

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Australian Prudential Regulation Authority
Question No: 307
Topic: Rainmaker Report
Reference: Hansard page 106 (30 May 2017)
Senator: Gallagher, Katy

Question:

Senator GALLAGHER: In relation to fees and revenue, have you acquainted yourself with the Rainmaker Consulting report?

Mrs Rowell: We have not had time to go through the Rainmaker report in any detail.

Senator GALLAGHER: I would really welcome your response to that. I do not know how you do that, whether it is on notice or in some other formal way, but I would genuinely be interested in your interpretation of that research.

Answer:

Rainmaker Consulting published the *Superannuation Industry Revenue* report (the Rainmaker report) in May 2017. The data used in the report is indicated as being sourced from the Rainmaker Roundup Report, Rainmaker Benchmarking Report, the Rainmaker Advantage Report, APRA superannuation statistics, the Australian Bureau of Statistics employment and earnings statistics, and Australian Taxation Office SMSF statistics.

APRA's data is referred to only in Figure 1 (on page 2 of the Rainmaker report), that shows shifts in superannuation segments over the period June 2012 to June 2016.

APRA has considered the analysis and findings in the Rainmaker report and compared it to the data on fees that is reported to it. We note that it is difficult to comment on the analysis in the Rainmaker report given the differences in the underlying data on which it is based. In particular:

- The Rainmaker report draws data, in part, from the '2016 Rainmaker super fund fee survey' – this data represents a survey sample of \$1 trillion in funds under management (FUM) and nearly 20 million accounts, with both APRA-regulated funds and self-managed superannuation funds (SMSFs) captured in this sample. Tables A & B (below) summarise similar information reported to APRA, which shows total industry assets of \$1.4 trillion and approximately 27 million member accounts in the APRA-regulated sector.
- APRA's reporting standards collect information about fees paid to each RSE; it is not clear from the Rainmaker report how 'fee revenue' is defined. It is possible that this concept includes amounts paid to an RSE licensee for the provision of services (such as insurance or administration) to other entities or superannuation funds as a third-party service provider and hence may not relate only to the members of the RSEs under the RSE licensee.
- Table 1 of the Rainmaker report shows insurance premiums of \$8.4 billion. APRA's data shows a similar total amount reported as insurance premiums, however APRA is

aware, that RSE licensees do not report this information on a consistent basis. Some report the premiums paid for the insurance policy and payments associated with the administration of the insurance separately, whereas others combine these two different costs and report the total as insurance premiums.

- Table 1 of the Rainmaker report shows total fee revenue of \$30.8 billion; total fee revenue excluding insurance premiums is therefore \$22.4 billion. APRA's data shows that total fees paid (excluding insurance premiums) are approximately \$12.6 billion (approximately 0.88 per cent of total assets). We do not have sufficient information to determine the reason for this significant difference.
- Table 2 of the Rainmaker report provides a split of fee revenue between not-for-profit funds, retail funds and SMSFs. Excluding SMSFs, APRA's data suggests a similar split of 57 per cent (54 per cent in the Rainmaker report) for for-profit funds and 43 per cent (45 per cent in the Rainmaker report) for not-for-profit funds.
- The Rainmaker report also provides information on relative investment returns by industry segment (i.e. not-for-profit and retail). APRA's views on the approach to assessment of performance by industry segment have been set out in previous responses to questions on notice and in various speeches and other publications.

Table A: APRA fees and insurance statistics by industry segment

Fees and insurance premium statistics					
Entities with more than four members					
Year end June 2016					
	Corporate	Industry	Public Sector	Retail	Total
Total fees (\$ million)	229	3,678	1,447	7,222	12,576
Total premiums collected (\$ million)	134	3,426	1,122	3,760	8,442
Total fees and premiums (\$ million)	363	7,104	2,569	10,982	21,018
Total assets (\$ million)	54,595	466,351	356,147	545,346	1,422,439
Member accounts (thousands)	341	11,118	3,533	12,978	27,970
Total fees (%)	2%	29%	12%	57%	100%
Total premiums collected (%)	2%	41%	13%	45%	100%
Total fees and premiums (%)	2%	34%	12%	52%	100%
Total assets (%)	4%	33%	25%	38%	100%
Member accounts (%)	1%	40%	13%	46%	100%

Table B: APRA fees and insurance statistics – not for profit and for profit segments

Fees and insurance premium statistics			
Entities with more than four members			
Year end June 2016			
	Not for profit	For profit	Total
Total fees (\$ million)	5,354	7,222	12,576
Total premiums collected (\$ million)	4,682	3,760	8,442
Total fees and premiums (\$ million)	10,036	10,982	21,018
Total assets (\$ million)	877,093	545,346	1,422,439
Member accounts (thousands)	14,992	12,978	27,970
Total fees (%)	43%	57%	100%
Total premiums collected (%)	55%	45%	100%
Total fees and premiums (%)	48%	52%	100%
Total assets (%)	62%	38%	100%
Member accounts (%)	54%	46%	100%