

# FUTURE SUPER

## Member Outcomes Assessment

### Year in Review 2020

We have assessed our performance and, based on that assessment, made an annual determination that members' interests have been promoted, in accordance with superannuation laws and standards.

#### 1. Summary

The 2019-2020 financial year was an unprecedented year with challenges arising from prolonged drought conditions, the worst bushfire season on record, and the onset of COVID in Australia in February 2020, which impacted businesses and communities on a global scale.

Despite the challenges, Future Super ("the Fund") was able to promote its members' best interests as required under superannuation law – delivering strong investment returns to our members and increasing the funds under management to around \$690M as at 30 June 2020. The positive returns were attributable to the approach taken and, in particular, the Fund benefited from removing the risks associated with fossil fuels. The fossil fuel industry was one of the worst performing sectors last year among other such as media and travel.

One of the unique features of the Fund is the exposure to impact investments, which provide members with a way of building retirement savings without investing in businesses that directly or indirectly support the fossil fuel industry. Future Super provided three investment options for accumulation members: Balanced Index, Balanced Impact and Renewables Plus Growth; and one investment option, Balanced Growth to pension members. We are proud of our extensive screening process to ensure members' money is invested in companies that are better performers on sustainable and ethical criteria.

During the financial year ended 30 June 2020, after considering our members' best interests, we have remained focused on the following:

- Membership growth: we have increased our membership by 54%, which increased scale and should enable us to provide better services to our members going forward;
- Member satisfaction: our member experience remains industry leading as shown through the fund's Net Promoter Score (NPS). The fund sustained a rolling 3-month average NPS of above 70 for each quarter (on a scale from negative 100 to positive 100), compared with an average NPS across the superannuation industry of **-10.4**. Net Promoter Score is a measure of the share of members that would refer others to become members relative to those who would not; and
- Competitive fund features and benefits: the Fund has revised internal and external technology systems, removed dollar-based Administration Fees charged to balances less than \$6,000, and introduced a "Baby Bump" program to assist members who take leave from the workforce following the birth of a baby.

We continue our commitment to members and further delivered improvements to the Fund since 30 June 2020:

- The overall fees charged to members were reduced from 1 January 2021, with the administration fee reduced by 0.096%, and investment fee reductions in the Future Super Balanced Impact option and the Future Super Renewables Plus options totalling 0.166%, which were passed on to members invested in these options;
- We have reduced insurance premiums by removing the Insurance Administration fee of 20% on death and TPD rates and 10% on Income Protection Insurance, which previously formed part of members

# FUTURE SUPER

insurance Premiums, in order to improve benefits to members; and

- Works continue on member online account improvements with new capabilities for members to self-service to further improve the member experience and the Fund's value proposition.

## 2. Determination

Based on the assessment of the outcomes achieved and evidence contained in this summary, we have determined that:

- members' interests are being promoted;
- the basis for the setting of fees is appropriate for members;
- members have not been disadvantaged due to the scale of, and within, the Trustees' business operations;
- the operating costs of the Trustees' business operations are not inappropriately affecting the financial interests of members;
- the options, benefits and facilities offered under the product are appropriate to members;
- the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members; and
- the insurance strategy for the product is appropriate to members and undergoing regular reviews.

Details of this assessment are outlined below.

## 3. Member Services

### Key services offered to Members

We launched our product in 2014, and the strong growth to 30 June 2020 has resulted in close to 22,000 members and \$690M in funds under management. Our objective is to provide exceptional service to members. This is supported by the results of our 2020 Annual Member Survey, where the fund received an NPS of **+74**. When comparing this to the average NPS across the superannuation industry of **-10.4**<sup>1</sup>, there is evidence that Fund members see significant value in being with the fund.

We are working to deliver an enhanced online experience for existing and new Fund members, which includes:

- A new Member Online platform, facilitating improved response times and increased visibility for the member of the product and their account;
- A new member join form, which clarifies the join process and the features of the product; and
- Providing a technology platform to support the stability and scalability of the growth of the Fund.

The Fund continues to attract new members, which is evidenced by very low net members' benefit outflow ratio (i.e. that more money came into the Fund via benefit flows-in and inward rollovers than money went out of the Fund via benefit flows-out and outward rollovers) in comparison to the industry. The industry ratio was 102% and Future Super achieved 42%. This reflects an ability to grow the fund based on the services and facilities the Fund provides.

Considering the product benefits and improvements that were implemented during the year, we have assessed that we have promoted the financial interest of our members and believe we have met our objective to provide products, services and facilities that add value to members and are commensurate with the fees paid.

---

<sup>1</sup> Evolved Omnibus Survey 2020.

# FUTURE SUPER

## 3. Product options

### 3.1 Investment strategy

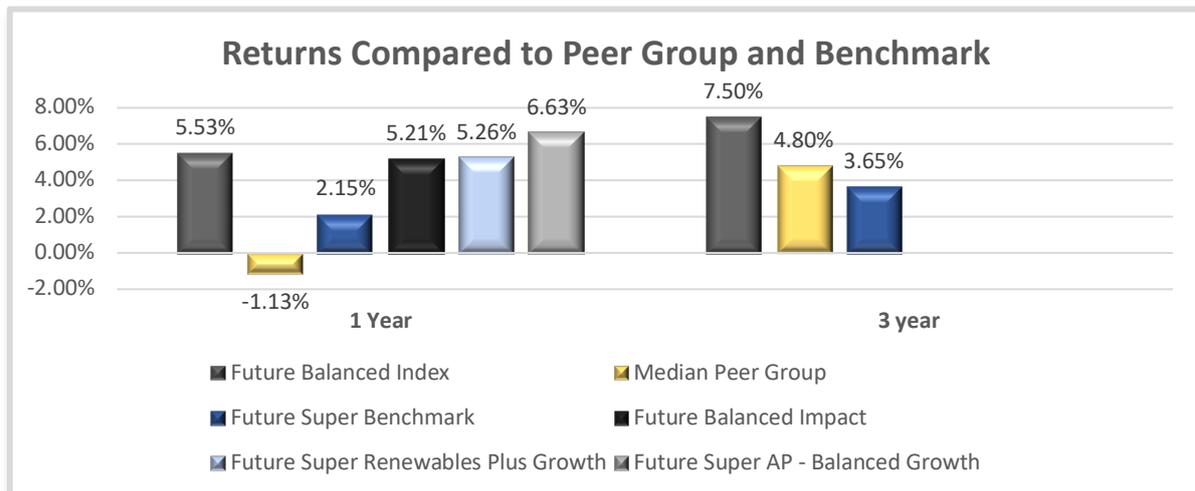
The Fund's investment strategy is to provide a diverse composition of investments considering the following:

- Provide strong risk-adjusted returns from investment in assets that satisfy the ethical, environmental or social criteria of the Fund; and
- The liquidity of the Fund's investments having regard to its expected cash flow requirements.

We invest across a diverse mix of assets such as shares, cash and fixed interest. The exposure to these asset classes is primarily obtained by holding assets indirectly via Exchange Traded Funds. We have an investment team ensuring the diversified portfolio is screened appropriately and actively managed.

We have determined our investment objective to be the rate of inflation (Consumer Price Index) plus 2.50%.

We used survey data from SuperRatings as the basis of our assessment of our investment option. SuperRatings specialise in ratings and research for the super industry and facilitates comparison of funds across a range of quantitative and qualitative factors. The below peer group<sup>2</sup> includes all Balanced options as classified by SuperRatings.



The above graphs reveal the following findings:

- All investment options outperformed the median peer group over the year<sup>3</sup>. All investment options also achieved higher returns in comparison to their determined benchmark; and
- The 3-year return for Future Balanced Index investment option has performed strongly, delivering 7.50% (annualised returns) and outperforming its peer group and set benchmark. The 3-year return is not available for the other investment options.

### 3.2 Level of Investment Risk

As a choice product, the Fund's investment strategy is intended to be suitable for members comfortable with accepting short term market/performance volatility in order to achieve higher returns. This product is designed for

<sup>2</sup> Peer Group - (Industry Public offer, Industry – Personal, Master Trust – Corporate and Master Trust – Personal as classified by SuperRatings).

<sup>3</sup> Past performance should not be relied upon as an indication of future returns.

# FUTURE SUPER

members who want to save for their retirement without investing in companies whose activities are not consistent with their ethical, environmental or social values. This provides members with access to investments with a Standard Risk Measure level of 6 with an estimated number of negative net investments between 4 to 6 over a 20-year period.

We believe that the investment strategy and risk and the return target is appropriate for our member cohort.

#### 4. Fees and Costs

Our aim is to maintain an adequate fee structure to ensure that member services can be appropriately delivered. Our goal is to create a better superannuation experience for members, with excellent customer service and investments that are helping to shape better environmental and social outcomes.

The table below shows the fee structure as at 30 June 2020:

	<b>Balanced Index</b>	<b>Balanced Impact</b>	<b>Renewables Plus</b>	<b>Balanced Growth Pension</b>
Admin Flat Fee	\$93.60	\$93.60	\$93.60	\$93.60
Admin Asset Fee	0.65%	0.65%	0.65%	0.65%
Investment & Indirect costs	0.32%	1.09%	1.10%	0.32%
<b>Total % Fees</b>	<b>0.97%</b>	<b>1.74%</b>	<b>1.75%</b>	<b>0.97%</b>

Because our average balance is around \$30,000 which is relatively low, a large proportion of members benefit from this combination of a flat and a percentage-based fee. The dollar-based Administration Fee of \$93.60p.a. is not charged to accounts with a balance less than \$6,000.

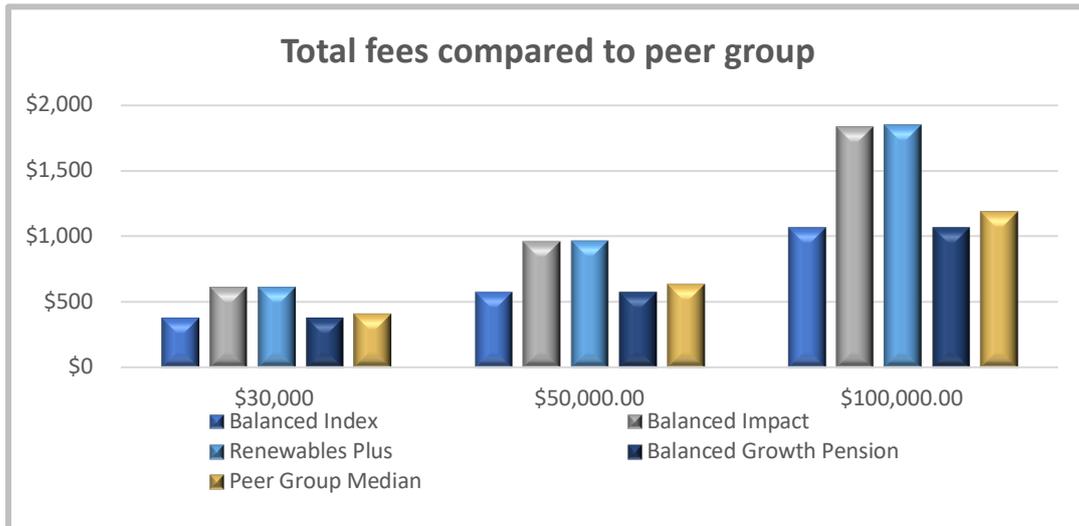
In order to better understand an individual member's account, we have conducted testing of members' total fees charged per annum on the fee structure in place at 30 June 2020 at various balances.

We used data from SuperRatings as the basis of this assessment<sup>4</sup>. We have measured our fees across the peer group. The graph determines that our total fees for Balanced Index and Balanced Growth Pension options are less expensive than the peer group median and the fees for Renewables Plus and Balanced Impact are more expensive than the peer group median. This is due to the costs associated with the active and ongoing screening of our investments. Additionally, the cost of alternative asset investing is accounted for in the investment fee.

---

<sup>4</sup> Peer Group - (Industry Public offer, Industry – Personal, Master Trust – Corporate and Master Trust – Personal as classified by SuperRatings).

# FUTURE SUPER



We have further measured our costs by calculating the operating expense ratio of the Fund against all superannuation funds using the publicly available statistics issued by Australian Prudential Regulation Authority (APRA). The results reveal that the Fund's operating expense ratio is 0.81%, which is higher than the median of 0.60% for retail funds. We regularly review the operations of the Fund to find efficiencies and improve members outcomes.

Taking this into consideration, on balance, we have determined that we have promoted the financial interests of our members.

## 5. Insurance

AIA is the Fund's Group Life Insurer. Members are able to opt-in to Life, TPD and Income Protection Insurance. The Fund has created an easy opt-in process that new members can use to opt-in online for Death and TPD cover. Members are also able to transfer cover from their old fund to their Fund account.

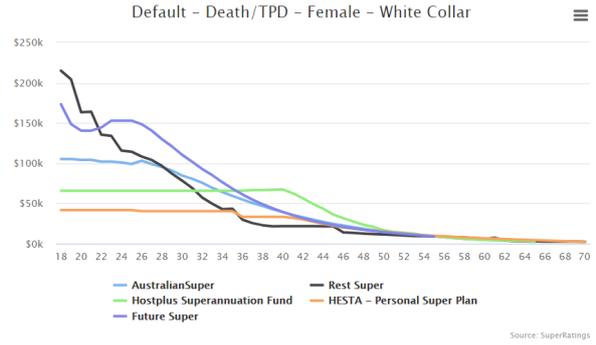
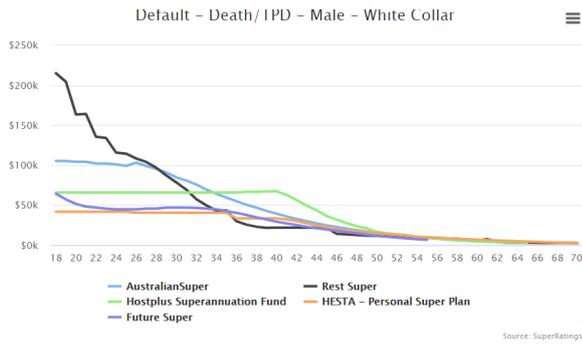
As cover is voluntary, there has not been a high level of uptake in the Fund. However, it is noted that offering insurance makes it more attractive for members to consolidate their entire super balances into the Fund, thereby improving the scale of the Fund and potentially improving member outcomes by avoiding the need for members to have multiple accounts.

Additionally, as members must opt-in and accept default insurance offering, after considering their personal situation and needs, we have determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

In our assessment we considered a comparison to other funds and we provide the comparison charts below showing insurance cover per \$1 per week premiums paid.

The below graphs show that the amount of cover per \$1 per week premium paid provide a female white collar member with a comparable value cover to other funds, but a white collar male member will receive less cover:

# FUTURE SUPER



Source: SuperRatings