Chant West

Submission to YFYS Consultation

October 2022

About Chant West

Chant West is a leading superannuation research firm established in 1997. It conducts research on most of the leading superannuation and pension funds in Australia. Its research is purchased by most of Australia's leading superannuation suppliers and its comparison tools are widely used by consumers, funds and financial advisers. Chant West was purchased in June 2020 by Zenith Investment Partners and is now part of the FE fundinfo group.

Introduction

This submission provides Chant West's feedback on Treasury's 'Your Future Your Super Review' consultation paper that was issued on 7 September 2022. We have focussed our comments on how to improve the current MySuper performance test.

We support the use of a performance test to assess the quality of outcomes provided by superannuation funds to their members, and to identify underperforming funds. This is especially important for MySuper products where members do not make an active decision to invest in the product. The impact of poor investment performance on retirees' income in retirement and, by extension, overall experience in retirement, is too great to ignore. Therefore, it is appropriate to determine and apply minimum standards for MySuper products to ensure reasonable retirement outcomes for default members.

We also acknowledge that it is notoriously difficult to construct a test that measures performance in a way that accounts for the different levels of risk in each portfolio. The current Your Future Your Super (YFYS) performance test has been designed to account for the level of risk by using a benchmark that reflects the asset class exposures in the MySuper portfolio. Unfortunately, the way that it has achieved this has caused a range of other problems.

In this submission, we propose an alternative metric that complements the current metric. This **alternative metric compares a MySuper portfolio's performance to the performance of a Simple Reference Portfolio with the same level of volatility**. But before we outline this metric, it is important to lay out the problems with the current approach and the need for change.

Problems with the current test – the metric itself

In previous submissions we highlighted a number of issues with the performance test. We were concerned, and remain so, about the **use of one metric over a single period** to determine whether a fund passes or fails, and therefore whether its MySuper product can continue to operate and whether the fund as a whole can remain viable. In addition, the current test **does not measure the value added through a fund's strategic asset allocation (SAA)**, the main driver of long-term investment performance, but simply measures how well a fund has implemented its SAA.

Indeed, **it is possible for a fund to provide very strong MySuper returns to its members through a well-constructed SAA but to still fail the test**. While this is not likely in any particular year for a particular fund, it is **highly likely to occur for some funds over the next 5-10 years** under the current test. Arguably, this was what happened for a couple of the funds that failed in the first year of the performance test but passed in the second year. A contributing factor to this risk is that several of the indices are not investible and not representative of how funds invest in these asset classes and include very little exposure to new and growing segments (e.g. the infrastructure indices have very little digital infrastructure exposure and the property indices have little multi-family exposure). However, there are no alternative indices that better represent of how Australian super funds tend to invest in these asset classes.

All of this means that **the efficacy of the test in identifying true underperformance is low**. The consequences of the test should be aligned with the efficacy of the test – a test with high efficacy can appropriately have significant consequences for funds that fail, but a test with low efficacy should not.

Problems with the current test – the consequences

The major problem with the current test regime is that **a test with low efficacy in identifying underperforming funds has such dire consequences for those funds that fail the test**. While the closure to new members resulting from the second failure is obviously hugely significant for a fund, we also saw the large impact on funds failing the first test – only two of the 13 funds that failed the first test in 2021 have been able to survive.

Indeed, it is the **asymmetry of consequences** of the proposed performance test – between not meeting the benchmark and doing much better than it – that **has led to major changes in the way many funds invest**. The existential threat of failing the test has led **many funds to focus on passing the test in the current year (i.e. a short-term focus) as their first priority, rather than focussing on long-term returns**. This is not in the interests of super fund members.

How much a fund's investment strategy is influenced by the YFYS performance test will depend on how close they are to failing the test – those funds with a large buffer over the test will need to monitor their YFYS tracking error to ensure they aren't deviating too far from it and introducing risk of failure in coming years. But those funds that are close to failing the current test (say within say 30 bps) may well be controlled by the test and strongly focus on passing the test (for existential reasons). This has inevitably led to poorer investment outcomes for members in some funds.

So the test isn't just a problem for the funds that fail the test. In fact, it has impacted the way that most funds invest. Indeed, we know of several funds that have not taken up investment opportunities that they would have been taken up before the test. But perhaps more of a concern, we know of several funds that terminated strategies in 2021 that had relatively high YFYS tracking error, only for those strategies (e.g. alternatives, portfolio protection, lower volatility equities, lower duration fixed interest) to provide very effective protection in the FY22 investment environment when major asset classes fell significantly. The result has been poorer returns for members of these funds.

However, despite all the unintended consequences of the current test, we expect that it will be **difficult for Treasury to move away from the dire consequences of failure** as it may be perceived as watering down the test. So we expect that the consequences of failure will need to remain.

But if the consequences remain, the efficacy of the test must be improved. Otherwise, we will continue to identify some false positives but will also continue to cause many good funds to curtail their investment strategy due to the very rational fear of failing the test at some point.

Multiple metrics – a way forward?

One possible approach to improve the test is to introduce more metrics, perhaps over multiple periods. These multiple metrics would **provide different perspectives on how a fund has performed** and would provide much greater efficacy in recognising underperformance, in contrast to the current test's myopic view of fund performance.

There are **a number of additional metrics** that could be used including the following:

- **Current test over multiple periods** – the current test could be extended to include multiple periods, say 3 and 5 years as well as 8 years. These additional data points may provide valuable information. For example, if a fund passes the test metric over 3 and 5 years but fails over 8 years, it suggests that there were problems with its investment strategy that have been addressed and good member outcomes are now being delivered.
    - The downside of simply adding more time periods is that the inadequacies of the current test are not really addressed, and funds will continue to be constrained in terms of how they invest to ensure they don't fail the test.

- **Risk-adjusted returns** – this would show the performance achieved allowing for the level of risk, probably measured by volatility. Each fund's risk-adjusted return would then need to be compared to either the risk-adjusted return of peers or the risk-adjusted return of a benchmark portfolio.
    - One problem with this approach is that those funds with significant exposure to unlisted assets will have lower volatility due to the frequency of valuations of these assets rather than the inherent nature of those assets (these assets are generally valued quarterly, rather than daily for listed markets).
    - Also, while volatility is a useful metric for risk that can be easily calculated at any point in time, it only reflects one type of risk.

- **Peer comparison** – the performance of each MySuper could be compared with other MySuper portfolios with similar levels of risk to identify funds with lower returns (say bottom quartile).
    - A problem with this approach is that the key driver of performance is the level of growth assets and, over long periods, funds with higher levels of growth assets perform better. So simply allocating portfolios to wide peer universes (e.g. 61-80% growth assets) would not be fair. The chart in APRA's 2019 heatmap evaluation that plots performance against the level of growth assets (and includes a line of best fit) is an effective way to address this issue.
    - The other problem with this approach is its reliance on determining the level of growth assets for each portfolio. While APRA has proposed a simple method for determining growth assets that it uses in its heatmap, there are some problems with it (especially for alternatives).
    - A peer comparison also does not provide insight into whether all funds are performing well, or all funds are performing poorly.

- **Simple Reference Portfolio (SRP)** – this approach was used in the Productivity Commission report and in APRA's heatmap. This approach compares a fund's performance with a naïve passive Simple Reference Portfolio comprised simply of listed equities, bonds and cash and the assessment measures what value has been added by the fund over and above such a portfolio.
    - Just like with the peer comparison, this approach is reliant on determining a level of growth assets for each portfolio and there is not yet any industry standard on how to do this.
    - It also introduces another benchmark for which funds would need to manage their tracking error that could possibly constrain investment like the current test.

As noted above, **none of these metrics are perfect** but they each provide different perspectives on a fund's performance and **together would provide a much more effective assessment than the current myopic test**. If say three of these metrics were assessed over three different periods (say 3, 5 and 8 years), a fund could be deemed to fail the performance test (and bear the consequences) if it does not pass at least 5 of the 9 metrics.

We believe that the **best way to improve the performance test is to include a range of different metrics over different periods** to provide a range of perspectives on a fund's performance.

However, **if the move to multiple metrics is perceived to over-complicate the test, it may be possible to select one alternative metric** to be used either instead of or alongside the current metric **to provide a complementary perspective on fund performance**. This would mitigate to some extent the problems of only using one metric as discussed above and would improve the efficacy of the test.

We would expect that if two complementary metrics were applied, a MySuper portfolio would be **deemed to have failed the performance test if it failed on both metrics**. If a portfolio failed both tests, it would be much clearer that it was an underperforming fund. This would mean it is **more appropriate to apply the consequences of failure due to the greater efficacy of the combined test**.

A proposed alternative metric

After considering all available options, we propose **one additional alternative metric that uses a combination of risk-adjusted returns and the Simple Reference Portfolio**. This section outlines our thought process in arriving at this proposed alternative metric and also outlines how this metric could be constructed.

Simple Reference Portfolio

As mentioned above, one of the problems with the current test is that it doesn't recognise the value added by a fund's strategic asset allocation, which is the main driver of investment performance. Rather, it measures how well a fund has implemented its strategic asset allocation.

Ideally, **we should have a test that recognises the value added through a fund's strategic asset allocation**. The question is – the value added compared with what? **This is where we believe the Simple Reference Portfolio can play a role**. The SRP is a helpful benchmark for assessing fund performance as it is a naïve portfolio that requires no professional input and is provided by various index providers. If a fund can't beat the return of such a portfolio over the long-term then it is questionable whether it is adding any value for members.

The Simple Reference Portfolio used in APRA's heatmap is constructed based on the level of growth assets for each MySuper in each quarter of the review period. The growth component of the SRP is solely comprised of listed equites and the defensive component is comprised of bonds and cash, all using common market indices as shown in Table 1.

Table 1: Simple Reference Portfolio – allocations

Growth	Benchmark	%	Defensive	Benchmark	%
Australian Equities	S&P/ASX 300	50	Australian fixed interest	Bloomberg AusBond Composite Index	40
Int' Equity (hedged)	MSCI ACWI ex-Aust Special Tax (hedged)	25	Int'l fixed interest	Bloomberg Global Aggregate Index (hedged)	40
Int' Equity (unhedged)	MSCI ACWI ex-Aust Special Tax (unhedged)	25	Australian Cash	Bloomberg AusBond Bank Bill Index	20

The performance of the Simple Reference Portfolios for each quarter are then combined to provide a benchmark return over the whole period under consideration.

The Simple Reference Portfolio could be used as an alternative metric as it recognises the value added by the fund's SAA. It could act as a suitable replacement or complement to the current performance test. Indeed, we believe that the SRP approach is more appropriate than the current test,

but it is still based on a benchmark portfolio and may drive some funds to focus on tracking error to this portfolio, possibly limiting how funds invest. However, we would contend that because the SRP is so far away from a fund's SAA, and since the opportunities to add value are much greater compared to the SRP, we should not see the same level of tying a portfolio to a range of benchmarks as we see with the current test.

Our proposed alternative metric

However, we believe that there is a **better solution that combines risk-adjusted returns with the Simple Reference Portfolio**.

Using this metric, a **fund's performance over the period would be compared with the performance of a Simple Reference Portfolio with the same volatility**. This would be a very simple test to apply – much simpler than the current test.

For example, let's say Fund A's MySuper produced a 9% pa return (after current administration fees) over the last 8 years with a volatility of 6% pa. The Simple Reference Portfolio used to assess this MySuper would then be the SRP which had a volatility of 6% pa. And let's say that this SRP produced a return of 8% pa (after average current administration fees). In this case, Fund A would pass this metric. However, if Fund B produced a 7% return with the same volatility of 6% pa, then it would fail the metric.

This approach has some key advantages over simply using the SRP in place of the sophisticated benchmark used in the current test:

- It is not reliant on a particular methodology to calculate growth assets.
- The calculation is much simpler – the volatility and performance of the portfolio and SRP are calculated over the whole period under consideration (say 8 years) rather than having to construct a benchmark return from a large number of quarterly periods which are then strung together.
- The test incentivises funds to strive for strong risk-adjusted returns which is consistent with member outcomes

Proposed alternative metric – the results

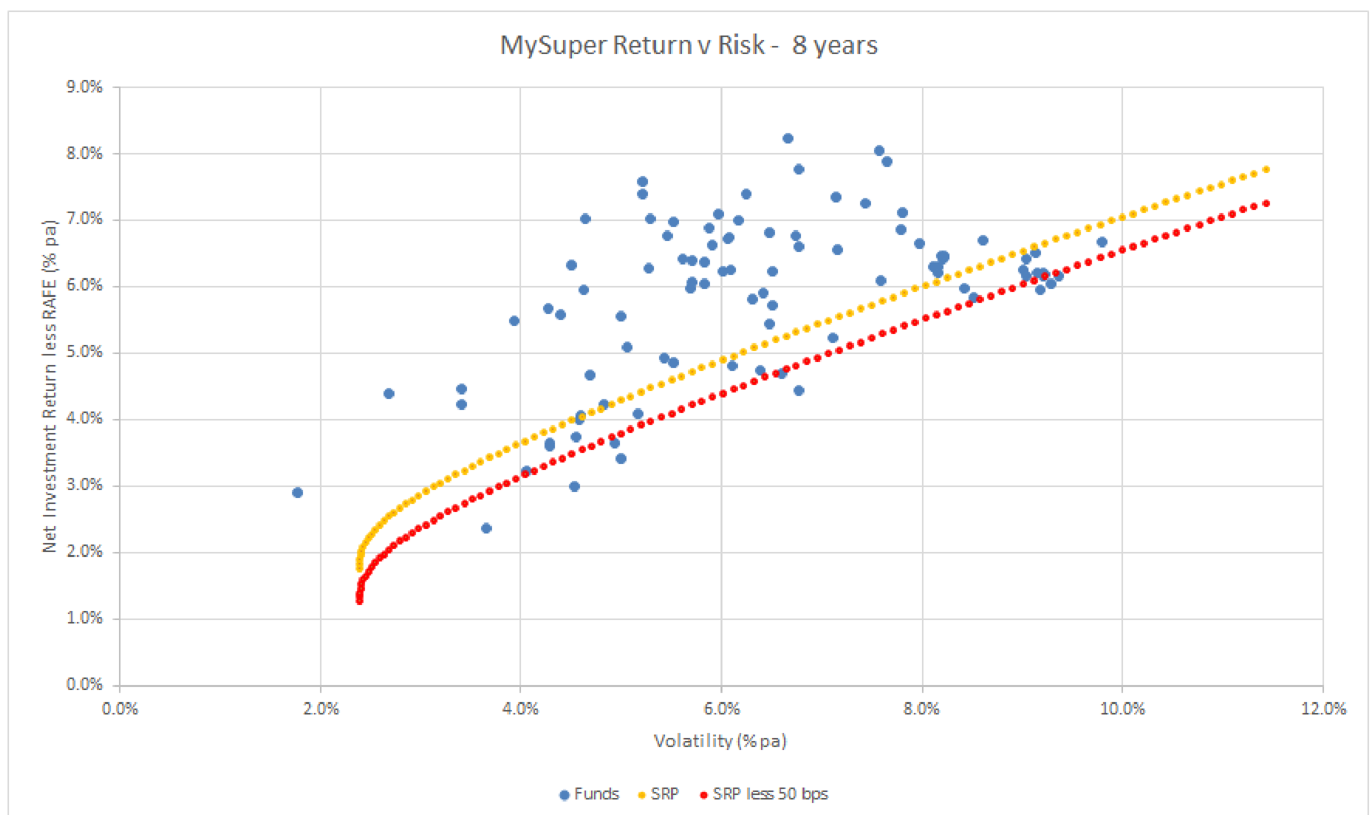
If this test was applied to MySuper products, what would the results look like for the 8 years to 30 June 2022? And how would those results compare with the current test?

Initial assessment

As an initial test case, we used the MySuper products covered in our Multi-Manager Survey, for all of which we have monthly returns that enable us to calculate volatility. The return series used in this initial analysis uses each product's net investment return, adjusted for the representative administration fees and expenses (RAFE). Likewise, the SRP was adjusted for the benchmark RAFE.

Chart 1 shows the results. The data used 42 distinct MySuper products that include 94 portfolios comprising both single option MySupers and lifestage strategies. Each blue dot represents the net investment return and volatility of each MySuper product (and lifestage) and the orange dots represent the return and volatility of the full range of Simple Reference Portfolios. The red dots represent the full range of Simple Reference Portfolios with performance reduced by 50 bps.

Chart 1: Return vs risk compared with Simple Reference Portfolio (Chant West data)



What are the results of this test? Only one of the three MySuper products included in our data that failed the performance test would have failed this test (two of the five funds that failed the performance test are not in our data set as they don't provide us with monthly performance data). If the tolerance of 50 bps was removed or reduced to 10 bps, another fund would fail the test (this may be an argument to reduce or remove the 50 bps tolerance that applies in the current test). In any case, this analysis indicates that this test produces reasonable results and is worthy of further consideration.

Problem with monthly volatility

A potential problem with this approach is that the frequency of unlisted asset valuations may result in an understatement of volatility, even though this volatility is what is experienced by members. Unlisted valuations are, on average, typically valued quarterly. For this reason, we thought we should consider using quarterly volatility, which would lower the volatility reduction due to valuation frequency.

When we compared volatility of quarterly returns and monthly returns, even though the absolute volatility changed, the rankings of volatility between funds remained quite consistent. Of the 94 portfolios considered, only six changed rank by more than 5 places and a further nine changed rank by 3 or 4 ranking places. This suggests that the use of quarterly returns to calculate volatility should produce similar results to using monthly returns but with less volatility reduction from unlisted asset valuations.

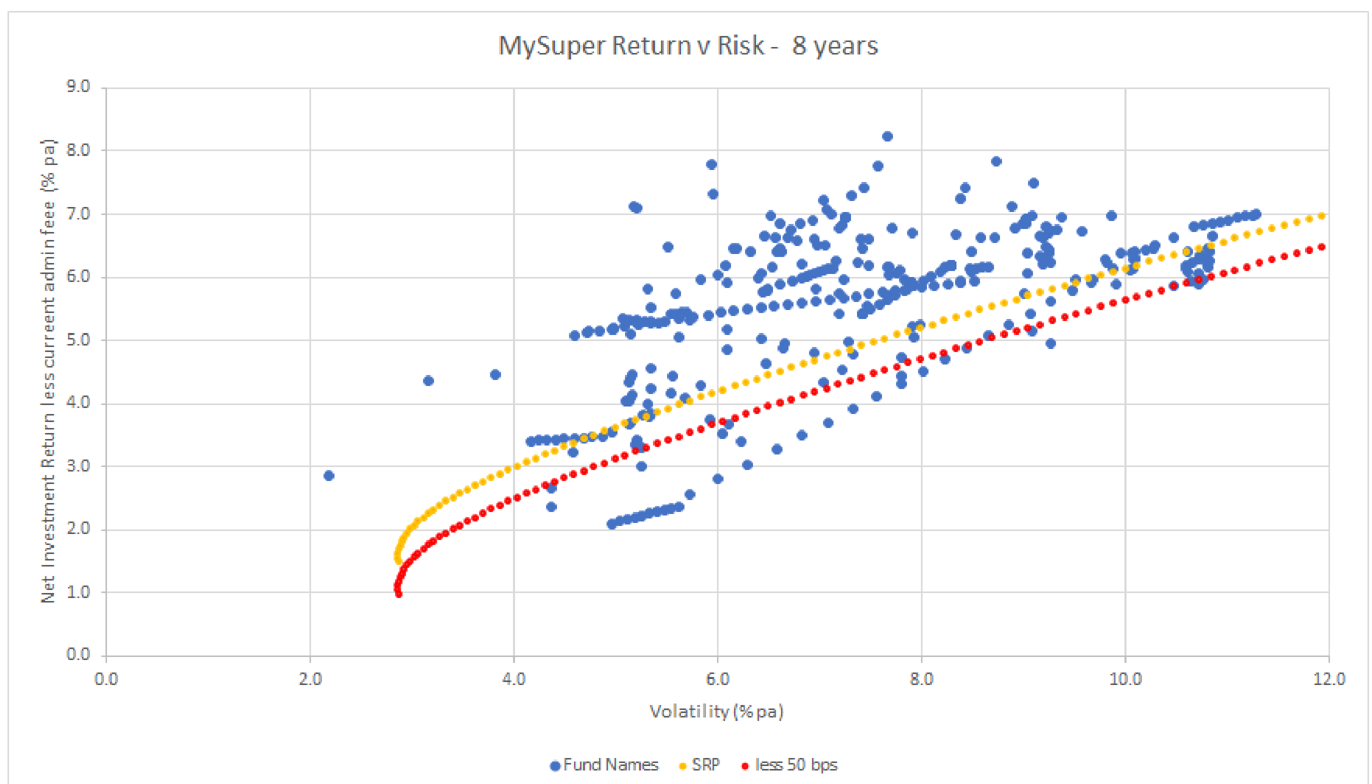
This finding may be significant as APRA collects and publishes MySuper data on a quarterly basis and, while it asks funds to provide monthly volatility for each portfolio, it is hard for APRA to verify these volatility numbers. But APRA can simply calculate quarterly volatility based on its current reporting.

The small impact on the relative volatility between funds also encouraged us to apply the alternative metric to APRA's MySuper data. This data covers all MySuper products, including all lifestages, and it allows for stitching together of different MySuper products offered by some funds over the past 8 years.

Using APRA data

Chart 2 shows the results of applying the alternative metric to the APRA data. It includes 65 distinct MySuper products that includes 361 portfolios comprising both single MySupers and lifestages. Once again, we have shown the net investment return less RAFE for each fund and the SRP. Each blue dot represents a MySuper product (and lifestage) and the curve of orange and red dots represent the performance of the Simple Reference Portfolios and performance less 50 bps.

Chart 2: Return vs risk compared with Simple Reference Portfolio (APRA data)



Under this test, only one very small MySuper product would have failed to beat the SRP benchmark less 50 bps. Although there are a lot of data points below the line of red dots (SRP less 50 bps), these data points generally relate to older lifestages for lifecycle products that also have younger lifestages which beat the benchmark (and there are more members in these younger lifestages that would help these funds pass the test).

However, if the tolerance of 50 bps was removed, eight funds would have failed. These include all that failed the performance test in 2022, except Australian Catholic Super, plus four retail products that are largely comprised of listed assets.

On balance, we believe that there is a strong argument not to apply a 50 bps tolerance as this test already provides funds with benefits from greater diversification than the SRP – a smaller tolerance (or no tolerance) would be appropriate. These benefits of diversification apply both to funds with a significant level of unlisted assets but also those focussed on listed assets and are more diversified than the SRP, but to a lesser degree. Is it a problem that there is a greater benefit for funds with more diversification and unlisted assets under this test? We don't believe so. Global best practice in pension management is to construct well-diversified portfolios of both listed and unlisted assets to provide strong long-term performance that is less buffeted by short-term market movements. We should be encouraging funds to follow this global best practice and construct robust, well-diversified portfolios – and this metric would help to do that.

If the 50 bps tolerance was removed for this test metric, the group of funds that would fail are similar to the current test plus a couple of retail funds that have less diversification and that more closely track the benchmarks.

How could this alternative metric be used?

We believe that this alternative metric is better than the current performance test metric for the following reasons:

- It recognises the value of added through SAA by comparing to a naïve portfolio
- It recognises the benefits of diversification in reducing volatility for fund members
- It drives funds to focus on achieving strong risk-adjusted returns which is consistent with the best interests of members (rather than being hamstrung by a series of asset class benchmarks)
- It is a much simpler test to apply as it is based on one data point over the whole eight years rather than constructing a metric from each quarterly period (and it uses far fewer benchmarks)

If the performance test could only include one metric, we believe this metric should be used in place of the current metric. However, we understand that it may be difficult to remove the current metric, especially in near term, as it has only been in operation for two years and some funds have built their investment model around passing the test. It would therefore be unfair to replace with a new metric, that would also be retrospective, with little warning.

For this reason, we expect that the most likely approach would be to **use the alternative metric alongside the current metric**. This would mean that **if a MySuper product failed to meet both metrics, it would be deemed to have failed the test and would bear the consequences.** However, if it failed just one of the tests then it would be deemed not to have failed. This may mean that fewer funds would fail the performance test in the next few years, but we expect that will be the case anyway as funds have shown they are quite good at managing to the current test. In addition, we believe that the first two years of the test have already been effective in removing the chronic underperformers (although it probably removed a couple of others as well).

Even though the current metric would be retained as part of the performance test, we believe that **the addition of the alternative metric will mean that funds will not have to be so focussed on passing the current metric but they can focus on providing strong risk-adjusted returns**, which is what is in

the best interests of their members. They should be freed to invest for long-term risk-adjusted returns and free to incorporate best ideas into portfolios even when they introduce greater tracking error for standard further away from benchmarks.

Over time, we believe that it may be reasonable to remove the current test metric and solely use the alternative metric, given it is so well aligned to member outcomes and doesn't have many of the problems of the current metric. This could occur, say, in three years time, which would allow funds sufficient lead-time.

Benchmarks

While we believe that the addition of a complementary metric is the most important issue to address, further benchmarks should be added to the current test to provide some incremental improvement to this test. We believe the most important additional benchmarks to include are the following:

- Different benchmarks for growth and defensive alternatives, either based on indicative equity exposure or 'cash plus' benchmarks, for example:
    - 25% equities for defensive alternatives and 75% equities for growth alternatives; or
    - cash plus 2% for defensive alternatives and cash plus 4% for growth alternatives.

- Include a benchmark for high yield credit, as funds currently receive a big advantage over most periods in having their credit exposure benchmarked to broad bond indices dominated by government securities.

- Include benchmarks for inflation-linked securities that can provide quite a different return stream to traditional bonds.

- Consider adding benchmarks for short and long fixed interest duration (in order to use APRA data this may require a further data collection to expand SRS500, which will take time).

- Consider using different benchmarks for the equity components of portfolios that follow a Responsible Investment approach (applicable to a small number of MySuper options but many choice options). However, this would be difficult as there is no standard ESG benchmark and funds have adopted different approaches to responsible investment.

While such changes will improve the current performance test, most of its problems will remain and it will continue to still stifle innovation in portfolios, unless something like the proposed alternative metric is used alongside it. Other benchmarks could also be introduced for emerging markets, local and global small cap portfolios etc. but these may also have implications for APRA's data collection. Indeed, the **requirement to keep adding more benchmarks to this test illustrates that the current test is not robust** and should not be relied upon as the sole determinant of underperformance and the future of a superannuation fund.

Performance test – administration fees and costs

We support the inclusion of administration fees and costs in the performance test and believe that the use of current (last 12 months) administration fees and costs is appropriate as it is a much better indication of ongoing member outcomes in these products. More importantly, this approach has directly led to significant reductions in administration fees in some funds that have benefitted members.

However, this approach does provide funds with the ability to shift some of their administration fees and costs into investment fees and costs. This practice could help funds pass the performance test as their historical returns aren't impacted by the higher investment fees, but the lower administration fees improve their performance relative to the test. This is a recognised problem with the approach of using administration fees and costs in the last 12 months, but we still believe it is preferable to basing the

assessment on fees and costs from 5-8 years ago that are no longer relevant in assessing a provider's ability to deliver reasonable after-fees performance to its members into the future. (We also noted in our previous submission that there were problems with some of APRA's administration fees and costs data in the early years of MySuper and that the changes from PYS and RG97 mean that current administration fees and costs are much more relevant for comparison purposes).

Choice options

The original YFYS legislation required that trustee-directed investment options (diversified options managed by the trustee or related parties) be included in the performance test from 30 June 2022. However, the range of such choice options is very broad and includes strategies like responsible investment options, real return options and income-focussed strategies which are not well suited to the regime. The **range of choice options is much wider than the range of MySuper products, so the problems with the current test would simply be magnified** if the current test was extended to choice options. We supported the pause on including TDPs in the performance test to enable Treasury to determine the best approach for these products.

However, we still believe that **diversified choice options should be included in the performance test at some point**. There are many more of these choice options in the market than MySuper products and often their fees are higher which may lead to worse member outcomes in some cases. But we also need to remember that **choice products have been selected by members and their advisers**, unlike MySuper products which are the default options in each product. This means that there is less of an imperative to protect members who have made an active choice. We believe that this difference in product selection should not mean that these products are exempt from any type of performance test, but we believe that the **consequences of failure should probably be different**. We believe that failure to pass an initial test metric should not necessarily lead to product closure but rather into a review mechanism with APRA where it assesses a wider range of metrics, perhaps using different benchmarks (maybe even the fund's benchmarks to better assess the product).

One problem with applying the same consequences of failure to choice products that apply to MySuper (i.e. potential closure to new members) is that **some of the fund's diversified choice options may fail and be closed but others will pass and remain open**. The purpose of the performance test should be to determine whether a trustee is doing a good job in providing high quality investments and it would be strange if the same investment strategy was used to produce a set of diversified options with different risk profiles but some passed and some failed (and were closed). This would be confusing for members and may mean that some members and their advisers can't implement their investment strategy through the product. If the consequences of fund closure remain for choice products, we believe it would be more appropriate to apply a weighted assessment to a product's diversified choice options to determine if a product's choice investments pass the test overall (and whether it should be closed), rather than applying different consequences to each option. Or, as discussed above, we believe that it is better for choice options that fail to enter into a review process with APRA review that would appropriate consequences to be determined that will not cause confusion like those examples outline above.

In addition, the **inclusion of only trustee directed products** in the assessment means that the **same investment strategy may be subject to the test (and its consequences) in the manager's own products, but not subject to the test in the products offered by other providers**. We believe that **all diversified choice options should be part of the test, whether they are trustee-directed or not**.

We believe that single sector investment options should be excluded from the performance test. These options are typically used in a portfolio of sector options across multiple asset classes as part of an adviser's investment strategy for a client or group of clients. We believe the only way to apply the current test to single sector options would be to use the specific benchmarks in each portfolio's PDS but this is what all funds are required to do under SPS530 anyway – so we don't believe the performance test would add anything of value for these products.

Finally, we believe that **retirement products (i.e. account-based pensions and the developing longevity products) should be excluded in the performance test** in the near term. These portfolios are often ill-suited to the current performance test as in these portfolios, positions are sometimes taken within asset classes to reduce risk (as these members are in drawdown). These positions may show up as underperformance in the current test during times of strong markets (like in the first seven years of the performance test) but they are examples of the product provider tailoring portfolios to better suit the risk profiles of these members. The proposed alternative metric could be appropriate for these products and could be introduced at a later date for these products.

With the introduction of the Retirement Income Covenant, the last thing we want to do is introduce disincentives for funds to tailor solutions for pension members to help maximise retirement income which managing the risk to the stability of that income. Rather, we need to provide funds with incentives to innovate and create better solutions for pension members.

APRA review

Finally, we would like to return to the issue of the consequences of the test, which are so dire and which can lead to an undue focus on passing the test over all other investment outcomes. Our previous submission proposed a model where a fund that fails the performance test does not automatically experience the consequences of failure but rather it **enters into a review process with APRA to determine whether it has a 'right to remain' a MySuper product**. We believed that this review step would provide APRA with the ability to recognise any extenuating circumstances that may warrant withholding the consequences of failing the test, e.g. where a fund made changes five years ago to an underperforming investment strategy that has since resulted in strong performance, but the test is still failed over the eight-year period.

While the presence of the alternative metric possibly reduces the need for such a review step, we still believe that an **APRA review would be helpful to sense-check any fail result – this is especially necessary for choice but also for MySuper**. When Chant West assesses the quality of a fund's investment portfolio, we never use just one or two metrics, but we engage in a detailed assessment that includes both qualitative and quantitative components. We understand that it would not be easy for APRA to adopt such a model, as it would require a team of experienced investment research analysts who understand how super funds invest at a deep level. But if APRA was wary of applying a qualitative filter, it could possibly play a role in applying a wider set of metrics, like those discussed earlier in the report, over multiple periods, to sense-check whether the MySuper product should be fail the test. Under this model, APRA could continue to apply qualitative assessments as part of its supervisory role where it has other levers that can be used in its engagement with funds.

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