

Annual Member Outcomes Assessment for VicSuper

Financial Year June 2020

The Annual Member Outcomes Assessment is a legislative requirement introduced in 2019 for all superannuation funds. The *Member Outcomes Act* requires trustees of superannuation funds to make an annual assessment of their MySuper and choice products and report on how they are improving outcomes for members. This Annual Member Outcomes Assessment reports on the 2020 financial year.

This is the first annual member outcomes assessment for the VicSuper MySuper product. While Aware Super was not the trustee of the fund for the relevant period, it has prepared this report on the same basis as its MySuper products.

VicSuper exists to help members live their best possible retirements. A measure of success is that members feel confident in how prepared they are for retirement and being able to generate a comfortable retirement income.

One of our key metrics is measuring the percentage of VicSuper members who are on track to achieve a comfortable living standard in retirement, measured based on the ASFA standards. We call this our 'retirement readiness score' which is based on an approach called the 'projected members benefit at retirement'. We consider factors like members' current balance, contribution levels and the expected future investment return from staying with us. We have tracked the retirement readiness score for VicSuper since it merged with Aware Super on 30 June 2020. From a Group perspective, we've seen an improvement of the score every year since we put this measure in place in 2017.

VicSuper – improving outcomes for members

We assessed our products based on two key areas that are specifically required in the APRA regulations:

- fees and returns (comparison matters)
- other member benefits (assessment factors).

Competitive fees and costs

We looked at the fees and costs of the VicSuper MySuper product compared to other MySuper options for members with various balances. Overall, we found that our total fees are in the best or second-best quartile across all superannuation segments – see tables below. This reflects our ongoing commitment to keeping our fees low.

Table 1: Chant West comparison of VicSuper's MySuper option - the GROWTH option for **Total Fees**

Universe	\$10,000 Balance	\$50,000 Balance	\$100,000 Balance
Fees	\$152	\$514	\$968
All MySuper	Best quartile	Second quartile	Second quartile
Industry funds	Best quartile	Second quartile	Second quartile
Retail MT	Best quartile	Best quartile	Best quartile
All funds >\$5b	Best quartile	Best quartile	Second quartile

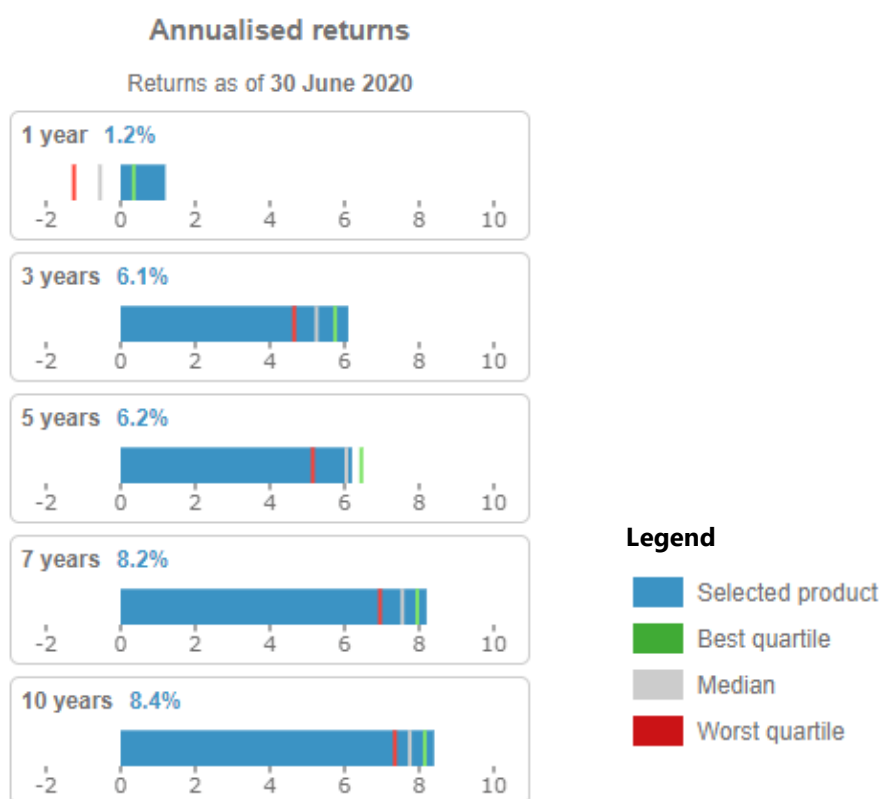
Source: The Chant West Member Outcomes Dashboard for 30 June 2020

Given the past year's market conditions, our overall fee and return proposition has delivered great outcomes for you, our members.

Delivering strong long-term returns for members

The following charts from the Chant West Member Outcomes dashboard show the performance of the VicSuper MySuper option against the other MySuper funds available.

The charts show that both options are above the median over all periods. Furthermore, both options exceed best-quartile performance over 1, 3, 7 and 10-year periods (the 5-year period was above-median). This demonstrates our ability to deliver consistently strong returns to our members over the past decade.



Source: SuperRatings Fund Crediting Rate Survey, SR50 Balanced (60-76) Index for 30 June 2020

The additional assessment factors demonstrate the value VicSuper delivers for members

Benefits of being a member of VicSuper

- **Strong long-term returns** – we're a top-performing fund¹ and strive to deliver consistently strong, long-term returns for our members.
- **Competitive fees** – as part of Australia's second largest superannuation fund, we use our size and stability to keep fees and costs down.

- **Investing for good** – we are committed to making investments that contribute positively to the world our members live and retire in.
- **Financial advice** – access simple superannuation advice at no additional cost, or you can see one of our experienced financial planners for more complex needs.
- **A profit-for-member industry fund** – designed to deliver better financial outcomes for members, not shareholders.
- **A fund for every stage of your life** – we provide the investment options and products to help you make the most of your super, from your first job to retirement. You can also stay with the fund if you change jobs, or even if you're not working.
- **Automatic insurance cover** – flexible insurance cover for eligible members.
- **Guidance and support** – access free online education, tools, webinars and events to help you manage your super more easily.

Investment strategy, risks, and targets

VicSuper's Future Saver and Flexible Income products provide access to six diversified and three single-sector investment options, including one MySuper investment option. As at 30 June 2020, 82% of our members were invested in the MySuper Growth option, 4% of which had chosen to be in the default option (i.e. choice members).

Members of the Future Saver product are accumulation members and typically have a long investment horizon and limited access to their investments until the pension phase, meaning members can tolerate relatively high levels of illiquidity risk.

Members of the Flexible Income product are pension members, in the retirement phase of their lives. Although these members can draw down on their retirement savings, they typically access a relatively small portion of their funds in any given period and most retain a relatively long investment horizon for the majority of their funds.

Insurance strategy

VicSuper FutureSaver is a product available as part of the VicSuper division in Aware Super. VicSuper FutureSaver was previously a product in the Victorian Superannuation Fund. From 1 July 2020 it has been offered by the Trustee as a result of the transfer of all members and assets in the Victorian Superannuation Fund to Aware Super.

Although this outcome assessment is based on the year ended 30 June 2020, it is worth highlighting that on 25 March 2020, the Trustee approved a new Insurance Strategy to commence from 1 July 2020, in anticipation of the merger with Aware Super on 30 June 2020. Work is also in progress to consider changes to the insurance benefit design as a result of the merger. Where appropriate and for the benefit of VicSuper members, the Trustee will review and align its insurance arrangements by considering the offerings of insurers, insurance policy terms and administration arrangements.

For the year ended 30 June 2020, VicSuper provided adequate levels of automatic cover for a reasonable premium without inappropriately eroding the retirement income of beneficiaries with premiums <1% of estimated salary for 93.1% of members. During this period there was a significant reduction in the number of insured members because of the requirement to cease insurance cover for members due to an inactive account (from 1 July 2019) or a low balance (on 1 April 2020).

Insurance fees erosion of retirement income

There are no insurance administration fees charged by VicSuper to erode the retirement income of members.

Acting in your financial interests

This analysis demonstrates that VicSuper acts in the financial interests of members and helps you save and prepare for retirement.

This is demonstrated through:

- consistent top performance of the VicSuper MySuper default option
- low fees compared to market average
- using scale to drive down costs per member and support lower fees
- provision of appropriate and affordable insurance cover
- delivery of a broad range of services including digital advice tools, comprehensive and intra-fund advice that are accessed by many members, and
- our fund projections which show that most members under age 45 (who will experience a mature superannuation system) will achieve a comfortable retirement income as measured by the ASFA standard.

In FY2020, Australia and the world were subjected to a significant market shock as the world responded to the unprecedented challenges from COVID-19 pandemic. During this time we were able to continue supporting members to a high standard, demonstrating the effectiveness of our management systems, investments, processes and people.

In addition, there are sound governance practices in place from the Board, through its Committees, to the executives and staff, together with internal commitment to live the value and exhibit a strong risk culture.

Important Information

This is general information only and does not take into account your specific objectives, financial situation or needs. Seek professional financial advice, consider your own circumstances and read our product disclosure statement before making a decision about Aware Super or Aware Financial Services Australia Limited. Call us or visit our website for a copy. Issued by Aware Financial Services Australia Limited ABN 86 003 742 756, AFSL No. 238430. Aware Financial Services Australia Limited is wholly owned by Aware Super ABN 53 226 460 365. The trustee of Aware Super is Aware Super Pty Ltd ABN 11 118 202 672, AFSL 293340.