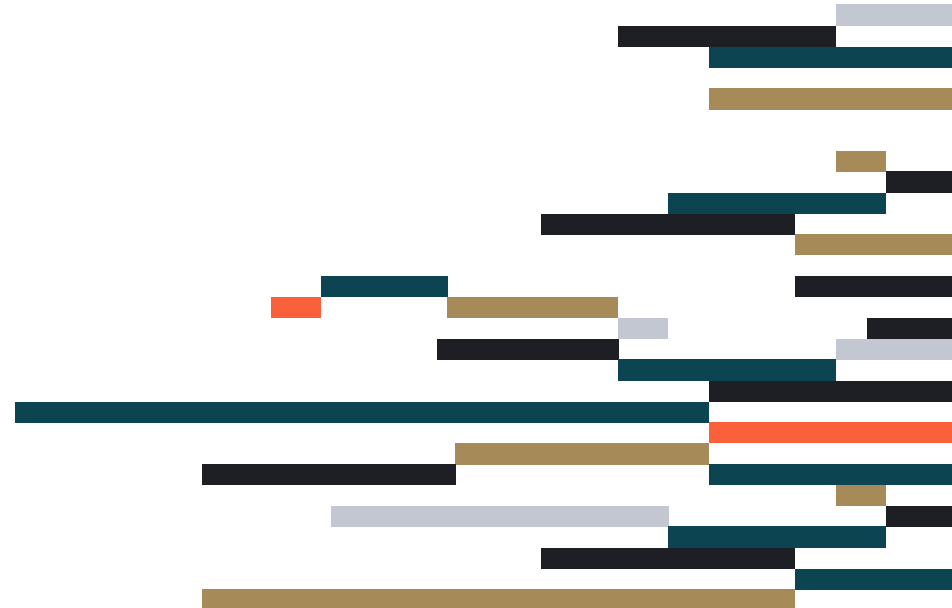


# Future Super and Verve Super

Member Outcomes Assessment  
For the year ended 30 June 2021

23 February 2022



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# Introduction

# Introduction

## What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to The Future Super Fund (inclusive of Verve Super). It analyses how The Fund's products compare to similar products and whether these products are serving the financial interests of the members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2022, and is relevant for the financial year ended 30 June 2021.

## Approach for this assessment

### Step 1: Measure and compare products



**1. Return comparison**  
A comparison of returns



**2. Fee comparison**  
A comparison of fees



**3. Risk comparison**  
A comparison of investment risk

### Step 2: Assess product appropriateness

Assessment of product appropriateness against key factors that can affect superannuation

#### Section 52 (11)

1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

#### SPS 515

4. Scale
5. Operating costs
6. Basis for setting fees

### Step 3: Publish determination

A publication with a determination for each product is required to assess whether the financial interests of the beneficiaries who hold the product are being promoted.



# Executive Summary

# Product Determination

The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its **Future Super Accumulation** and **Verve Super Accumulation** products on the basis that:

- The investment returns of all its investment options outperformed the peer fund median on a three year basis, with longer term investment horizon considered more important than the one year investment performance due to the long term nature of superannuation;
- Investment risk on a longer time horizon has outperformed the peer fund median; and
- The objective assessment factors, being the options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and the basis for setting fees, are considered appropriate for members and do not inappropriately erode their retirement balances.

The Trustee notes however, that there is an opportunity for improvement in relation to its fees and shorter-term investment returns, to ensure maximising value for members while employing investment strategies that align with their members' ethical standards.



# Choice Overview

# Future Super Overview

Future Super was launched in 2014 and focuses on responsible and sustainable investing that makes an impact. Future Super builds funds with zero exposure to fossil fuels, negative carbon footprints and direct investments in clean energy projects.

Future Super also contains the Verve Super sub-plan. Verve Super was launched in late 2018 and is Australia's first ethical super fund that is led by women and tailored for women.

Future Super offers four investment options (one of which is a pension option), and Verve Super offers one investment option, all consistent with their respective ESG criteria:

## Future Super

### Balanced Impact

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced growth' investment strategy

### Balanced Index

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced' investment strategy

### Renewables Plus Growth

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'growth' investment strategy

### Balanced Growth Pension

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced growth' investment strategy

## Verve Super

### Balanced

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced' investment strategy





# Choice Assessment

# Fees & Costs Comparison

## **Future Super**

Future Super's total fees (administration fees plus investment fees) and administration fees are compared to peer fund median fees in the following slides. For the Renewables Plus Growth option and the Balanced Impact option, Future Super's total fees are slightly higher than the peer fund median when calculated on a \$30,000, \$50,000 and \$100,000 balance. However, for the Pension Balanced Growth option and the Balanced Index option, Future Super's total fees are lower than the peer fund median when calculated on a \$30,000, \$50,000 and \$100,000 balance. Future Super's focus on ESG investments, which carries a premium, increases the investment fees relative to peers for all investment options.

The Trustee notes that these findings are consistent with the outcomes of APRA's heatmap, which rated Future Super as having significantly less competitive total fees for the Renewables Plus Growth option and the Balanced Impact option (shown as dark red in the heatmap), competitive fees for the Balanced Index option, and less competitive administration fees (shown as red in the heatmap) for \$50,000 and \$100,000 balances.

## **Verve Super**

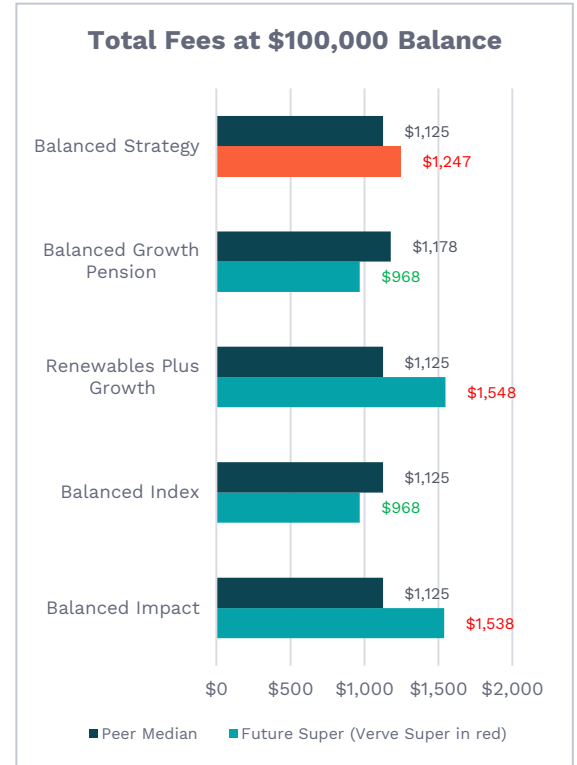
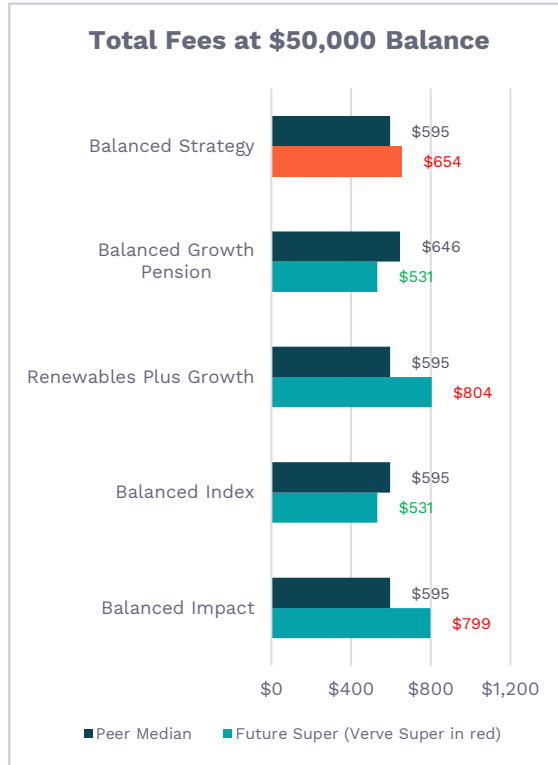
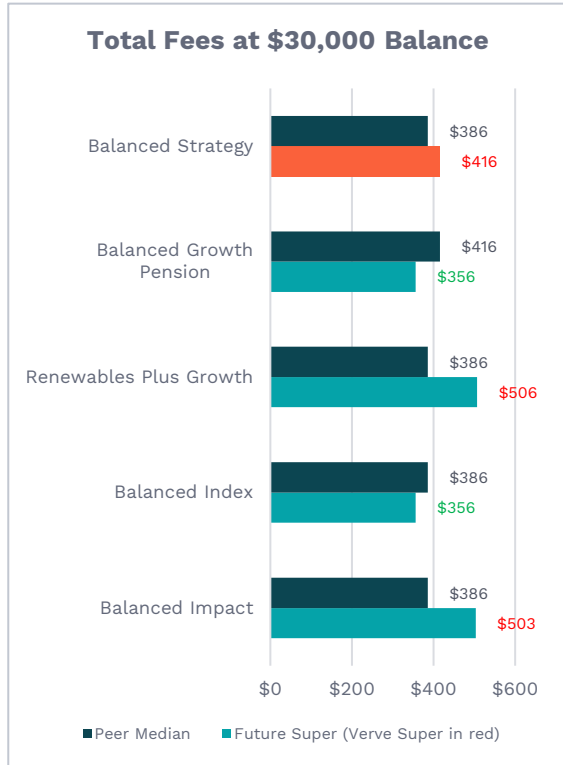
Verve Super's total fees (administration fees plus investment fees) and administration fees are compared to peer fund median fees in the following slides. Verve Super's total fees are slightly higher than the peer fund median when calculated on a \$30,000, \$50,000 and \$100,000 balance. Verve Super's focus on ESG investments and additional screening for gender equality, which carries a premium, increases the investment fees relative to peers.

The Trustee notes that this finding is consistent with the outcomes of APRA's heatmap, which rated Verve Super as having less competitive total fees (shown as orange in the heatmap) than the median fund on a total fees basis and significantly less competitive administration fees (shown as dark red in the heatmap) for \$50,000 and \$100,000 balances.

For fees and costs, the Trustee has determined that, on balance, The Fund is not promoting the financial interests of the beneficiaries as the majority of total fees and administration fees at a product level are more expensive than the peer fund median. The Trustee has undertaken actions to improve fee competitiveness, having reduced the dollar administration fee from \$93.60 to \$60 during FY21. Asset based fees were also reduced between 2.3 and 23.9 basis points across the investment options during FY21.

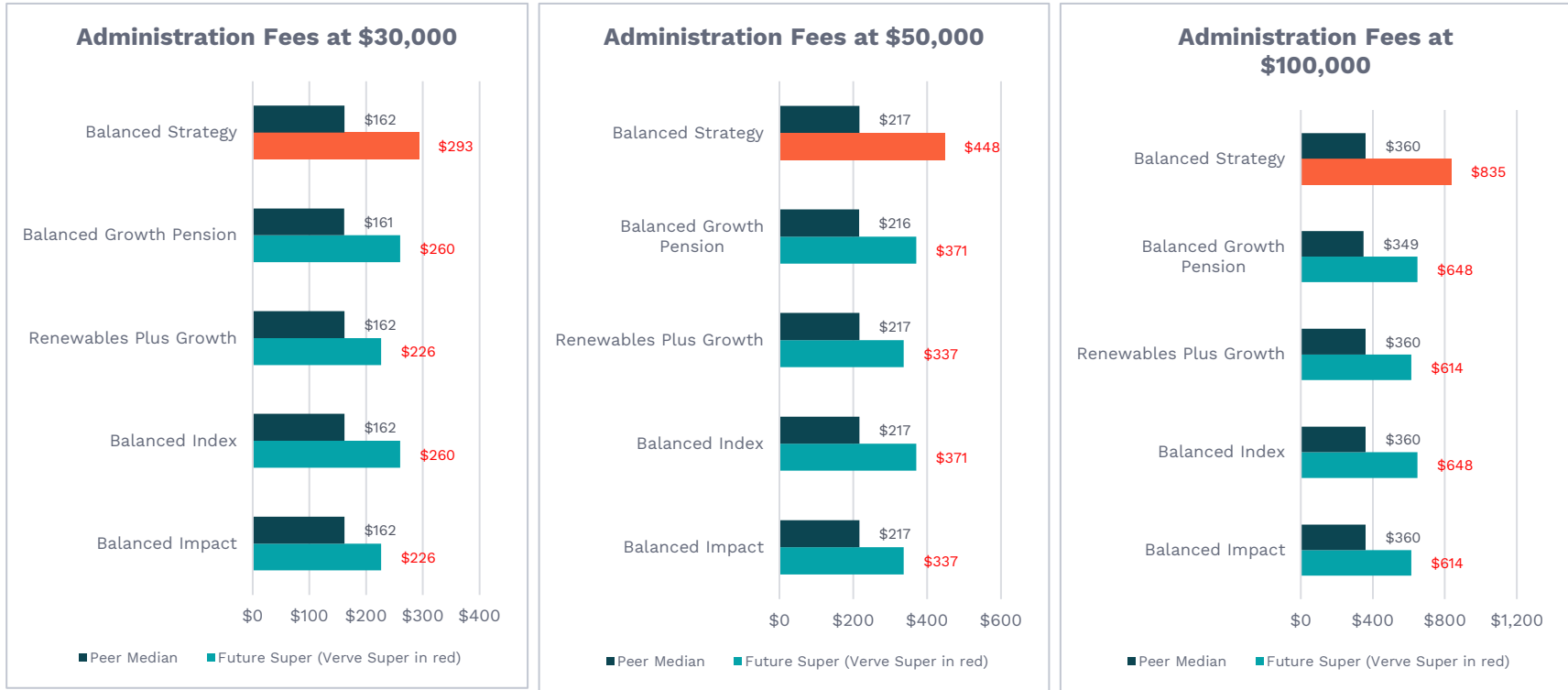
It is also noted that the fees and costs comparison is based on a broad market of peer superannuation funds. The additional cost associated with ethical screening is recognised. However, members of The Fund value the ESG screening applied to their investment.

# Fees & Costs Comparison



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Balanced (60-76) for all investment options)

# Fees & Costs Comparison



# Investment Return Comparison

## **Future Super**

Future Super's net investment return for all options other than the Balanced Impact Option have outperformed the peer fund median over three years and five years, while one year performance to 30 June 2021 has underperformed the peer fund median. As superannuation is a long term investment, the Trustee considers the investment performance over a longer time horizon to be more significant than the one year performance.

Future Super's Balanced Index option has not yet been in operation for three years, so there is no three year or longer investment performances to consider. Its Renewables Plus Growth option has not yet been in operation for five years, so there is no five year investment performance to consider.

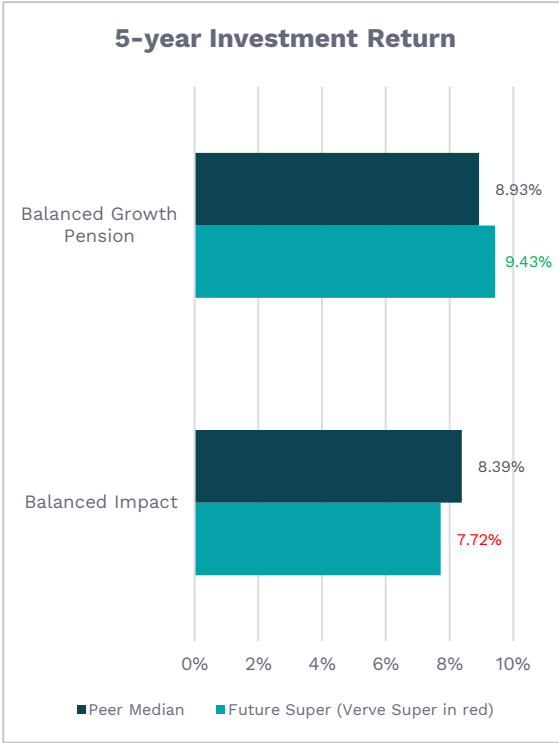
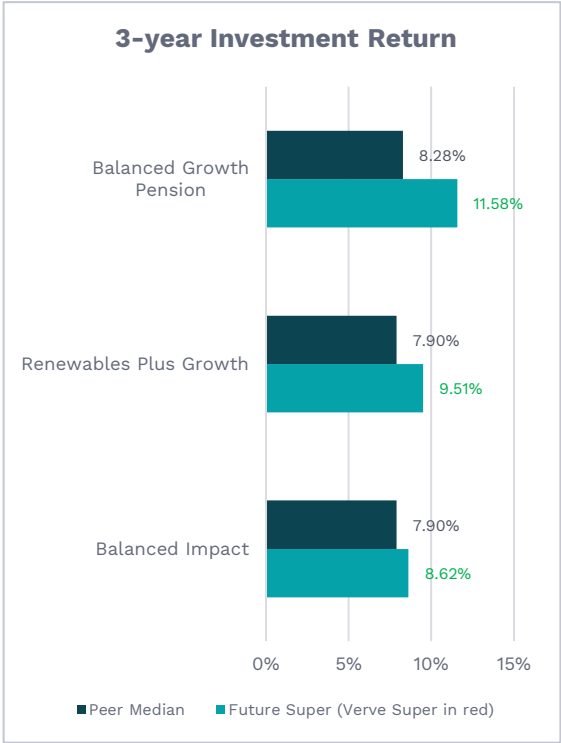
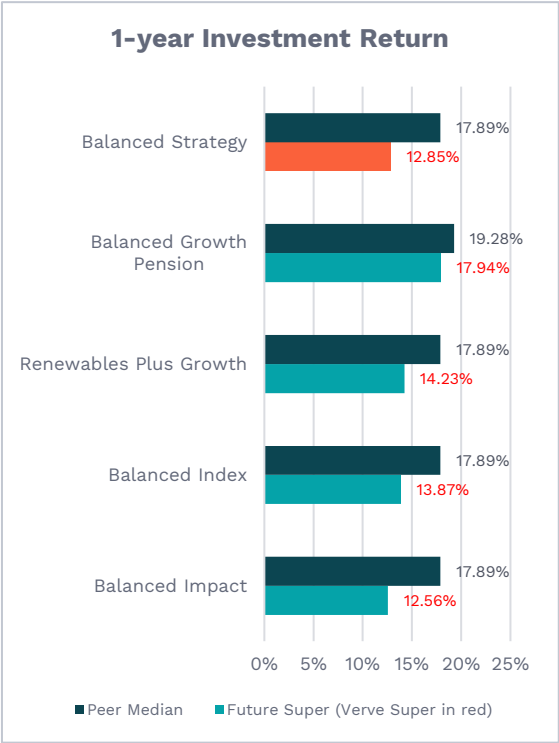
## **Verve Super**

Verve Super's net investment return has underperformed the peer fund median over the year to 30 June 2021. As superannuation is a long term investment, the Trustee continues to monitor the longer dated performance closely.

As Verve Super has been in operation for a limited time, longer dated returns are not available yet.

The Trustee has determined that, on balance, it is promoting the financial interests of the beneficiaries as the investment returns for longer dated returns are exceeding median peer performance.

# Investment Return Comparison



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Balanced (60-76) for all investment options)

# Investment Return Comparison

The Fund's net investment return for all its investment options that have a three year performance history have outperformed the relevant three year APRA benchmark. The Balanced Impact option outperformed its APRA benchmark by 0.62% and the Renewables Plus Growth option outperformed the APRA benchmark by 0.90%. Although the APRA performance assessment covers a seven year lookback period, performance data for The Fund does not cover that period. Hence, The Fund's investment options are currently outperforming APRA benchmarks and within APRA's performance test tolerances. The Fund's peer performance for one year returns are below peer medians. However, three returns are outperforming peers.

The Trustee has determined that it is promoting the financial interests of the beneficiaries as the investment returns for each of The Fund's investment options is exceeding peer performance and APRA benchmarks.

Choice option name	3 year Net Investment Return (NIR) p.a.	3 year NIR relative to SAA Benchmark Portfolio p.a.	3 year NIR relative to Simple Reference Portfolio p.a.
Future Super - Balanced Impact	8.62%	0.62%	0.53%
Future Super - Renewables Plus Growth	9.51%	0.90%	0.70%
Future Super - Balanced Index	N/A	N/A	N/A
Verve Super – Balanced	N/A	N/A	N/A

This column reflects the value of The Fund's product selection\*

This column reflects the value of The Fund's asset allocation\*\*

\*Future Super's Investment option performance is shown against a benchmark with identical asset allocation constructed from APRA prescribed Indices net of APRA's tax and fee assumptions.

\*\*Future Super's investment option performance is shown against APRA's simple reference portfolios weighted to the options growth and defensive asset allocations.

# Investment Risk Comparison

In the following graphs, we measure the performance of The Fund's investment options after adjusting for risk compared to the peer fund median. To do this, we apply a Sharpe ratio calculation which is a standardised measure of risk-adjusted returns. The higher the ratio, the greater the possible investment return relative to the amount of risk taken, representing the additional amount of return that an investor receives per unit of increase in risk.

## **Future Super**

Future Super's Sharpe ratio for all investment options is lower than the peer fund median over one year to 30 June 2021. However, over the three years and five years to 30 June 2021, with the exception of the Balanced Impact option over the five years, all investment options outperformed the peer fund median. As superannuation is a long term investment, the Trustee considers the longer dated performance when reviewing risk adjusted returns and risk reward to be more significant.

Future Super's Balanced Index option has not yet been in operation for three years, so there is no three year or longer Sharpe ratio to consider. Its Renewables Plus Growth option has not yet been in operation for five years, so there is no five year Sharpe ratio to consider.

## **Verve Super**

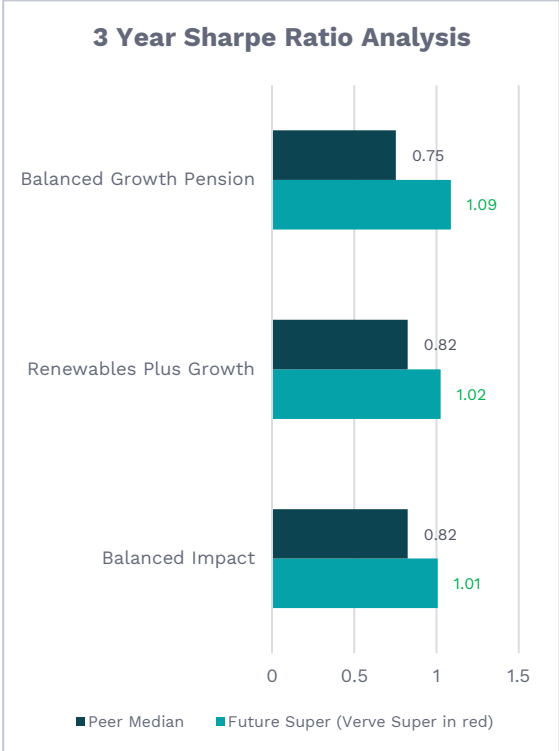
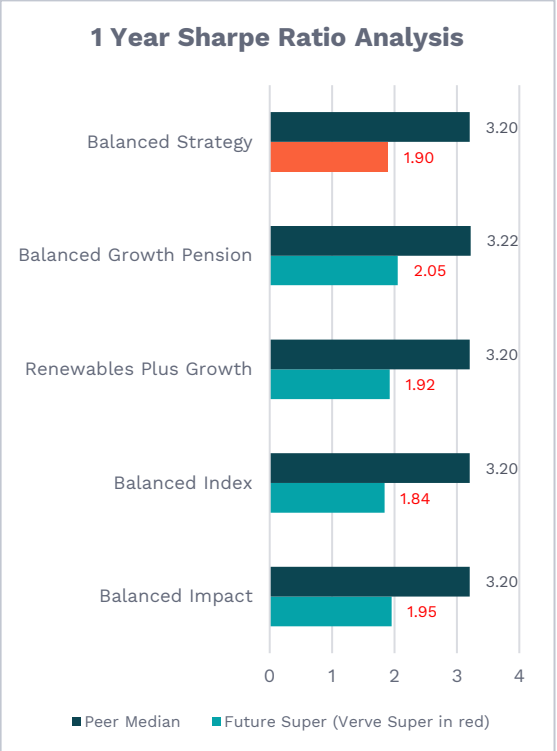
Verve Super's Sharpe ratio is lower than the peer fund median over one year to 30 June 2021. Given the long term nature of superannuation, the Trustee considers the longer dated performance when reviewing risk adjusted returns and risk reward to be more significant.

As Verve Super has been in operation for a limited time, there is no three or five year Sharpe ratio to consider.

On balance, the Trustee has determined that it is promoting the financial interests of the beneficiaries as the Sharpe ratio over three year and five year timeframes is higher than the peer fund median.



# Investment Risk Comparison



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Balanced (60-76) for all investment options)

## OPTIONS, FACILITIES & BENEFITS

The Fund offers a range of services and products to all members in order to assist them with engaging with their superannuation so that they can maximise their balance and optimise their retirement outcomes.

Future Super and Verve Super both have a consistently high Net Promoter Score ('NPS') from their membership, indicative of the quality of services provided. Future Super's rolling 3 month average NPS to the end of June 2021 was 70.3 and the annual average was 72.7. Verve Super's rolling 3-month NPS average to June 2021 was 75.3 and the annual average was 77. This compares to an average NPS score of -10.4 across the superannuation industry\*.

During FY21, Future Super conducted member research through a series of focus groups and membership surveys. The purpose of this research was to develop a clear understanding of what members value in their super and their understanding of the impact of ethical investing. The research was predominantly qualitative in nature. The results of this research were that over 80% of members joined the fund because of the investment philosophy, with over 50% of members joining between 1 week and 1 month after first hearing about the fund. Members were seen to connect the power of their money with systemic change and believed that moving their money out of fossil fuels was an easy and effective way to reduce their impact on climate change.

## INVESTMENT STRATEGY

The Fund focuses on Environmental, Social, and Governance ('ESG') investment strategies. Negative screening is undertaken to ensure no investments in assets:

- that are harmful to society or the environment;
- engage in exploitative or predatory practices; or
- create harmful or addictive goods and services.

Additionally there is also positive screening for investments which:

- support a transition to a sustainable economy and environment; and
- promote equitable healthcare, education and society.

Verve Super have additional negative and positive screens for women in leadership and gender diversity and inclusion.

The annual review of The Fund's investment strategy was completed in March 2021. The outcomes of this review are as follows:

- There were no changes made to the investment objectives but the risk objectives were changed from 6 – High to 7 – Very High for all investment options
- Future Super's Balanced Impact investment option and Renewable Plus Growth investment option: changes were made to the asset allocations of these options, including a reduction in exposure to Australian fixed interest assets and a new allocation to defensive alternatives.
- Verve Super's Balanced investment option: changes were made to the asset allocations of the option, including a reduction in exposure to Australian and international shares and to Australian fixed interest assets. In addition, a new allocation to defensive and growth alternatives was made.

The Fund's investment strategy focuses on ESG issues and does not look to target members based on factors such as age. Therefore, the investment strategy is balanced to cater for broad level risk appetite across the membership base.

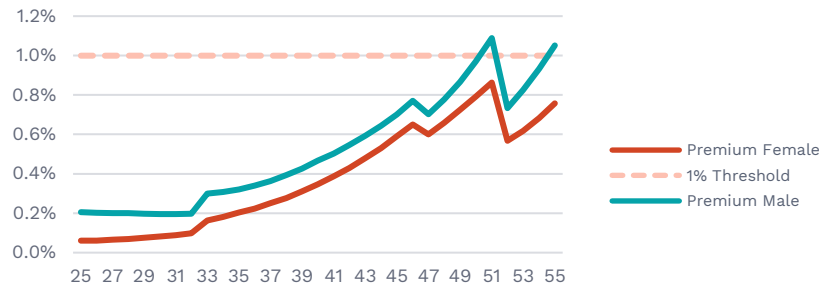
## INSURANCE STRATEGY & FEES

The Fund offers opt-in insurance for eligible members through AIA Australia. Cover for Death Only, Death & TPD and Income Protection is offered. Eligible members are able to opt-in for Standard Death Only or Death & TPD cover on joining or can apply for additional Voluntary Death Only, Death & TPD and/or Income Protection cover at any time. Eligible members may also transfer cover from another superannuation fund, or another insurance policy, subject to terms and conditions.

The Fund has created an online opt-in process that new members can use to opt-in online for Death Only or Death and TPD cover. There has not been a high level of insurance uptake in the Fund. However, offering insurance cover may make it more attractive for members to consolidate their entire super balances into The Fund, thereby improving the scale of the Fund and potentially improving member outcomes by avoiding the need for members to have multiple accounts.

As members must opt-in to insurance cover after considering their personal situation and needs, the Trustee has determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

The following graph shows how The Fund's premiums\* for Death and Total and Permanent Disability insurance cover compares to a 1% of salary threshold\*\* from ages 25 to 55. As members become older, the premiums increase to reflect the rise in health risk. Whilst Future Super has not opted into the Insurance in Superannuation Voluntary Code of Practice, the recommended benchmark of 1% of annual salary is still considered.



Based on our analysis and, considering that members are offered cover on an opt-in basis, the Trustee has determined that that the insurance strategy for the product is appropriate for The Fund's members.

\*Death and TPD rates based on cover for non-smoking males/females in white collar occupations in NSW.

\*\*Based on \$90,000 annual salary as a proxy for ABS average full-time persons weekly total cash earnings of \$1,835.40 (May 2021). The generally held view in superannuation, is that insurance premiums shouldn't cost more than 1% of your salary per annum to prevent your superannuation balance being eroded.

## SCALE

The Fund had 35,098 members with approximately \$1.25 billion in funds under management as at 30 June 2021.

While these figures are indicative of The Fund's relatively small size in the industry, it is anticipated that The Fund will steadily grow and achieve greater scale benefits based on its growth during FY21:

- Funds Under Management ('FUM') grew by 64%, compared to the industry median of 15%
- Net members' benefits flows of \$354M, compared to the industry median of -\$4M
- Number of member accounts grew by 76%, compared to the industry median of -3%
- Net rollovers into The Fund of \$249M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 15%, compared to the industry median of 107%

A breakdown of these figures is shown in the table on the right.

The Fund's growth rate is positive and higher than the industry median. This puts The Fund in an increasingly competitive position and will help drive down various costs as more members join.

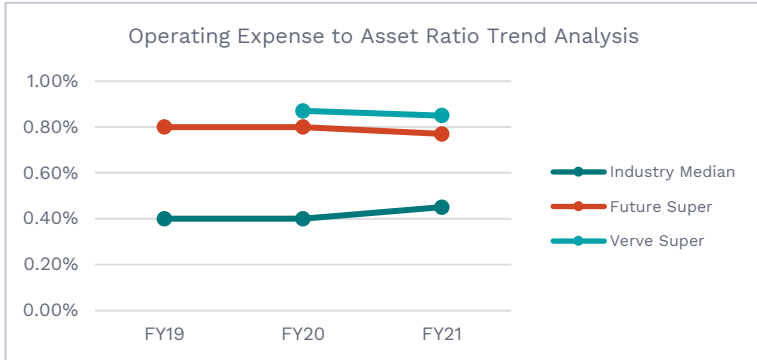
In addition, there is an ongoing ability to access resources at scale as a result of The Fund's operating model leveraging an outsourced administrator and a commercial trustee.

It is concluded that members are not disadvantaged due to the scale of, and within, the Trustee's business operations.

	Future Super	Verve Super	Total
<b>Members</b>	31,155	3,943	35,098
<b>FUM</b>	\$1.09B	\$157M	\$1.25B
<b>FUM % growth</b>	62%	80%	64%
<b>Net member benefit flows</b>	\$300M	\$55M	\$354M
<b>Number of member accounts % growth</b>	78%	61%	76%
<b>Net rollovers</b>	\$205M	\$45M	\$249M
<b>Net members' benefit outflow ratio</b>	15%	13%	15%

## OPERATING COSTS

The Fund's operating expense to asset ratio trend is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that both Future Super and Verve Super's operating expense ratios are significantly higher than that of the median fund in FY19 but that these have reduced by 0.02% to 0.03% whereas the median fund operating expense ratio has increased by 0.05%.



Noting the smaller size of the Fund and the specialist investment allocation, the operating costs are considered appropriate for members and do not inappropriately erode their retirement balances. However, the Trustee notes that there is an opportunity to improve these ratios in the future.

## BASIS FOR SETTING FEES

The basis for setting fees is considered appropriate for members and promotes their financial interests, while not inappropriately eroding retirement balances.

The administration fee is comprised of the combination of a flat dollar-based fee (\$60 per annum, for both Future Super and Verve Super) and a basis points fee. For balances under \$6,000 (\$5,000 for Verve Super) the flat dollar fee is waived and total investment and administration fees and indirect costs are capped at 3%, which means it will not erode the retirement balances of lower account balance members and ensures services available to all members are appropriately shared across The Fund's membership base.

Fees are charged to members on a monthly basis, therefore ensuring that the cost of maintaining a superannuation account is smoothed over the course of a year rather than members incurring a large impact to their balance at once.

During FY21 The Fund reduced its flat dollar-based administration fee from \$93.60 to \$60. Asset based fees were also reduced between 2.3-23.9 basis points across all the investment options during FY21.

The basis for setting fees is considered appropriate for The Fund's members and does not inappropriately erode their retirement balances.



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