



Australian Government

PRODUCT DASHBOARD COMPARISON METRIC

Consultation Paper

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CONSULTATION PROCESS

Request for feedback and comments

Interested parties are invited to comment on this consultation paper.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Closing date for submissions: 20 January 2016

Email: superannuationtransparency@treasury.gov.au

Mail: Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Enquiries: Enquiries can be initially directed to Wayne Fogarty

Phone: +61 2 6263 2949

PRODUCT DASHBOARD COMPARISON METRIC

The aim of a product dashboard is to provide like-for-like comparisons with other superannuation investment options, so that consumers can assess whether their superannuation investment option meets their needs.

Currently, the design of the superannuation product dashboard requires consumers to look at two or more dashboards together to compare an investment option's features. Alternatively, consumers could access the Australian Prudential Regulation Authority's (APRA) consolidated MySuper spreadsheets to make an assessment of how their superannuation investment option compares with others. Consumer testing has indicated that a comparison to a benchmark on the product dashboard would be welcomed by consumers.

In theory, MySuper products could be compared to other MySuper products and it would also be possible to compare MySuper products to choice investment options, which provide the extra features and services that consumers may find valuable in a superannuation investment option, in contrast to a 'no frills' default (MySuper) product.

THE GOVERNMENT'S PROPOSAL

Consistent with its election commitments to increase transparency and improve competition in superannuation, the Government proposes to make use of consolidated MySuper statistics to provide a comparison of the superannuation product or investment option's fees, returns and risk on the product dashboard. The provision of a comparison would need to balance increasing the transparency and comparability of superannuation information to consumers with providing information that is easy to understand.

This comparison could occur by comparing an investment option's fees, returns and risk to an industry benchmark or a diagram displaying similar information. The benchmark would most suitably be a default (MySuper) product or products, as these products are designed to be 'no frills' superannuation investment options that provide a basic superannuation product in the best financial interests of members.

Consumer testing recommended that superannuation fees be compared to an industry average (Recommendation 10). However, the Government notes that the MySuper legislative provisions do not require MySuper products to be completely homogeneous. MySuper products may be sufficiently wide-ranging in performance outcomes that comparing an investment option just to an industry average may result in insufficient detail in the comparison.

The Government instead proposes to compare a superannuation investment option's fees, returns and risk to a range of MySuper products. This would provide consumers with information about the range of (for example) fees and costs charged for MySuper products and allow them to see where their product or investment option's fees and costs fall within (or beyond) this range. A similar analysis could be undertaken for returns and risk.

The Government notes that comparing a superannuation investment option to the complete range of MySuper products may also provide incomplete information. For example, if the fees of MySuper products lie mostly within a narrow range but a few 'outlying' MySuper products charged very high or low fees, these fees could skew the comparison. As such the Government proposes comparing a superannuation investment option to a limited range of MySuper products, a range that would indicate where 'most' MySuper products lie.

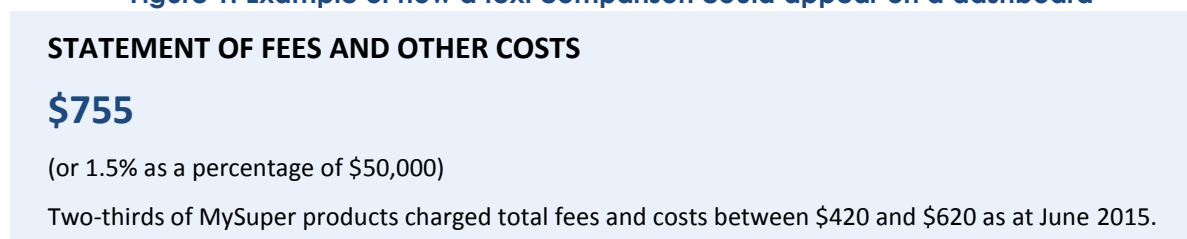
PROPOSED MODELS

1. Text comparison

A sentence could be added under each metric of the product dashboard to say (for example) 'Two thirds of MySuper products charged fees between \$XXX and \$YYY as at mmm yyyy'. This comparison would appear on all dashboards (MySuper and choice).

This option would be relatively simple for superannuation funds to implement, as it would rely only on specified text prescribed by the Government (which would be determined through analysis of APRA data).

Figure 1: Example of how a text comparison could appear on a dashboard

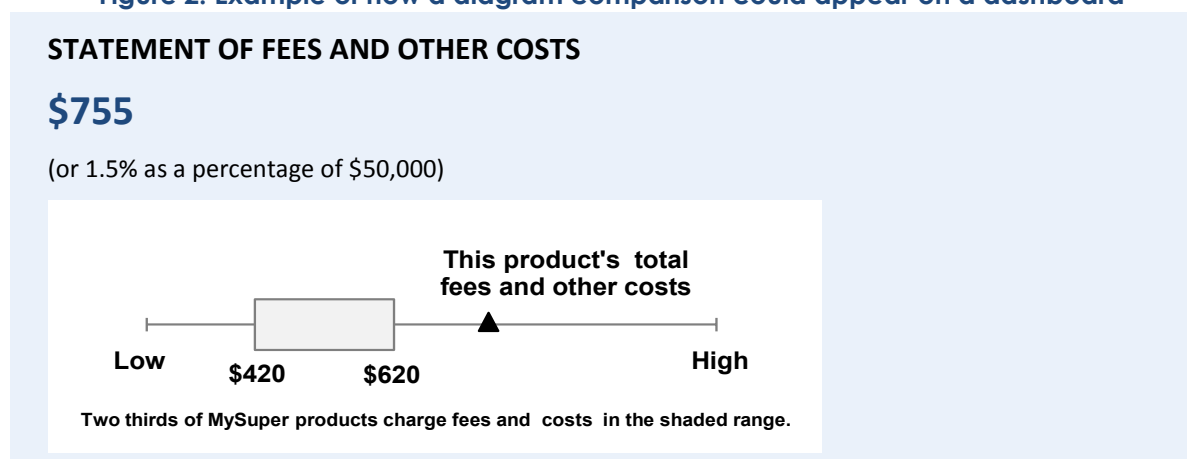


2. Diagram comparison

A comparison diagram could be provided showing a specified range of MySuper products. The superannuation investment option's fees, return or risk would be plotted on this diagram to show how the investment option's performance compares against a range of MySuper products (see Figure 2 for an example).

The diagram, if designed appropriately, would allow consumers to pick up a large amount of information about how their investment option compares to others. However, it may result in higher regulatory costs, as each superannuation fund trustee would need to replicate the diagram. This may cause issues with comparability of the diagrams across superannuation funds.

Figure 2: Example of how a diagram comparison could appear on a dashboard



VIEWS SOUGHT

The Government seeks views from the superannuation industry and consumer groups to determine if a comparison metric on the dashboard would provide a useful and easily understandable comparison for consumers. If so, what comparison would be the most suitable — text, a diagram or another comparison?

Focus questions

1. Would the inclusion of comparison metrics on the product dashboard provide easily understandable and valuable information for consumers? What are the pros and cons of such a comparison?
2. Would a comparison metric be easy or difficult for superannuation funds to implement? Why?
3. How should MySuper products be compared to each other?
4. How should choice investment options be compared to MySuper products?
5. Is a range the most appropriate comparison? Does it provide sufficient information to consumers about how their investment option is performing compared to others? If so, what range would be the most suitable?
6. What other comparison metric could be suitable? How would this be measured and displayed?
7. Would a comparison metric be suitable for the risk, return, return target and fee metrics on the dashboard? If not, why not?
8. If a comparison range is to be used, do you prefer a line of text, a diagram comparison or would you propose an alternate model? Why? Describe the alternate model you would propose.
9. If a diagram comparison is preferred, how would the information be presented? What text would be necessary to complement the diagram?
10. Are there any issues with using the available APRA data to make these comparisons? Issues could include technical issues. For example:
 - Is it a problem that not all superannuation funds have the same reporting date?
 - What would happen if the comparison were made as at a June reporting date, but an investment option's metrics were updated after this date?