



Media Release

Super performance test working, but help needed to sort fact from fiction

Wednesday November 10 2021

APRA data released today shows more people are leaving dud funds but more needs to be done to help people find better options.

The regulator APRA has released data revealing that 7% of people in underperforming funds have closed their accounts since the performance test was released two months ago. Super Consumers Australia analysis found that this is more than double the rate of closure for these same funds compared to last year.

“These results are a positive start, but we’d encourage everyone to check if their fund is delivering the best outcomes. The ATO’s new comparison tool makes comparing funds easier than ever. People can take charge of their super and find a better fund, but for those that haven’t yet, the performance test is already delivering system-wide savings through fee reductions and mergers,” says Director at Super Consumers Australia, Xavier O’Halloran.

The September 2021 performance test caught 13 underperforming funds. Five of these funds have announced they are undertaking mergers, a further two are overhauling who manages their investments and most others have at least dropped fees. Funds are making these changes with the stated goal of improving efficiency and driving down costs for consumers.

“Over half of the funds that were identified as underperforming are taking significant action, like merging or changing who manages their investments. These changes are all designed to lift the funds out of underperformance, if they fail to deliver it will be time for the regulator to step in,” says O’Halloran.

Super funds had to write to their members notifying them that they had failed the performance test. Super Consumers Australia analysis found some funds used these letters as an opportunity to talk up the good performance despite their failure.

“Disclosure alone isn’t the best consumer protection. After reading the letters some funds sent their members, you’d think the fund was up for an award rather than revealing they’d just failed a basic fitness test. We saw references to numerous industry awards, self-serving performance metrics and in one case, discounts to Wet ‘n’ Wild in order to get people to stay. Funds need to

stop trying to rewrite history and be honest with members about their underperformance and the steps they are taking to improve.”

The performance test was part of a package of reforms recommended by the Productivity Commission to improve what the super sector delivered to Australians. The second pillar of reform was for a quality filter to stop people being defaulted into funds likely to deliver poor outcomes to members.

“The default system could be doing more to protect people from dud funds in the first place. A robust quality filter that forces funds to actually compete for members is needed to deliver a world class retirement system,” says O’Halloran.

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