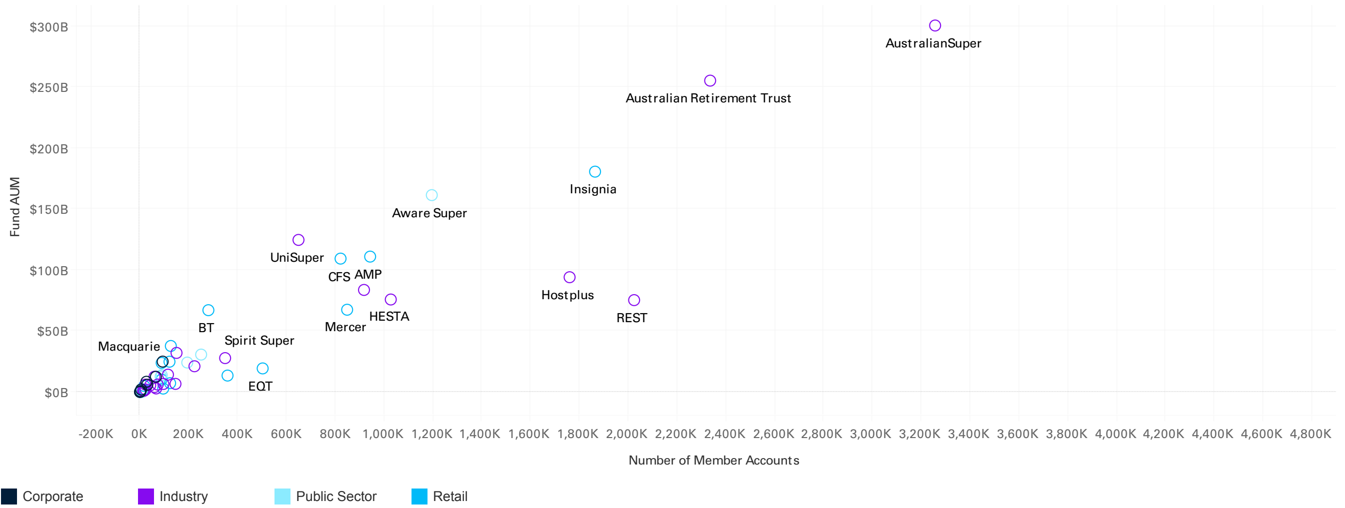
Market Position



Both AustralianSuper and Australian Retirement Trust have cemented their lead over the rest of the industry in relation to AUM. In particular, Australian Retirement Trust has undertaken a range of SFTs in FY23 and the pipeline of SFTs have continued into FY24. SFTs into Australian Retirement Trust include Alcoa Super, CBA Group Super and AvSuper.

To see this in the Dashboard, go to view 4: Market Position and select fund size

>$100b on the drop-down menu.

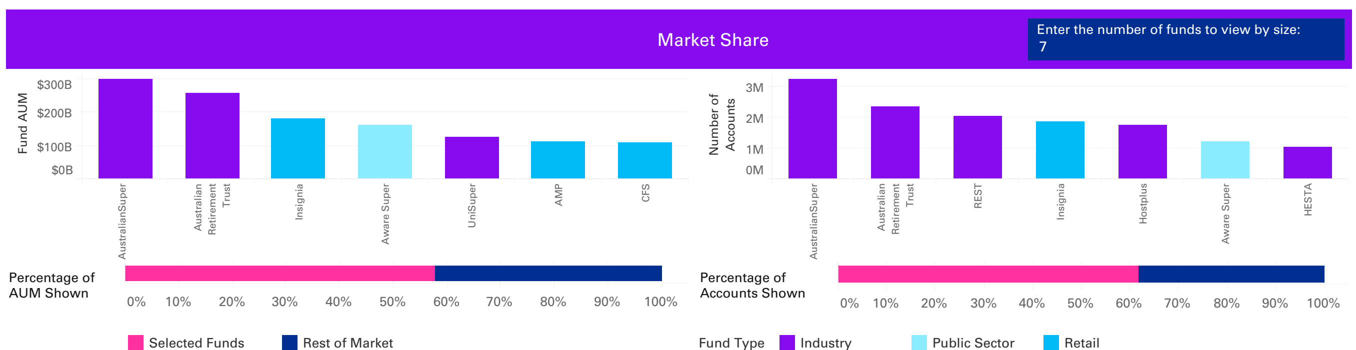
You can play a video of the history of this view by ticking 'Show history' at the top right of the chart, and dragging the little dot along the timeline or clicking the right and left arrows to advance the year from 2015 to 2023.

Make-up of the industry – by fund

As noted earlier in this report, there remain seven mega funds with more than $100 billion in assets in FY23. In FY23, the seven mega funds included three industry funds, one public sector fund (Aware Super) and three retail funds.

These seven funds represent 58% of assets in the non-SMSF super industry (noting that the mega funds' market share has remained neutral in FY23).

Market Share – 7 Largest Funds



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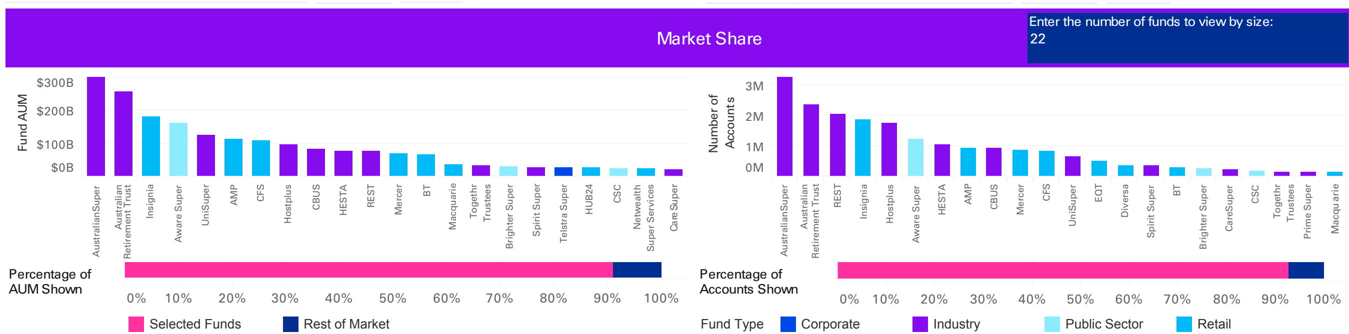
There are another six funds sized between $50 billion and $100 billion (up from five in FY22), then a significant size gap to the next largest fund at $38 billion. Mercer is the new fund in the $50 billion to $100 billion AUM range. There are now nine funds between $20 billion and $50 billion, then a long tail of funds below $20 billion.

These top 22 funds above $20 billion (refer below) make up 91% of assets in the super industry (excluding SMSFs).

To view this data in the Dashboard, select view 1: Industry Overview.

Market Share – 22 Largest Funds



Industry Overview

Summary By Size

Fund Size	No. of Members	No. of Entities	Total AUM	Change in No. Funds*	Change in AUM*	Growth in AUM
< $10 B	0.9M	28	$84B	↓	↓	-11%
$10 to $25 B	2.1M	13	$228B	○	↑	8%
$25 to $50 B	0.9M	4	$128B	○	↑	11%
$50 to $100 B	6.9M	6	$463B	↑	↑	20%
> $100 B	11.1M	7	$1,243B	○	↑	10%
Total	21.8M	58	$2,146B	○	↑	11%

Summary By Type

Fund Type	No. of Members	No. of Funds	Total AUM	Change in No. Funds*	Change in AUM*	Growth in AUM
Corporate	0.2M	8	$55B	↑	↑	3%
Industry	13.4M	22	$1,159B	○	↑	13%
Public Sector	1.8M	8	$246B	○	↑	13%
Retail	6.3M	20	$687B	↓	↑	8%
Total	21.8M	58	$2,146B	○	↑	11%

In terms of fund size, the growth was concentrated in funds with assets between $50 billion and $100 billion, at the expense of smaller funds (below $10 billion), which saw a 11% contraction in AUM.

Due in part to merger activity and strong investment returns, funds between the $50 billion and $100 billion range saw 20% growth in AUM. However there has also been a strong push from funds in this bracket to pursue growth opportunities through strong advertising to attract new members and building strong relationships with their network of employers to grow organically. Initiatives such as digital advice and voluntary insurance offering have been used as prompts to attract new members (in line with the growth agenda for these funds).

To see the top seven funds in the Dashboard, go to view 1: Industry Overview and in the Market Share section on the right-hand side you can select the number of funds to view at a time – select 7.

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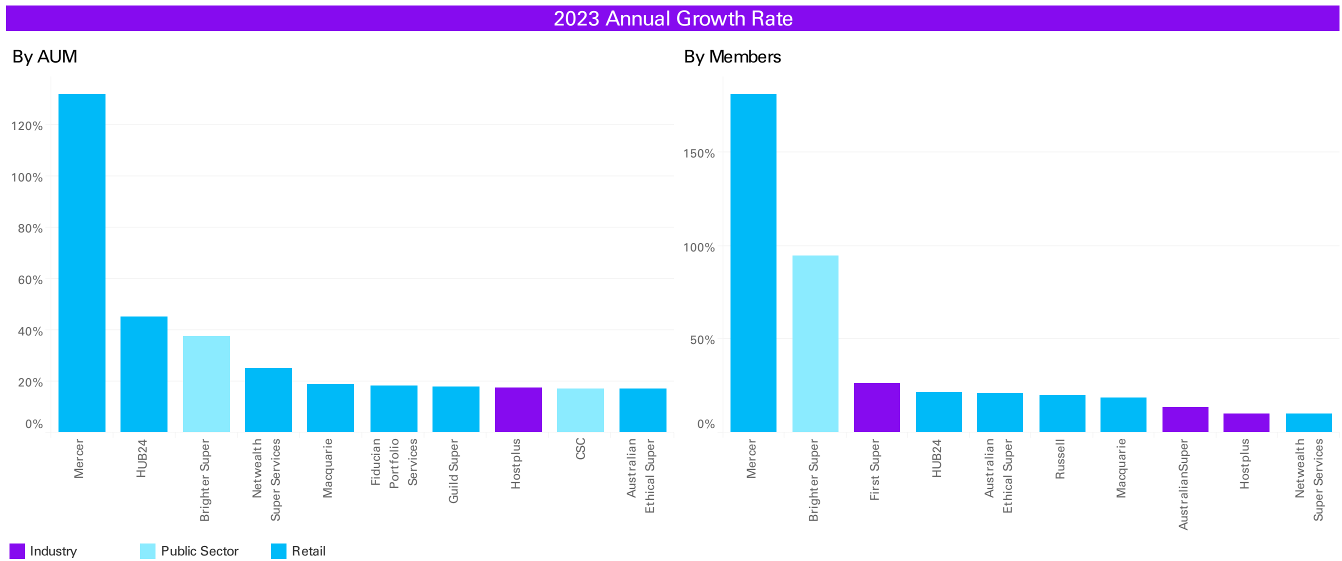
Growth rates by fund

The top 10 funds by growth rate of assets and members can be seen here



We note that the figures for the top two fastest-growing funds (in respect of AUM and members) are impacted by mergers, so are demonstrating both inorganic and organic growth. This includes Mercer (BT Super SFT) and Brighter Super (Suncorp Super SFT).

The biggest transaction in FY23 was the transition of BT Corporate and Personal Super into the Mercer Super Trust on 1 April 2023 (now accounting for more than 850,000 members).

Several other mergers were completed in the year ended 30 June 2023 including:

- UniSuper merger with ACS (completed 30 November 2022)
- CBUS merger with EISS (completed 12 May 2023)
- Australian Ethical Super merger with Christian Super (completed 25 November 2022).

As such, the only funds on the top 10 list where the organic growth in member numbers appear to be without the assistance of mergers are the retail platforms (HUB24, Netwealth and Macquarie) along with First Super, Hostplus (noting that the merger with Statewide Super took place in FY22) and AustralianSuper. The growth in the Russell Master Trust membership has been supported by wins in corporate super.

Continued scale growth of platform players

HUB24 and Netwealth are two funds that have seen significant growth over recent years. Both funds have seen strong cash flows, growth in AUM and member numbers throughout FY23.

Due to investment optionality and platform features, both HUB24 and Netwealth continue to gain traction in respect of both financial advisers and their clients (i.e. super fund members).

HUB24 and Netwealth have been very effective in increasing growth as members and advisers have moved away from other retail funds since the 2018 Hayne Royal Commission. Both also benefit from offering non-super investment solutions to their advised members, providing a convenient solution to advisers within their network. Other players such as Macquarie have also experienced growth in AUM and member numbers over FY23.

To view this data on the Dashboard, select view 5: Top 10 Funds by Growth.

You can hover over a fund to see its growth rate.

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Member acquisition and retention in a more competitive environment

Throughout FY23 we are still observing an intensive trend around member acquisition and retention. Funds are increasingly focused on specific acquisition or attraction strategies based on an understanding of their membership cohorts and ensure that there is a pathway for the long-term retention of these members.

Some of the key trends observed this year include:

– Funds are continuing to engage with members directly, with greater digital engagement and advertising (through digital channels including social media advertising/ promotional activities).

– Funds are investing in analytics and targeting the segment of membership which has propensity to act (as well as understanding the drivers for these members when they are considering the election of choice of fund).

– There are a significant number of Australians who are changing jobs in comparison to the new entrants to the workforce, which has meant the need to engage with employers as part of onboarding of employees. ABS statistics estimate that there are four times as many people changing jobs in comparison to new entrants to the workforce. Notwithstanding some implementation considerations (including insurance cover transfers) there is an opportunity (for public offer funds) to attract choice of fund members directly at the point of changing jobs. On the flip side, for the incumbent fund there is an opportunity to retain members (at the point of changing jobs).

– Funds that are active in the corporate super space are directly approaching employers and we have observed an increase in direct business development activity in the corporate/employer market.

– As highlighted in FY22, it remains important for funds to create smooth member journeys (with consideration on appropriate and accessible advice) from accumulation phase into retirement income phase. This is increasingly important with a more stable membership base (less members leaving due to job change) who will age over time. This trend is explored further in our retirement section.

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Member sentiment by fund

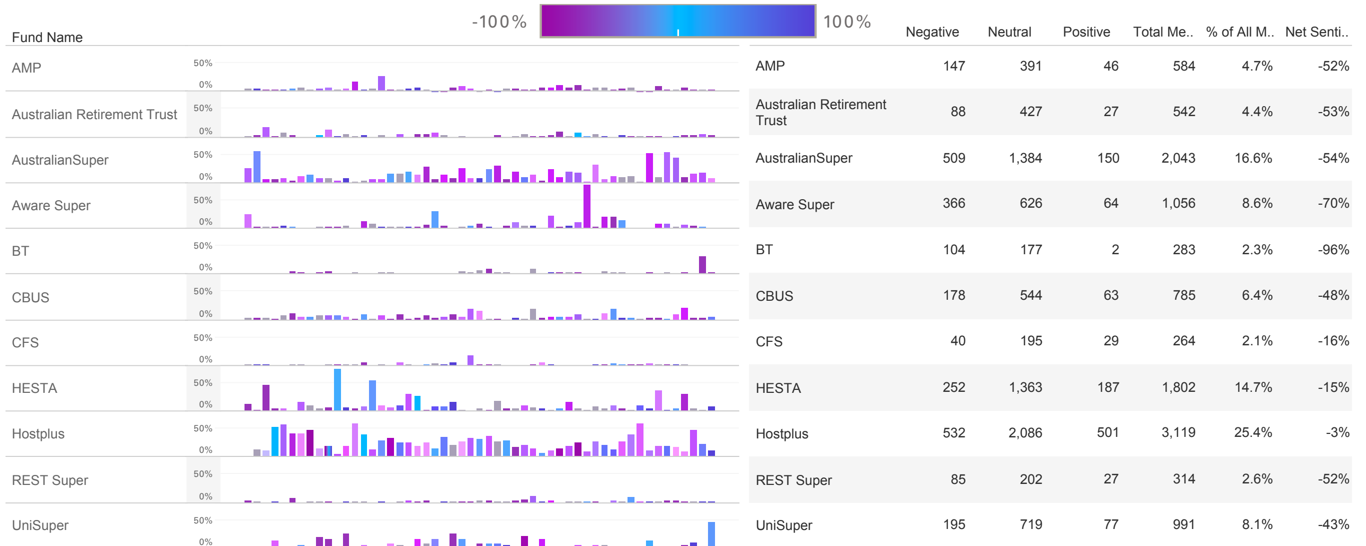
Consistent with our FY22 report, we have included some analysis from KPMG's Customer Intelligence team on public discussion of some of the larger super funds as they appear across social and other online media sites. We can see here the sentiment as indicated by volume of positive or negative social and online media mentions. This KPMG analysis is powered by Brandwatch, which leverages an AI model to mark mentions for sentiment.

It is interesting to see which large funds have the most share of voice, and also to note the seasonal changes in positive and negative sentiment.

Over the 12-month period reviewed, both Hostplus (16%) and CFS (14%) saw the largest increases in net sentiment while the total number of mentions analysed this year across the cohort declined by 6,090 posts, demonstrating the volatility of public engagement year on year.

Sentiment and Share of Voice

To see this information click on view 32: Analysis of Sentiment.

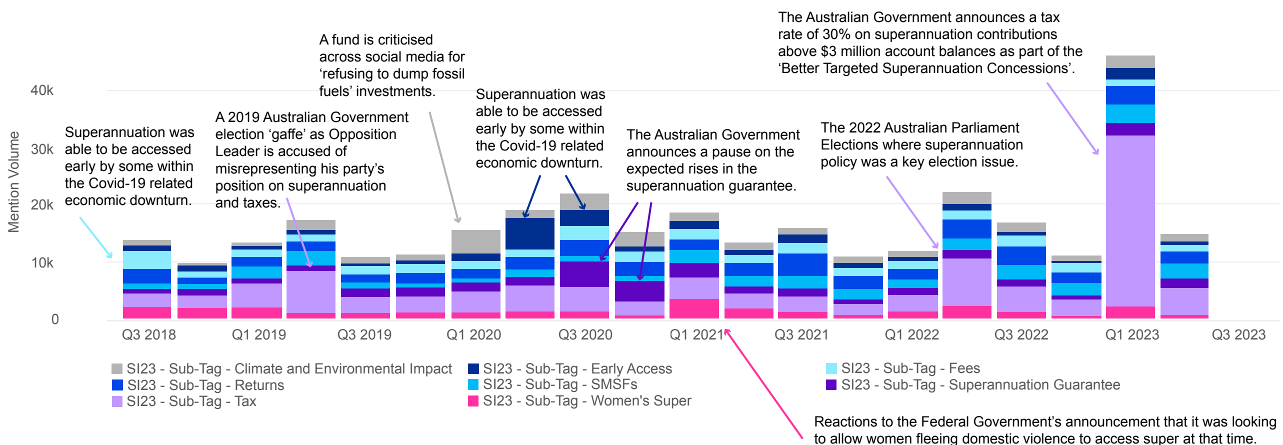


Fund Name	Negative	Neutral	Positive	Total Me..	% of All M..	Net Senti..
AMP	147	391	46	584	4.7%	-52%
Australian Retirement Trust	88	427	27	542	4.4%	-53%
AustralianSuper	509	1,384	150	2,043	16.6%	-54%
Aware Super	366	626	64	1,056	8.6%	-70%
BT	104	177	2	283	2.3%	-96%
CBUS	178	544	63	785	6.4%	-48%
CFS	40	195	29	264	2.1%	-16%
HESTA	252	1,363	187	1,802	14.7%	-15%
Hostplus	532	2,086	501	3,119	25.4%	-3%
REST Super	85	202	27	314	2.6%	-52%
UniSuper	195	719	77	991	8.1%	-43%

In addition to the sentiment data we also have included 5-year thematic insights built off the key topics mentioned within news articles.

We observe the weighting of attention towards policy topics which affect the superannuation industry as compared to investment performance related outcomes for members. The most prolific topics included taxation policy, COVID-19 early release, reducing account balances gender gaps and the superannuation guarantee changes.

Key topics of the last 5 years



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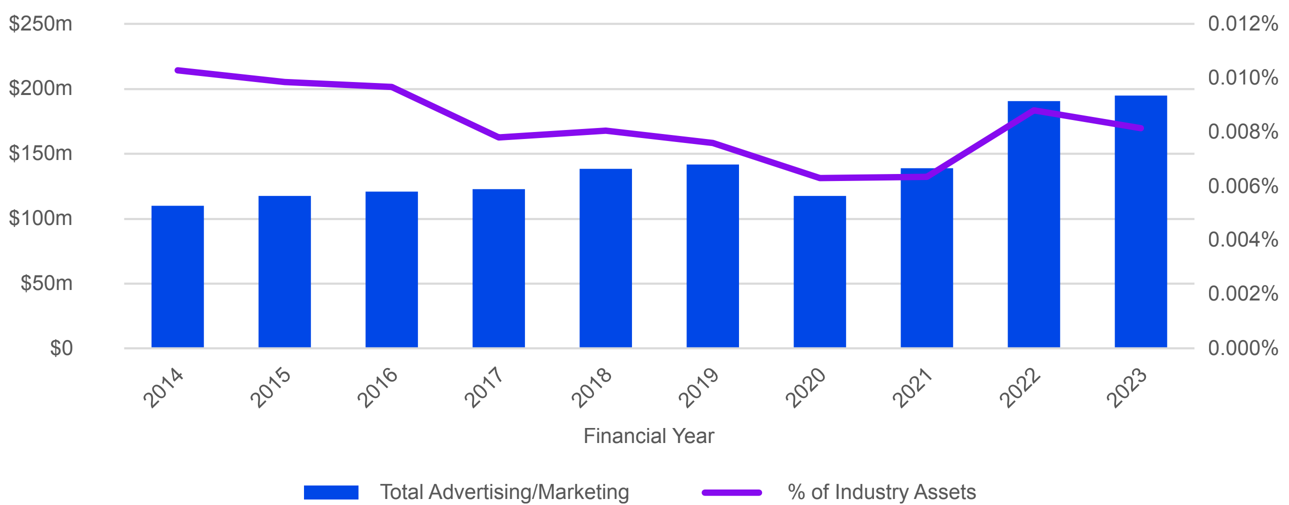
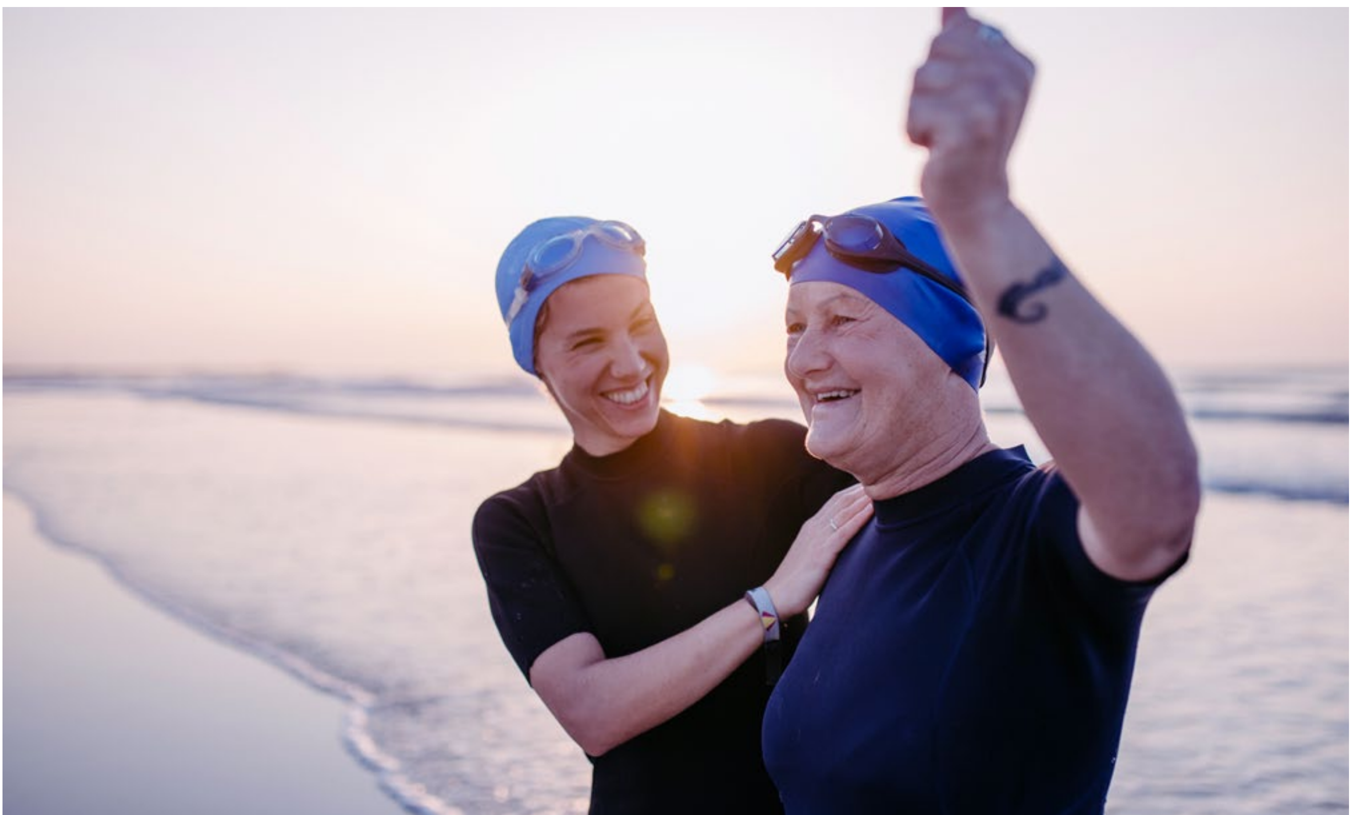
Advertising spend by fund

Super funds are increasingly focusing on member acquisition and retention strategies to drive organic growth and long-term sustainability. These strategies include enhancing presence through marketing efforts, brand promotion and sponsorship activities, which we can analyse using the advertising and marketing expenses reported to APRA. The following insights illustrate that over the last 10 years the total industry spend on advertising has increased by approximately 77%, while as a percentage of total industry assets it has decreased by 21%.

We do note that these insights are limited by the availability of advertising/marketing expenses reported to APRA. Advertising and marketing expenses may alternatively be reflected in the fund's administration expenses, other admin and operating expenses categories or incurred outside the fund.

10-Year Total Industry Advertising Spend





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Regulatory update: several regulatory initiatives in train

The ever-expanding superannuation industry has seen superannuation trustees face a growing number of challenges. In recent years, superannuation trustees are grappling with how to be resilient in the face of emerging risks that may threaten their financial and operational stability.

Resilience has certainly been at the forefront of the minds of the regulators, as evidenced through the introduction of a number of regulatory initiatives. These initiatives have been designed to improve risk management practices, and to equip super trustees with the tools to deal with periods of financial stress and disruption.

Prudential Standards

APRA Prudential Standard CPS 230 Operational Risk Management, which comes into effect from July 2025, aims to ensure that super trustees are resilient to operational risks and disruptions. APRA has sought to achieve this outcome by requiring a super trustee to identify, assess and manage operational risks, manage critical operations in a way that effectively responds to business disruptions and manage the risks from the use of service providers.

Also coming into effect from January 2025 is CPS 190 Recovery and Exit Planning, which is designed to ensure super trustees are well equipped to handle periods of severe financial stress and, importantly, to enable them to act in the best financial interests of members on an ongoing basis. This is proposed to be effected through the establishment and maintenance of a credible plan that could restore financial resilience during or following stress, or if that is not possible, a plan to effect an orderly exit from industry. APRA is also considering the formulation of a new standard on the operational financial risk reserve (SPS 114), with a consultation on a draft standard currently underway.

To complement a trustee's obligations under CPS 190, CPS 900 Resolution Planning, which came into effect at the beginning of 2024, empowers APRA to determine and implement a 'resolution plan' for a super trustee that is a 'significant financial institution' (i.e. one that has total assets in excess of $30 billion or is determined as such by APRA) in the event of a failure of the trustee. A super trustee may be required to support APRA in assessing the feasibility of the strategy to effect the resolution plan and to develop and implement a plan to remove barriers to, and to mitigate risks in, the execution of the strategy. Furthermore, a super trustee must maintain the financial resources and capabilities required to support the resolution plan.

The Financial Accountability Regime

While the above Prudential Standards deal with the management of operational and financial resilience, the Financial Accountability Regime (FAR), which will come into effect for super trustees in March 2025, adds another layer of protection by aiming to improve the risk and governance culture of super trustees through strengthened responsibility and accountability of their directors and senior executives.

FAR imposes four core sets of obligations:

- accountability obligations for accountable entities and accountable persons, including to conduct its business with honesty and integrity and with due skill, care and diligence;
- key personnel obligations, including to ensure that the responsibilities of accountable persons collectively cover all areas of the business operations of the accountable entity;
- notification obligations, including to notify the regulators of certain events that impact their compliance with the FAR; and
- deferred remuneration obligations, including to defer payment of at least 40% of an accountable person's variable remuneration for a minimum of four years.

From the raft of regulatory changes that have or will soon take effect, it is evident that the regulators are placing high importance on ensuring that super trustees are well equipped to handle and manage operational risks and failure. With less than a year before the next change comes into effect, superannuation trustees should already be re-evaluating their internal processes and taking steps to ensure that they are set to comply with those changes.

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Retirement update

In July 2023, APRA and ASIC released joint findings from their thematic review, following the implementation of the retirement income covenant in 2022. The review focused on the approach RSE licensees have been undertaking to comply with the obligation, including understanding member needs, providing assistance and support to members, and strategy implementation with respect to retirement outcomes.

> **"Overall, there was a lack of progress and insufficient urgency from RSE licensees in embracing the retirement income covenant to improve members' retirement outcomes."**
>
> – ASIC AND APRA, JULY 2023[3]

Key findings from the review include:

- RSE licensees are taking steps to better understand member needs and are drawing on a range of data sources, including internal and external sources, to do so. There remains a gap, however, in critical member data and data modelling to be able to develop retirement strategies that meet member needs.
- RSE licensees have taken proactive steps to uplift and improve assistance and support offered to members, however, there remains a significant gap in monitoring the degree to which assistance measures are being utilised and their effectiveness.
- RSE licensees need to be able to show a clear pathway to implementation for key initiatives identified as part of their retirement income strategy. RSE licensees currently lack a comprehensive framework for evaluating product and/or strategy outcomes and are still premature in their understanding of the outcomes delivered by different products and/or strategies.

Transitioning to retirement

> **"The problem is most retirees do not have access to the appropriate products to help them maximise their super over their lifetime."**
>
> – JIM CHALMERS, DECEMBER 2023[4]

RSE licensees should consider as part of their retirement income strategy:

- Establishing member cohorts (identifying shared characteristics to form a group of members that could be treated as reasonably homogenous or consistent) is a critical step in retirement product and service development. Product initiatives should be considered at a cohort level to best ensure specific needs are met.
- Have strong capabilities and robust foundations on which to assess retirement income strategies and available strategies and products best suited to meet members' needs. Consideration should be given as to how products can be effectively bundled to provide members with maximum benefits. Solutions that offer income certainty, longevity and payment capacity across the customer journey are more likely to retain and grow membership.
- Access to member education and services should be fit-for-purpose and centred around the user-experience. This includes offering a range of financial advice and services with an understanding of how member needs change over time and ensuring accessibility of advice through lower cost alternatives.

[3] Information report: Implementation of the retirement income covenant: Findings from the APRA and ASIC thematic review, July 2023

[4] Opinion piece: ministers.treasury.gov.au/ministers/jim-chalmers-2022/articles/opinion-piece-super-must-deliver-retirement

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Super fund trustees continue to work through their retirement strategies and product offerings

With an increasing proportion of members reaching retirement, coupled with the key findings from the thematic review, it is likely there will be increasing scrutiny on RSE licensees to ensure they are taking steps to assist members in, and approaching, retirement. Members will continue to seek support from their super funds for guidance on appropriate strategies, including certainty of income amidst inflation and cost-of-living pressures. RSE licensees who can offer tailored, cost-effective strategies, suitable in supporting members across their retirement journey will be better positioned to meet members' best financial interests and achieve organic growth. Attractive, fit-for-purpose retirement income offerings and accessible education continue to be prerequisites for success.

Trends: Who owns the retirement space?

This view shows the market position of different funds by assets and members, for the accumulation accounts on the left, and pension accounts on the right.

The higher up the chart, the more AUM and the further right, the more members a fund has.

To view how an individual fund has grown you can look at the number of members and assets by fund in different years. Click on view 22: Accumulation and Pension Accounts and Benefits by Fund in the Dashboard and hover over each fund. You can select a fund on the drop-down menu. You can select a different year in the top right corner.

To view this data in the Dashboard select view 22: Accumulation and Pension Accounts and Benefits by Fund

Accumulation and Pension Accounts and Benefits by Fund

While the funds that dominate in the accumulation space are the same as those that dominate in overall size and scale, there is a different set of funds that have traditionally been successful in the retirement space. This year's data continues to demonstrate this trend. Industry funds continue to lead the accumulation space, while retail funds continue to control the market for pension accounts.

Consistent with last year, AustralianSuper and Australian Retirement Trust maintain a significant lead over other funds in both accumulation assets and number of accumulation member accounts. Several funds (including Hostplus, REST and UniSuper) strengthened their position in the accumulation space over FY23.

The funds with the highest proportion of pension assets and members are shown on the right-hand side above.

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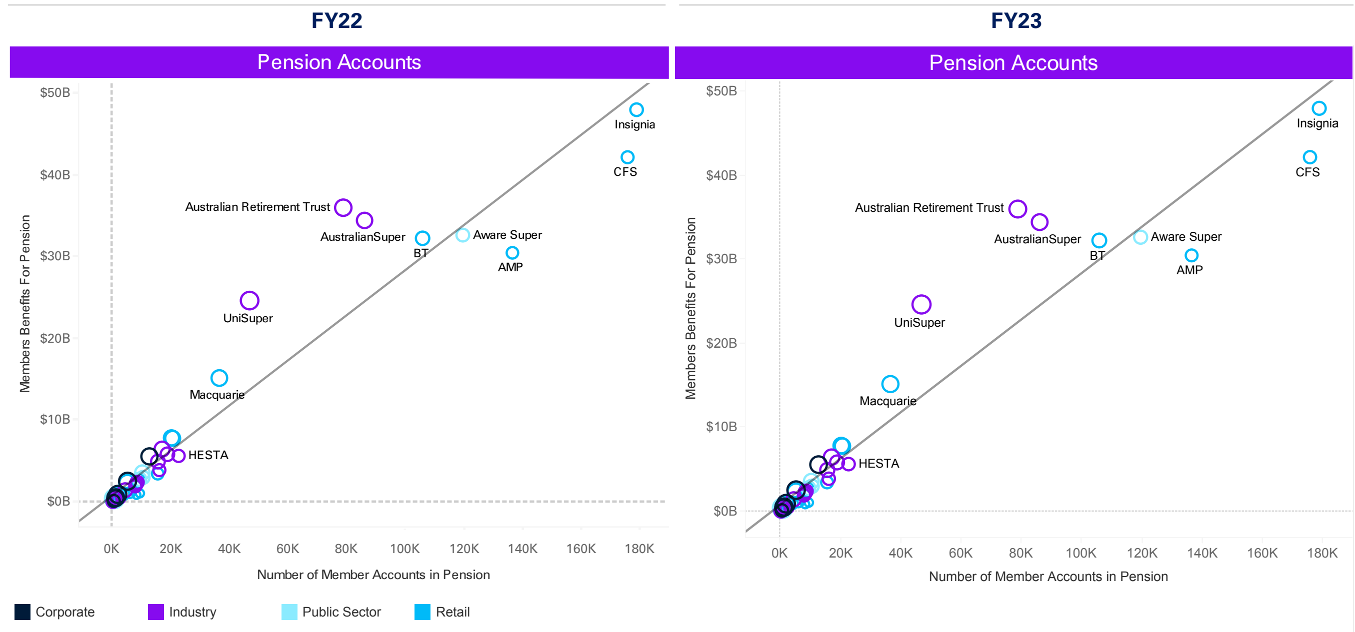
Pension Footprint – Change From FY22 to FY23



Consistent with last year, the top three players by pension accounts are Insignia, CFS and AMP. AustralianSuper and Australian Retirement Trust continue to be the largest industry funds in the pension account space, which can be attributable to benefits of scale.

Aware Super also maintained significant presence in the retirement space with the number of pension accounts remaining largely unchanged over the year.

To view this data in the Dashboard select view 26: Proportion in Pension Phase by Fund tab.

Proportion in Pension Phase by Fund

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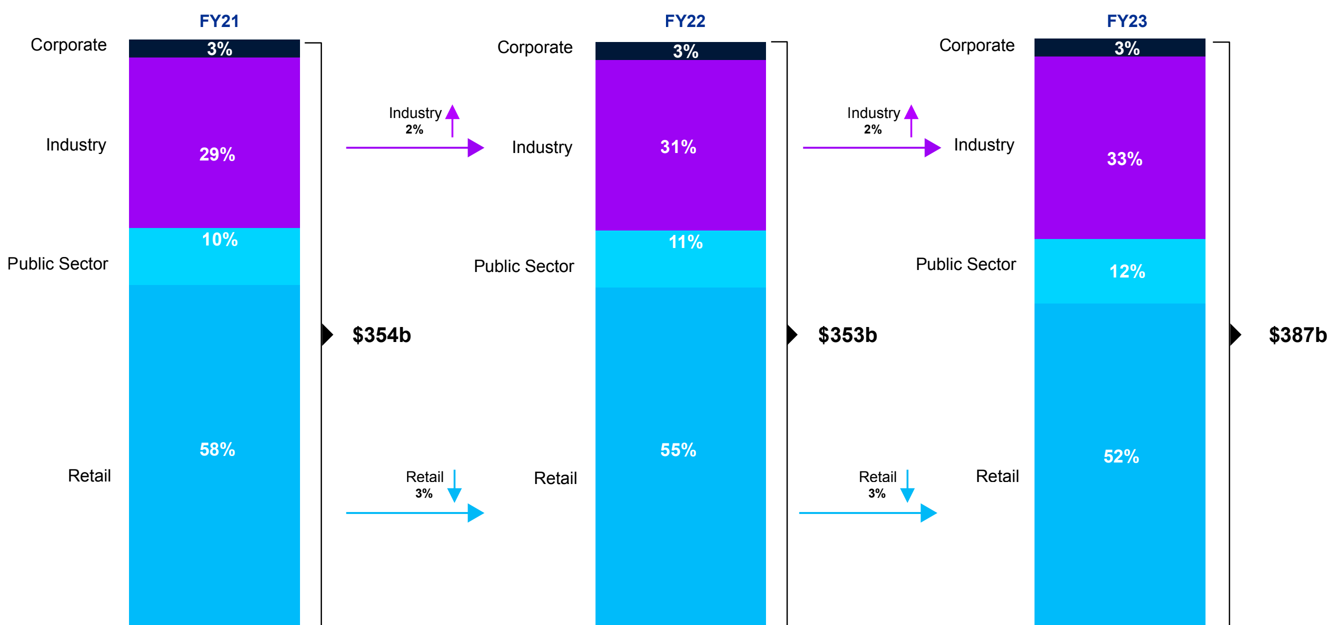
The average proportion of AUM in pension phase has decreased slightly (0.33%) this year along with a decrease in the proportion of member accounts in pension phase (0.15%). However, we note the value of retirement assets has risen from $353 billion to $387 billion. Retail players continue to dominate this space but are losing market share, experiencing a decrease of 3%, while industry funds continue to gain market share, increasing 2% compared to FY22.

Notably, the percentage change between retail and industry funds in relation to market share is consistent with trends observed across FY22. Industry funds that have traditionally been successful in the accumulation space are solidifying their presence in the retirement space, as their members enter retirement and funds look to strengthen their retirement strategies to attract and retain members. We expect this trend to continue in the coming years (as the market becomes more competitive).

It is observed that an ongoing challenge for the industry is the operational resilience of funds to manage the growing proportion of retirement members. Some considerations include ability for funds to:

- manage the liquidity profile of investments in line with the liquidity requirements arising from the steady flow of pension benefits
- manage the administration requirements associated with payment of pension benefits and/ or new retirement product designs
- manage the sustainability and pricing of retirement products.

Retirement Market Share of Assets by Fund Type



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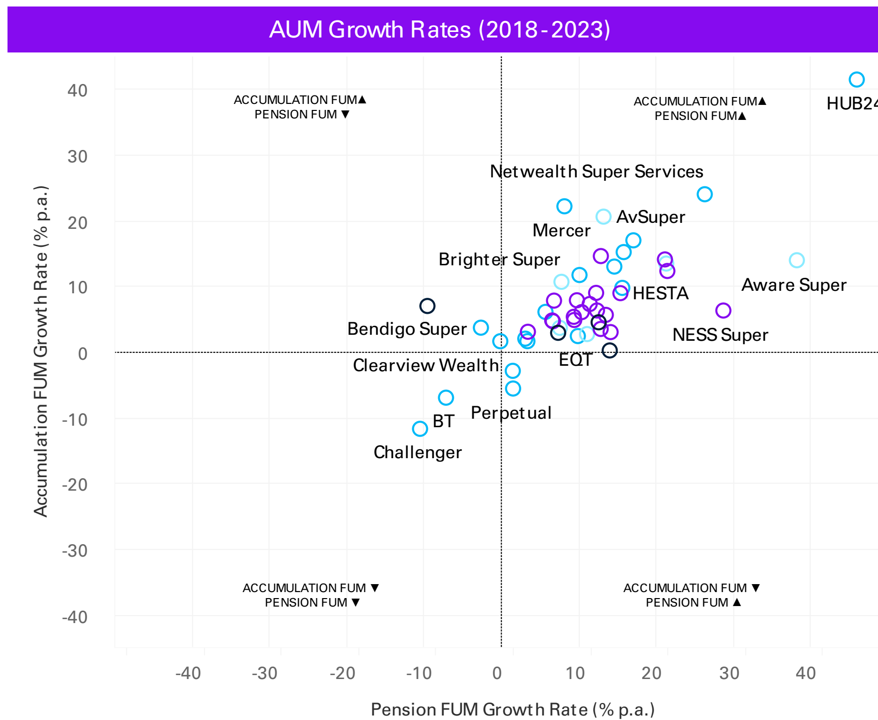
In general, most retail, industry and public sector funds have experienced growth, with positive growth rates for both accumulation and pension FUM over the 5-year period, with a notable focus on growing pension FUM in the past year.

This view shows the rates of growth in pension assets over five years. The further right the fund appears the faster it is growing its pension assets, whilst the closer to the top of the chart the faster it is growing in accumulation assets.

Accumulation and Pension Growth Rates



To view this data in the Dashboard select new view 7: Accumulation and Pension Growth Rates.

To zoom in on part of the graph: hover your mouse near the top left of each chart – a small menu appears. Click on the right arrow then the box to the right called Zoom Area and you can select the part of the chart you want to zoom in on.

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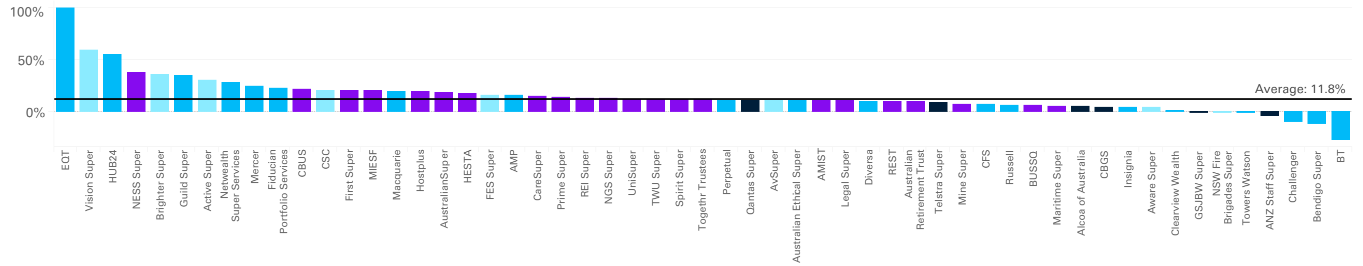
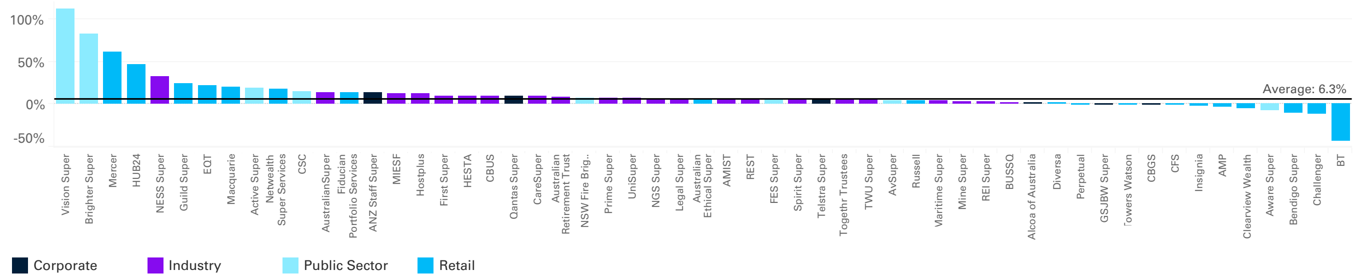
Growth of Pension Phase

Growth of AUM in Pension Phase (2022 to 2023)



Growth of Member Accounts in Pension Phase (2022 to 2023)



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Appendices

Methodology

Our analysis, as presented in this report and the accompanying KPMG Super Insights Dashboard, is a combination of leading analytics applied to 18 years of the Australian Prudential Regulation Authority (APRA) and Australian Tax Office (ATO) published statistics, supported by insights gained from our team of asset and wealth management specialists.

At a macro level, we have defined the market along APRA guidelines of retail, corporate, public sector and industry funds – and included SMSFs to complete the landscape. KPMG has expanded the sizing segmentation to group funds as fund sizes have increased significantly. We now divide funds into those with Assets Under Management (AUM) greater than $100 billion, between $100 billion and $50 billion, between $50 billion and $25 billion, between $25 billion and $10 billion and those funds with less than $10 billion.

KPMG has relied on published statistics as the foundation of this report and, as such, acknowledges that the data contained within is wholly reliant on the accuracy of the underlying sources. KPMG has included all data contained within the APRA[5] and ATO[6] published statistics inclusive of null values. Where APRA and ATO have published updated data for prior years the data reflected in the Dashboard reflects the revised data and certain views may therefore have changed from the views published in prior versions of the Dashboard.

The Super Insights Dashboard includes the latest edition of APRA's MySuper and Choice Heatmaps.

For MySuper we include the 'Concise' view of the Heatmap and three of the key metrics which form part of the Heatmap:

– administration fees (on a $50,000 MySuper
– representative balance)
– net cash flow ratio
– the adjusted total accounts growth rate.

We continue to note that there remain challenges associated with reporting across the superannuation industry and the data presented within APRA's published statistics. APRA's Superannuation Data Transformation project has commenced, including the collection of more granular and consistent data, as well as data from products beyond MySuper.

To protect the privacy of individual members, APRA has masked certain items in the data. Some items were not reported, indicating that either nothing was reported for the relevant period, or that the data cannot be calculated. In circumstances where either of these events happened, KPMG has removed the fund from the analysis.

APRA data explanatory notes

'This report contains data for APRA-regulated funds with more than four members. Pooled superannuation trusts (PSTs) have been excluded as their assets are captured in other superannuation funds. Exempt public sector superannuation schemes (EPSSS) have also been excluded.

Superannuation funds that wound up during their year of income in a given reference period are not included in that year or subsequent years. Superannuation funds that wound up after the reporting period but before the release of the publication, are included for that reporting period, and their wind-up date is noted in the report.

Superannuation funds that did not submit an annual return for a given reporting period are not included in that year.'

[5] APRA Annual fund level superannuation statistics back series: June 2004 to June 2023 (issued 13 December 2023) https://www.apra.gov.au/annual-fund-level-superannuation-statistics

APRA Annual superannuation bulletin – June 2023 (issued 31 January 2024) https://www.apra.gov.au/annual-superannuation-bulletin

APRA Quarterly MySuper statistics – September 2020 – December 2022 (issued 28 February 2023) and backseries September 2013 – June 2020 https://www.apra.gov.au/annual-fund-level-superannuation-statistics

[6] ATO SMSF quarterly statistical report June 2023 https://data.gov.au/data/dataset/self-managed-superannuation-funds

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