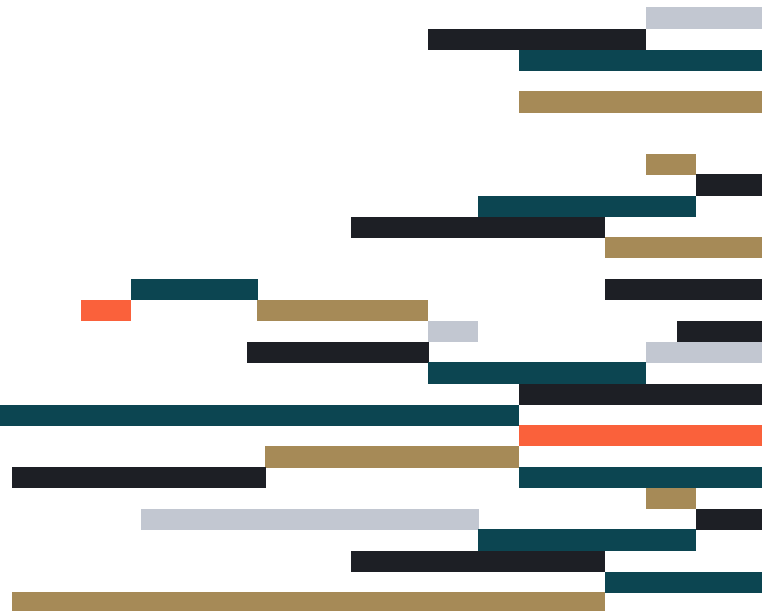


# RetireSelect

Member Outcomes Assessment  
For the year ended 30 June 2022

28 February 2023

 **diversa** *RetireSelect*



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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 RetireSelect. It analyses how RetireSelect'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.

The comparative analysis for RetireSelect's Accumulation and Pension products is contained in separate sections within this report, however the assessment of product appropriateness applies across both types of products.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2023, and is relevant for the financial year ended 30 June 2022.

## 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



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# Product Determinations

The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its **Accumulation product** and in its **Pension product** on the basis that:

- Total fees (which includes both administration and investment fees) at a product level are generally in line with or less expensive than the peer fund median for FY22 across most modelled balance points for most investment options except the Cash option;
- For investment returns, the majority of RetireSelect's investment options outperformed or were in line their relevant peer fund median on a one, three and five years' basis.
- Risk-adjusted returns are in line with peer fund medians for a majority of investment options; and
- The objective assessment factors, being RetireSelect's options, benefits and facilities, investment strategy, insurance strategy and fees, operating costs and the basis for setting fees, are considered appropriate for RetireSelect's members and do not inappropriately erode their retirement balances.

The Trustee notes however, that there is an opportunity for improvement in the relative competitiveness of administration fees as a result of the recent increase in scale of the Fund through merger activity as this will assist to drive down costs borne by members.



# Choice Overview



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# RetireSelect Overview

RetireSelect is branded as a superannuation fund that 'makes super simple with a variety of choice' where members can self-manage their own investments or have RetireSelect manage their investments, or a combination of the two.

RetireSelect offers both Choice Accumulation and Pension products, where members have the option of investing in a range of investments including pre-mixed pooled investments and a direct investments platform. Through the direct investment platform, members can invest in a Cash Hub, Managed Funds, Managed Account Model Portfolios, ASX Listed Securities and Term Deposits.

RetireSelect offers the following five pooled investment options for members to invest in. For the purposes of this Member Outcomes Assessment, the focus has been on assessing the comparative fees, investment performance and investment risk of these pooled investment options.

**Balanced  
Option**

**High Growth  
Option**

**Growth  
Option**

**Moderate  
Option**

**Cash Option**





# Accumulation Comparative Assessment

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# Fees & Costs Comparison: Accumulation Pooled Investment Options

## **Total Fees**

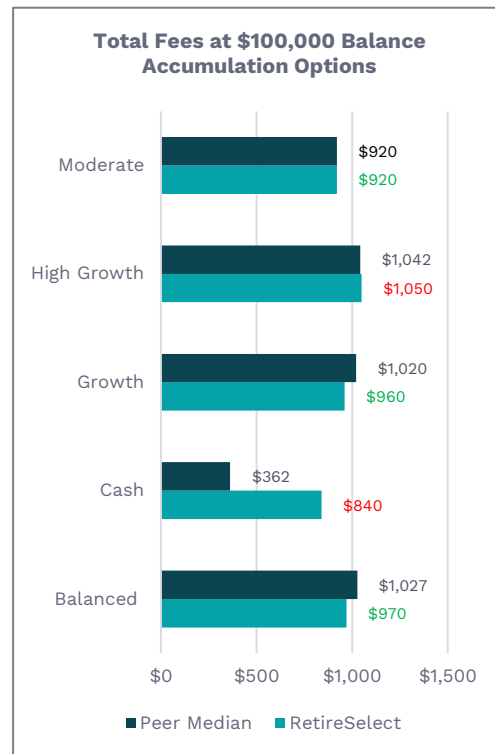
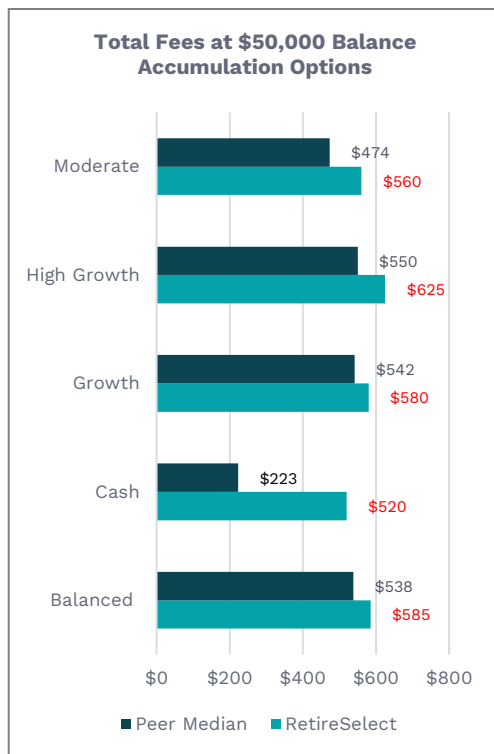
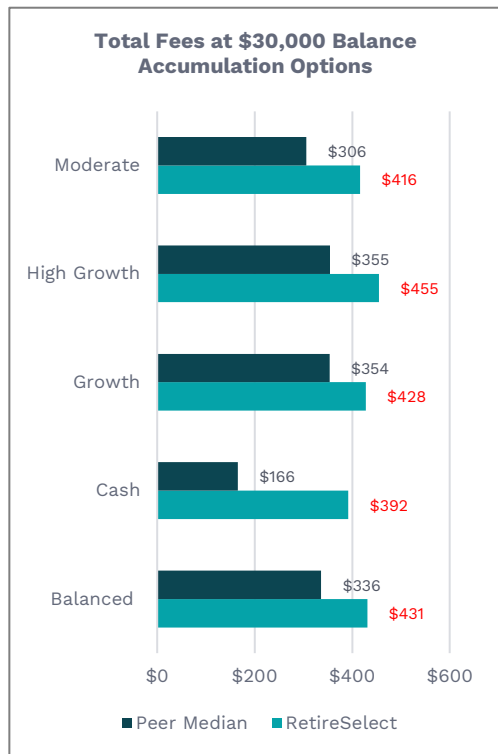
RetireSelect's total fees (administration fee plus investment fees) for Accumulation members are compared to peer fund median fees in the charts following this slide. RetireSelect's investment options are lower cost than the peer fund median when total fees are calculated on a \$100,000 balance and generally aligned to the peer fund median when calculated on a \$50,000 account balance. However, the Cash investment option and High Growth option are higher cost across all account balances and all investment options are higher cost at the \$30,000 account balance point than the relevant peer fund medians.

## **Administration Fees**

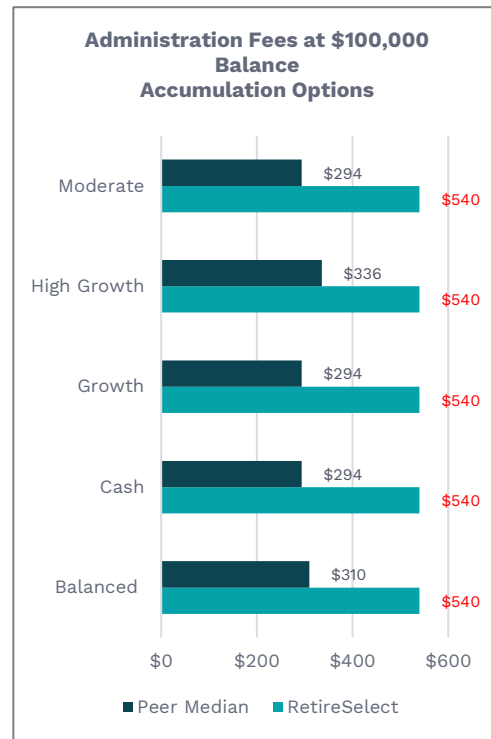
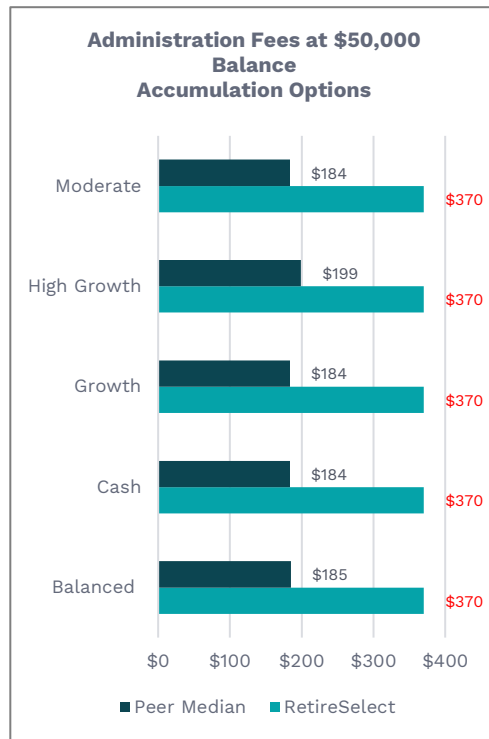
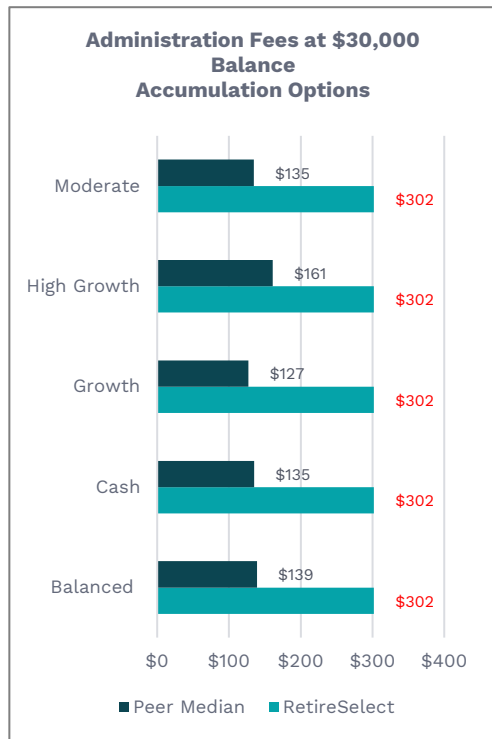
On page 12, RetireSelect's Accumulation administration fees are compared to peer fund median administration fees. RetireSelect is higher cost across investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balance.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product as the total fees for RetireSelect at a product level are less expensive than the peer fund median on a majority of investment options on higher balances taking into account the average account balance of \$215,000. The Trustee notes however, that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

## Fees & Costs Comparison: Total Fees–Accumulation Pooled Investment Options



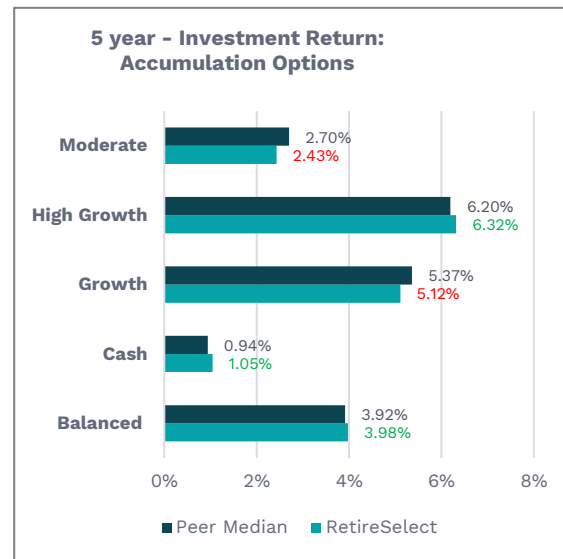
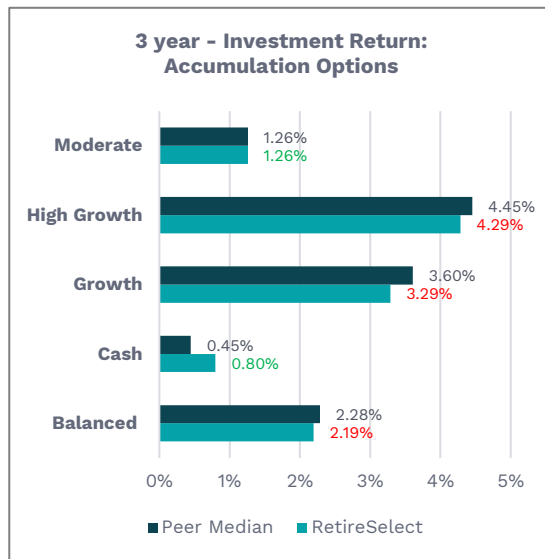
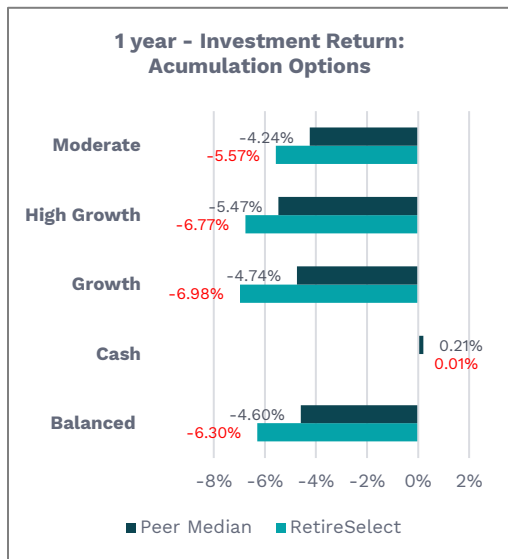
## Fees & Costs Comparison: Total Fees – Accumulation Pooled Investment Options



# Investment Return Comparison: Accumulation Pooled Investment Options

RetireSelect's options' net investment returns over a one year period to 30 June 2022 have all underperformed the peer fund median. RetireSelect's investment options over three year has also underperformed against the median, with the exception of the Moderate and Cash options. The majority of returns over the five year period outperformed against its peer median.

The Trustee has determined that it is promoting the financial interests of the beneficiaries of its Accumulation product with respect to investment performance as the majority of investment options have outperformed the relevant peer fund median.

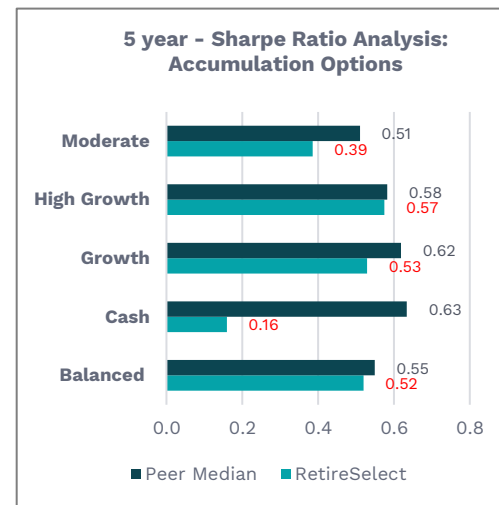
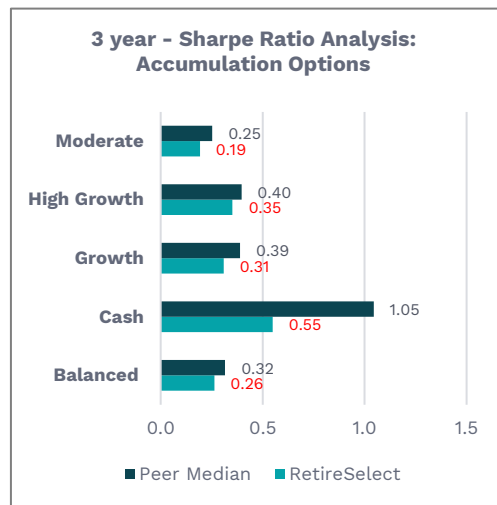
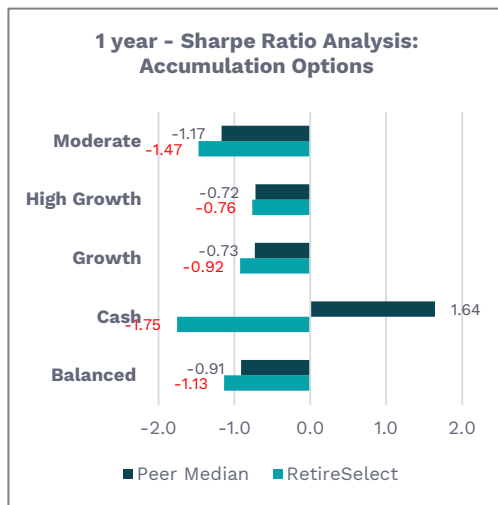


# Investment Risk Comparison: Accumulation Pooled Investment Options

In the following graphs, we measure the performance of RetireSelect's investment options after adjusting for risk and comparing against 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 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.

RetireSelect's Sharpe ratio over one year, three and five years are under the peer fund medians for all investment options. Its Cash investment option however is significantly lower than the peer fund median across all periods.

The Trustee has determined the financial interests of the beneficiaries of its Accumulation product are not being promoted as risk-adjusted returns are under peer fund medians for all investment options.





# Pension Comparative Assessment



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# Fees & Costs Comparison: Pension

## **Total Fees**

RetireSelect's total fees (administration fee plus investment fees) for its Pension products are compared to peer fund median fees in the charts following this page. RetireSelect's investment options are lower cost than the peer fund median when total fees are calculated on a \$50,000, and \$100,000 balance. However, the Cash investment option and High Growth option are higher cost across all account balances and all investment options are higher cost at the \$30,000 and \$50,000 account balance point than the relevant peer fund medians.

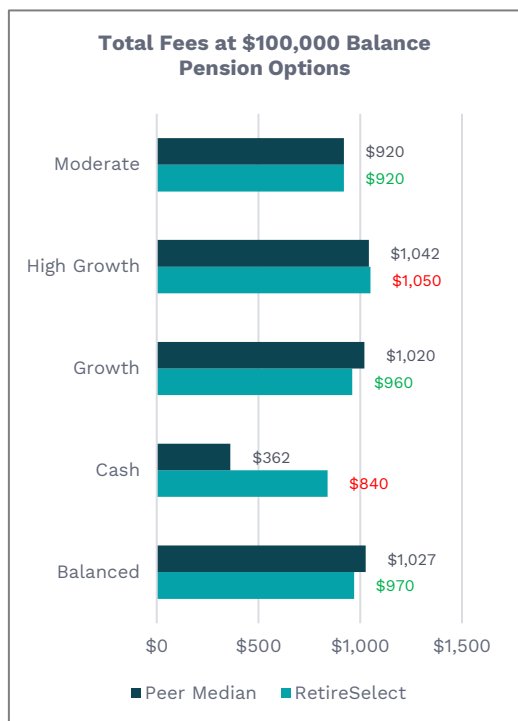
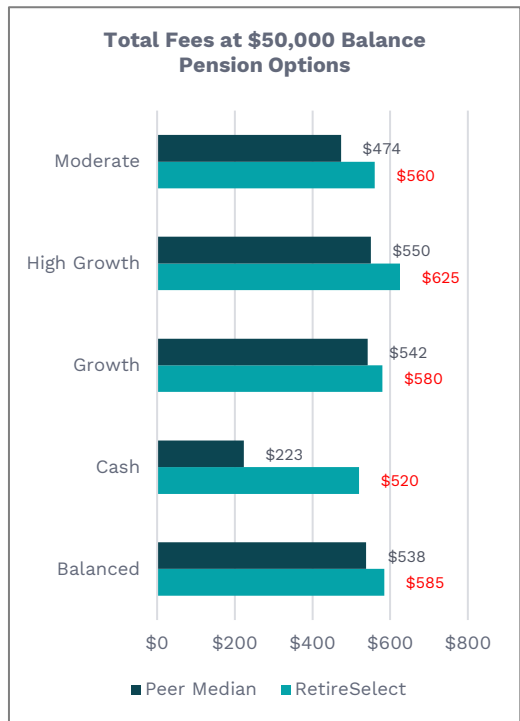
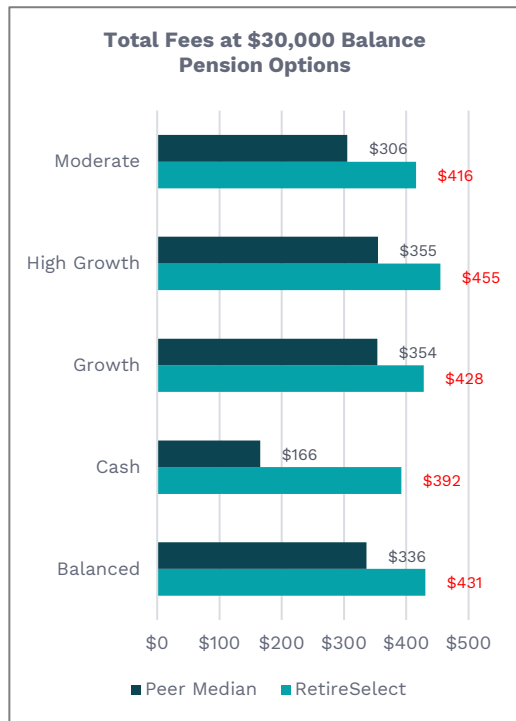
## **Administration Fees**

On page 19, RetireSelect's Pension administration fees are compared to peer fund median administration fees. RetireSelect is higher cost across investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balance.

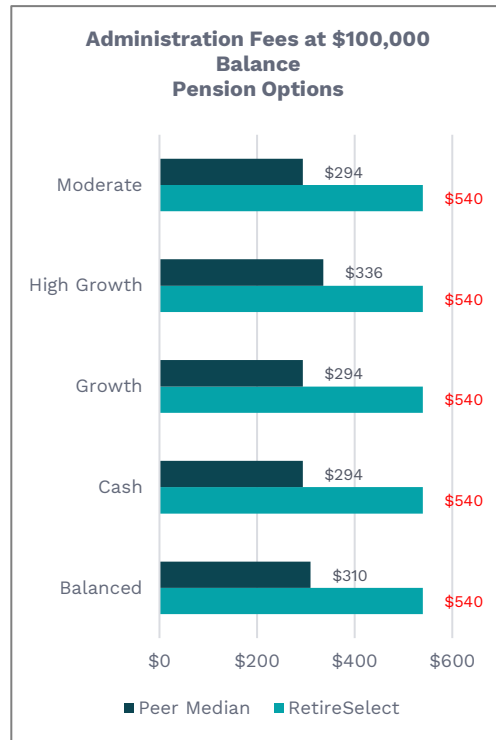
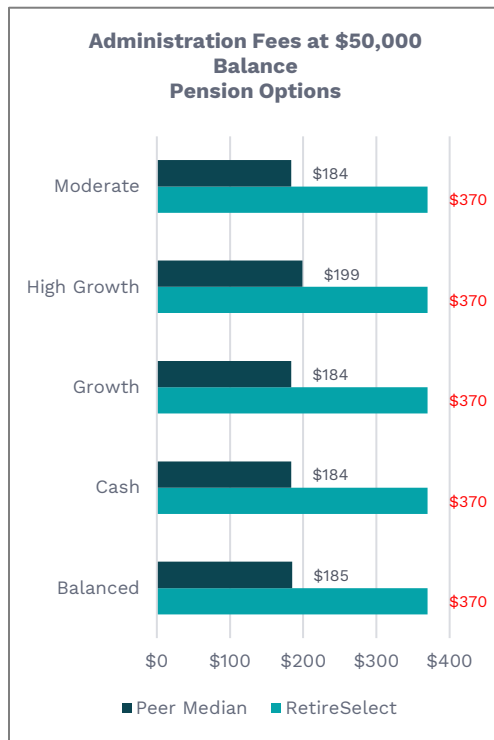
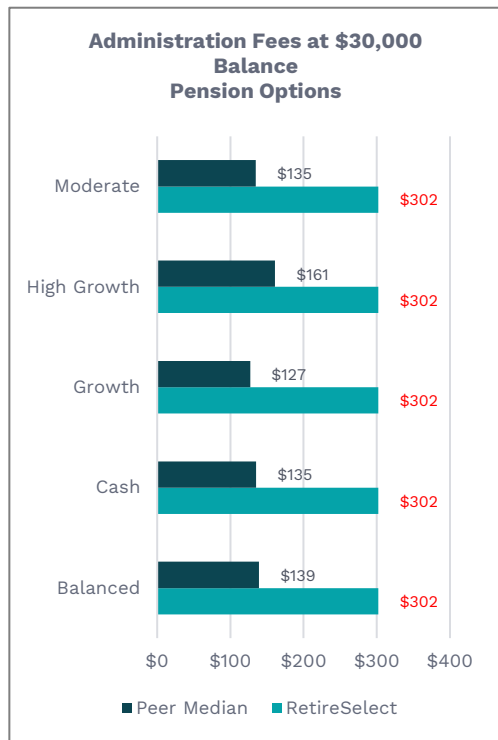
On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the total fees for RetireSelect at a product level are less expensive than the peer fund median on a majority of investment options on higher balances taking into account the average account of \$215,000 into account. The Trustee notes however, that there is an opportunity for improvement on administration fees in order to be more competitive with peers.



# Fees & Costs Comparison: Total Fees–Pension Pooled Investment Options



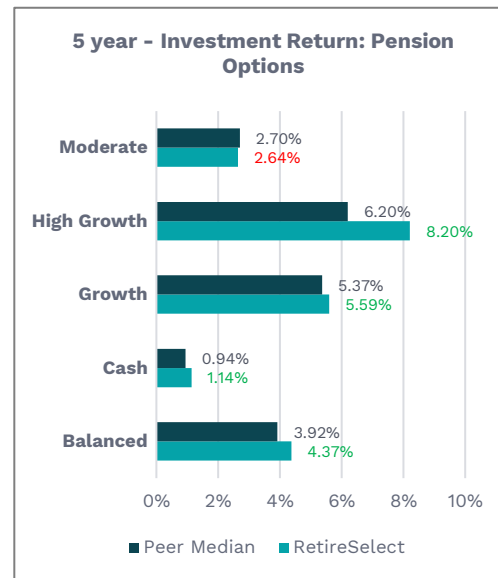
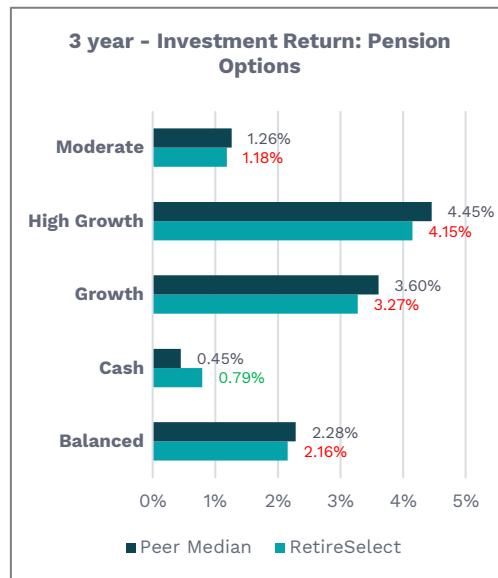
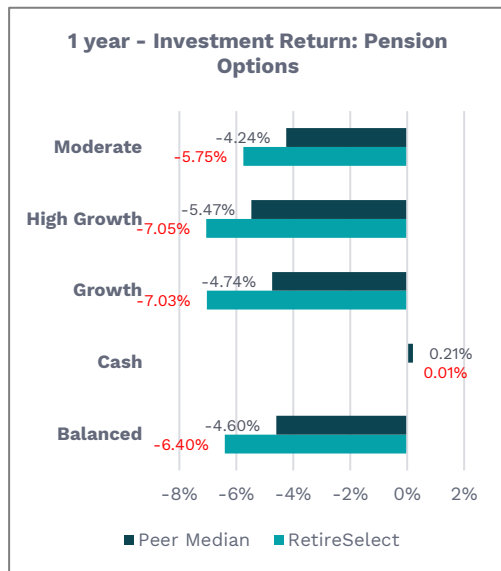
# Fees & Costs Comparison: Adminstration Fees– Pension pooled Investment Options



# Investment Return Comparison: Pension- Pooled Investment Options

RetireSelect's options' net investment returns over a one year period to 30 June 2022 have all underperformed the peer fund median. RetireSelect's options over three year period have underperformed with an exception of the Cash option which outperformed the median. All investment options have outperformed the median over the five year period with the exception of the Moderate investment option slightly underperforming over five years.

The Trustee has determined the financial interests of the beneficiaries of its Pension product are being promoted as investment returns are exceeding peer fund medians for a majority of investment options over the longer period. As superannuation is a long term investment, longer dated performance is considered more significant.

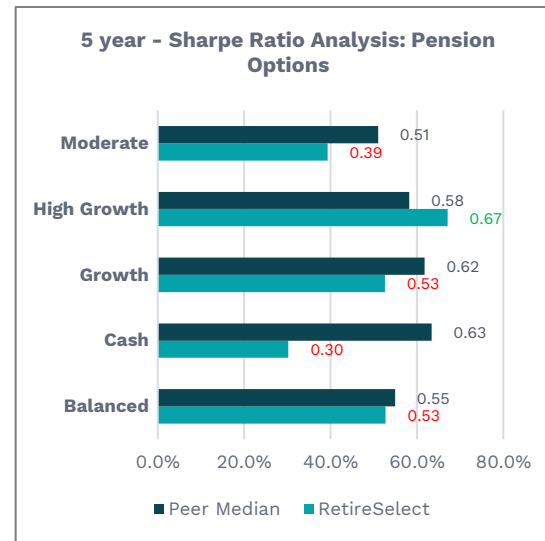
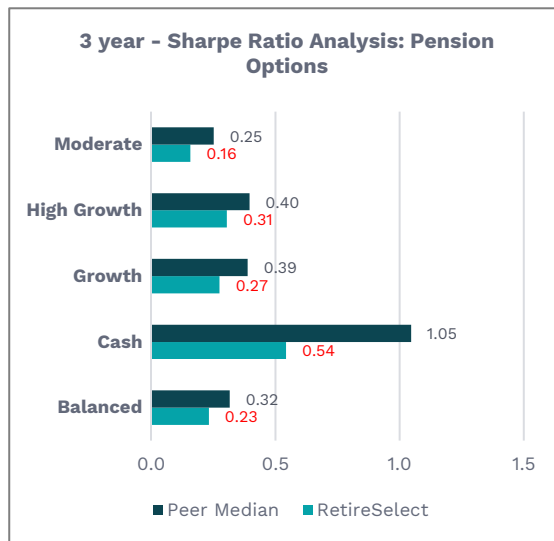
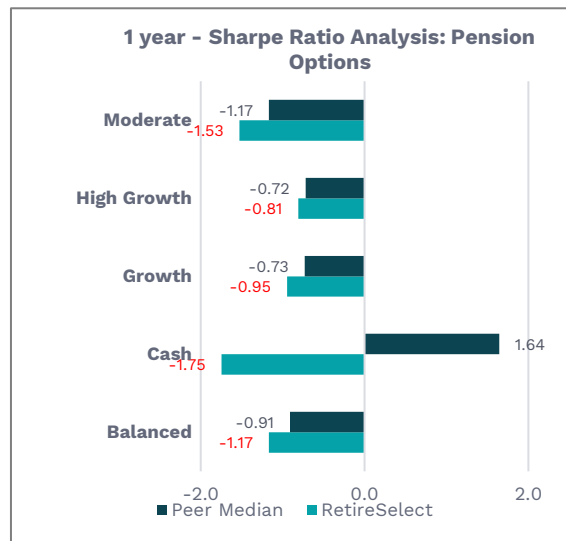


# Investment Risk Comparison: Pension-Pooled Investment Options

In the following graphs, we measure the performance of RetireSelect's investment options after adjusting for risk and comparing against 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 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.

RetireSelect's Sharpe ratio over one year, three and five years are slightly under peer fund medians for its diversified options. Its Cash investment option however is significantly lower than the peer fund median across all periods.

The Trustee has determined the financial interests of the beneficiaries of its Pension product are being promoted as risk-adjusted returns are in line with peer fund medians for a majority of investment options.



# Direct Investments Platform – Full Menu

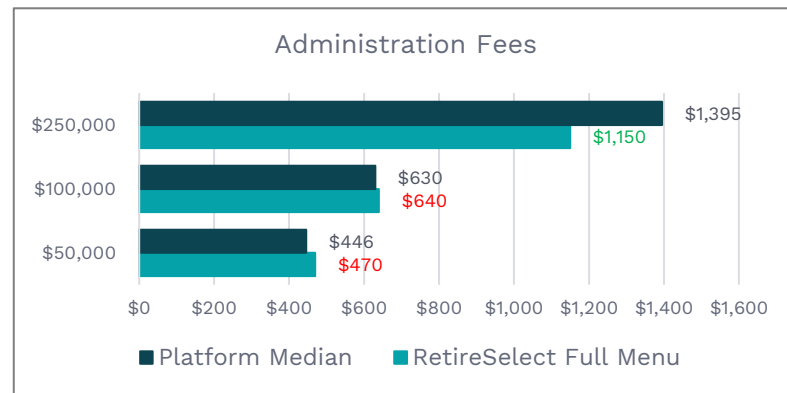
Members have also access to full category investment menu called Full Menu.

## Fees and Costs Comparison on Full Menu

The graph represents a fee comparison of full menu administration fees to other similar products in the industry. As investment management fees are charged by the individual investment managers and deducted from the returns, these vary by the individual managed fund or ETF investment option selected and are not comparable to benchmarks based on pooled investment structures.

RetireSelect Full Menu Administration Fees are lower cost at a product level when administration fees are calculated on \$50,000, \$100,000 and \$250,000 balances.

On balance, the Trustee has determined it is promoting the financial interest of the beneficiaries of its ‘Full Menu’ product as the administration fees are less expensive than the peer fund median.



Source: Peer median is derived from 21 similar platform products. Administration fees are inclusive of any cost of recovery fees or Operational Risk Financial Requirement reserves.

## Investment Returns and Risk comparison on Full Menu

Investments made through the Full Menu form part of the self-directed investment strategy. Members choose and manage their own investments or with the guidance from their financial advisor. The level of risk will vary depending on personal circumstances, expected investment timeframe, risk tolerance of the members, personal investment objectives and long-term goals. The Trustee is comfortable that a sufficient range of direct investments is available via the Full Menu to ensure that members and their financial adviser are better able to make appropriate decisions. The Trustee monitors the risks and returns of each managed fund option and applies restrictions reducing the maximum allowable exposure for members.



# Product Appropriateness Assessment



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## OPTIONS, FACILITIES & BENEFITS

RetireSelect offers a range of services and products to all members in order to assist them with engaging with their superannuation to optimise their retirement outcomes.

RetireSelect's focus on driving improvements to the quality and usage of communication and member engagement tools has resulted in above average member engagement. Members and their Advisors have access to the digital online portal for reviewing and updating their investments. As well as the ability to purchase and sell pooled investments and direct assets members have access to comprehensive market data and extensive reporting functionality to assist them into making informed decisions and to help them monitor the superannuation account portfolio of assets.

Access to the 'Education Hub' continues to provide members with a structured form of financial education on superannuation and its key basics. The Education Hub's digital content and financial literacy tools are being actively monitored to improve and tailor content to members with a focus on driving engagement and improving member financial literacy.

The Trustee has made available to members a Retirement Income Calculator via its website. The calculator is a forecasting tool that is free to members and is intended to assist them in reviewing their financial situation and to help them engage with their superannuation, particularly as they approach retirement

The Trustee has determined that the options, benefits and facilities offered under the product are appropriate to members.

## INVESTMENT STRATEGY

RetireSelect's investment menu consists of four diversified investment options and a Cash investment option. It offers these investment options across both a Accumulation and Pension.

RetireSelect's diversified options cover all of APRA's five growth asset allocation classifications. For investors seeking greater liquidity or who have a more conservative risk appetite, RetireSelect also has a Cash investment option.

In addition, members who are more confident in managing their financial affairs have access to a direct investments platform, available through the OneVue Managed Account, where they can invest in a Cash Hub, Managed Funds, Managed Account Model Portfolios, ASX Listed Securities and Term Deposits.

RetireSelect reviewed its investment strategy in September 2022. As a result of the review there were no changes recommended to the investment or risk objectives.

Based on the above, the Trustee has determined that the investment strategy and investment menu is appropriate for members as it provides options members with varying risk profiles, circumstances and capital preservation priorities.

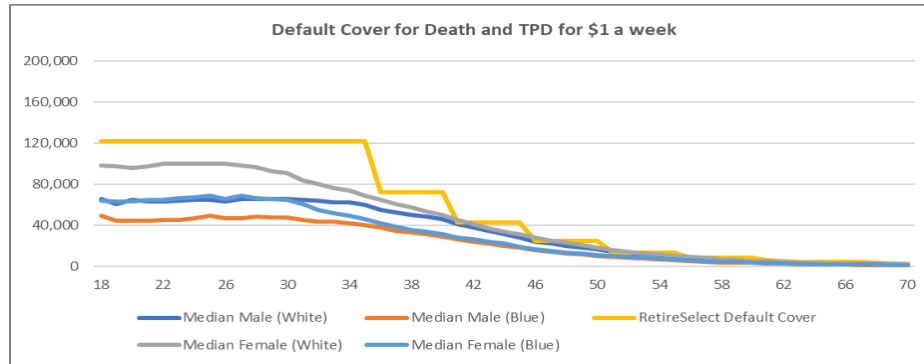
## INSURANCE STRATEGY & FEES

RetireSelect provides insurance for members through MLC Limited. Insurance is available to members via both the Employer and Personal Division. There are no members of participating employers using the Employer Division Default insurance cover. Advisers join members up using the Personal Division, where the members opt into insurance cover. Default cover is available for Death & TPD, as well as underwritten, and transfer in cover. Salary continuance cover is available as opt in voluntary (underwritten) cover only. As insurance is offered on an opt-in basis, members must consider their personal situation and needs. Therefore, the Trustee has determined that there is no inappropriate erosion of members' retirement income due to the impact of insurance premiums.

RetireSelect Employee Division Default insurance cover amount of cover is determined by your age and is fixed at \$4.38 p.w. for Death and TPD, which maintains affordability. Personal Division Default amount of cover is also determined by your age, gender, and is fixed cover. For underwritten income protection cover, your occupation is considered. RetireSelect has 5 occupational categories available.

The following graph shows RetireSelect's premiums\* for Automatic Death and Total and Permanent Disability insurance cover compared to the industry median.

Generally speaking, as members become older, the cover decreases to reflect the rise in health risk. As shown below, we consider the insurance premiums to be competitive relative to the median for all ages.



Based on our analysis, the Trustee has determined that the insurance strategy for the product is appropriate for RetireSelect's members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.



## SCALE

RetireSelect had 506 members with approximately \$109M in funds under management as at 30 June 2022:

- Net members' benefits flows of \$-4.3M, compared to the industry median of \$23.8M
- Number of member accounts decreased by -8%, compared to the industry median of 0.084%
- Net rollovers into RetireSelect Super of \$-5M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 160.88%, compared to the industry median of 91.40%

Although the above data indicates that RetireSelect was in an outflow position during FY22, it is significant to note that, during FY22, members of RetireSelect transitioned to become a part of YourChoice Super a sub-plan of OneSuper at 30 June 2022. This resulted in members becoming part of a larger sub-plan within OneSuper to improve scale and efficiencies and provide access to a comprehensive range of services. This consolidation has the potential to realise improved member benefits and lower overall costs through a range of efficiencies for members of AusPrac and OneSuper.

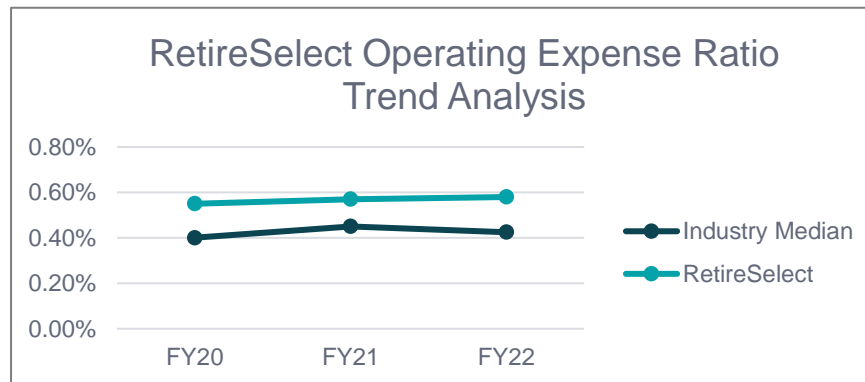
With the transition to the YourChoice sub-plan, members are now part of a greater FUM and larger member pool, this is likely to drive down fixed cost per member and per dollar of FUM.

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

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

## OPERATING COSTS

RetireSelect's operating expense to asset ratio trend is shown in the graph below compared to the industry fund median. It is noted that RetireSelect's operating expense ratio was slightly higher than that of the median fund in FY20, but it had a large increase during the 2021 and 2022 financial year. The increase was mainly caused due to consolidation costs that were charged to RetireSelect and the smaller size of the Fund.



Noting the smaller size of the Fund, the operating costs are considered appropriate for AUSPrac's members and do not inappropriately erode their retirement balances. However, it is expected future operating costs will significantly reduce as a result of improved scale through consolidation of products.

## 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 a tiered asset-based fee, an account keeping fee, and an expense recovery fee (tables for these fees are shown below). The combination of minimum fees and a reducing asset-based fee applicable to larger account balances ensures that the costs of services available to all members are appropriately shared across the fund membership base.

Administration fees are charged to members on a monthly basis and investment fees are factored into unit price. This ensures 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. Hence, retirement balances would not be eroded. We note the average account balance is \$215,000.

Asset-based Fees		
From	To	Rate
\$0	\$250,000	0.31% p.a.
\$250,001	\$500,000	0.21% p.a.
\$500,001	\$1m	0.18% p.a.
Over \$1m		Nil

Expense Recovery fee	
0.03% p.a. + \$50 p.a.	
Account keeping fee	
Core Menu	\$150 p.a.
Full Menu	\$250 p.a.



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