

# YourChoice Super

**Member Outcomes Assessment**  
For the year ended 30 June 2021

28 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 YourChoice Super. It analyses how YourChoice Super'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 YourChoice Super's Accumulation and Pension products is contained in separate sections within this report, however the assessment of product appropriateness applies across both the Accumulation and Pension products.

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 Determinations

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

- The majority of total fees (which includes both administration and investment fees) are less expensive than the peer fund median across all modelled balance points for all investment options; and
- The investment returns of the majority of investment options outperformed the peer fund median across analysed timeframes. Risk adjusted returns are also in line with peer medians, with the exception of the Cash option; and
- The objective assessment factors, being YourChoice Super's options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and the basis for setting fees, are considered appropriate for YourChoice Super's members and do not inappropriately erode their retirement balances.

The Trustee notes however, that there is an opportunity for improvements to be made as a result of the recent increase in scale of the Fund through merger activity which can help drive down costs borne by members.

# Choice Overview

# YourChoice Super Overview

YourChoice Super is a superannuation fund that 'caters for those who want to be in the driving seat for their super with all of the advantages but without the complexity of running their own super fund'. It provides a variety of investment options, optional insurance cover and 24/7 online access.

YourChoice Super 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.

YourChoice Super offers the following nine pooled investment options which are available to both Accumulation and Pension members. 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.

**High Growth  
Option**

**Passive High  
Growth  
Option**

**Growth  
Option**

**Passive  
Growth  
Option**

**Balanced  
Option**

**Passive  
Balanced  
Option**

**Moderate  
Option**

**Passive  
Moderate  
Option**

**Cash Option**



# Accumulation Comparative Assessment

# Fees & Costs Comparison: Accumulation

## Total Fees

YourChoice Super's total fees (administration fee plus investment fees) for Accumulation members are compared to peer fund median fees in the charts on pages 11 and 12. YourChoice Super's accumulation and passive accumulation investment options are considerably lower cost than the peer fund median when total fees are calculated on a \$100,000 balance with the exception of its Cash option.

YourChoice Super's passive accumulation investment options are lower cost than the peer fund median when total fees are calculated on a \$50,000 balance. YourChoice Super's Passive Growth and Passive High Growth options are also lower cost at \$30,000 balance with the other passive options (Moderate and Balanced) only slightly higher cost at \$30,000 balance. YourChoice Super's accumulation options are also competitive at \$50,000 balances with the exception of Cash and, to a very slight extent, High Growth.

The Trustee notes that this is consistent with APRA's heatmap which rated YourChoice Super as having significantly more competitive fees than the median fund on a total fees basis for \$50,000 and \$100,000 balances.

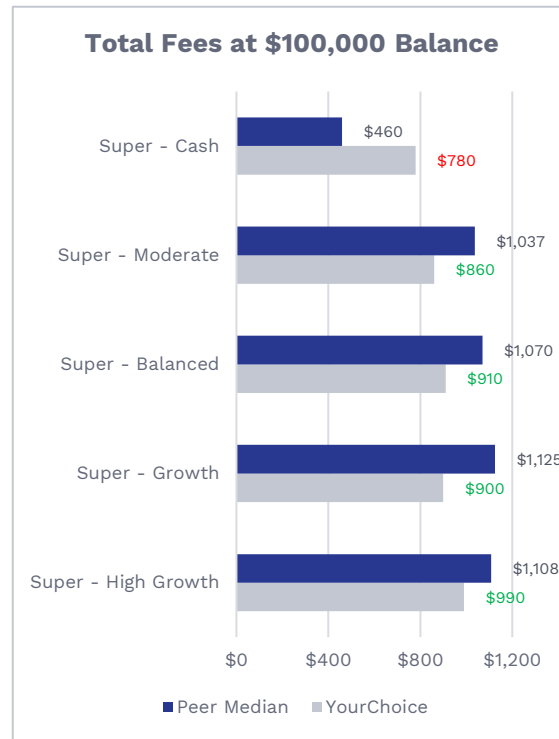
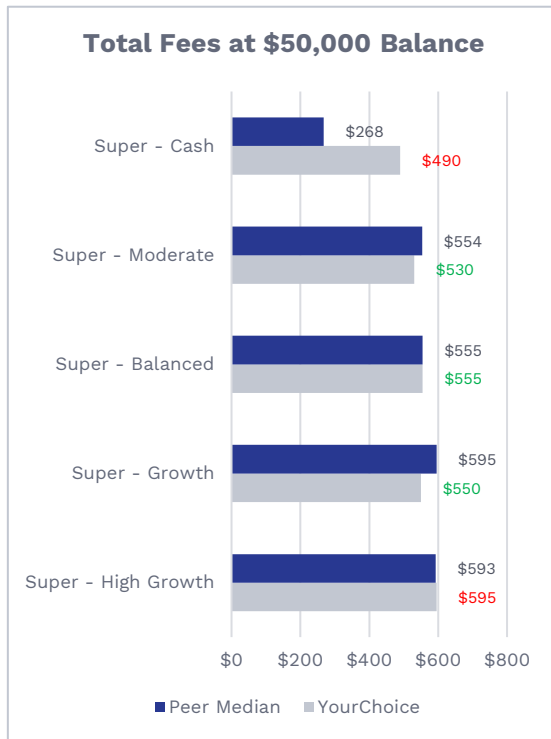
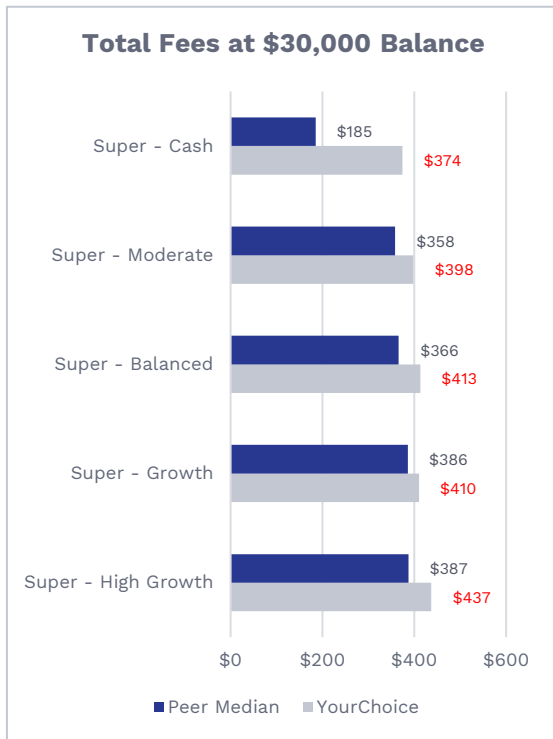
## Administration Fees

On pages 13 and 14, YourChoice Super's Accumulation administration fees are compared to peer fund median administration fees. YourChoice Super is significantly higher cost than the median across all Accumulation investment options when calculated on \$30,000, \$50,000 and \$100,000 balances.

The Trustee notes that this is consistent with APRA's heatmap which rated YourChoice Super as having significantly less competitive fees than the median fund on a total fees basis for \$50,000 and \$100,000 balances.

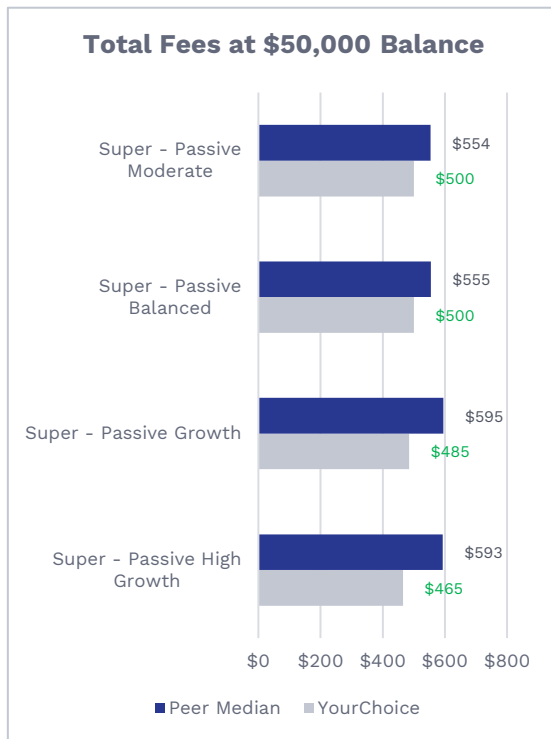
On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation products as the total fees for YourChoice Super at a product level are less expensive than the peer fund median. The Trustee notes that improvement on administration fees is also needed in order to be more competitive with peers.

# Fees & Costs Comparison: Accumulation, Active Options



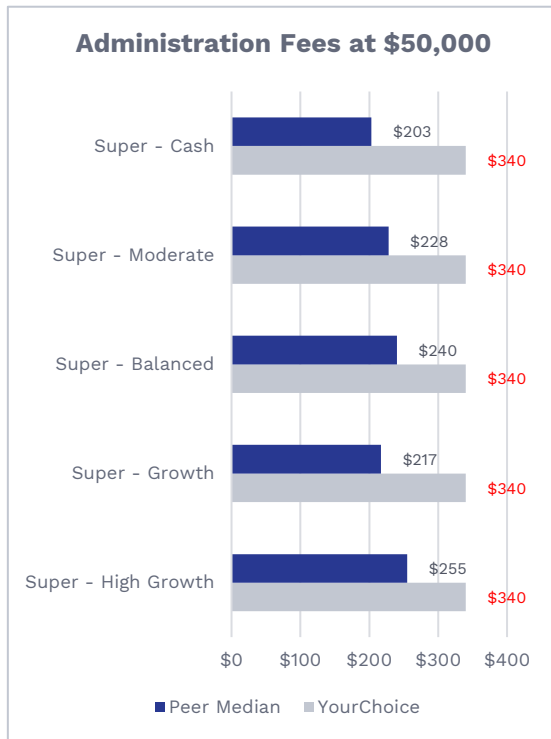
Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Super - High Growth Option, Balanced (60-76) for the Super - Growth Option, Conservative Balanced (41-59) for the Super - Balanced Option, Capital Stable (20-40) for the Super - Moderate Option, and Cash for the Super - Cash Option)

# Fees & Costs Comparison: Accumulation, Passive Options



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Super - Passive High Growth Option, Balanced (60-76) for the Super - Passive Growth Option, Conservative Balanced (41-59) for the Super - Passive Balanced Option, and Capital Stable (20-40) for the Super - Passive Moderate Option)

# Fees & Costs Comparison: Accumulation, Active Options



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Super - High Growth Option, Balanced (60-76) for the Super - Growth Option, Conservative Balanced (41-59) for the Super - Balanced Option, Capital Stable (20-40) for the Super - Moderate Option, and Cash for the Super - Cash Option)

# Fees & Costs Comparison: Accumulation, Passive Options



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Super - Passive High Growth Option, Balanced (60-76) for the Super - Passive Growth Option, Conservative Balanced (41-59) for the Super - Passive Balanced Option, and Capital Stable (20-40) for the Super - Passive Moderate Option)

# Investment Return Comparison: Accumulation

## Actively Managed Investment Options

YourChoice Super's net investment returns across its actively managed Accumulation options in the year to 30 June 2021 have all outperformed the peer fund median. All actively managed Accumulation investment options outperformed their relevant peer fund medians over the three year and five year periods to 30 June 2021, with the exception of the Moderate investment option.

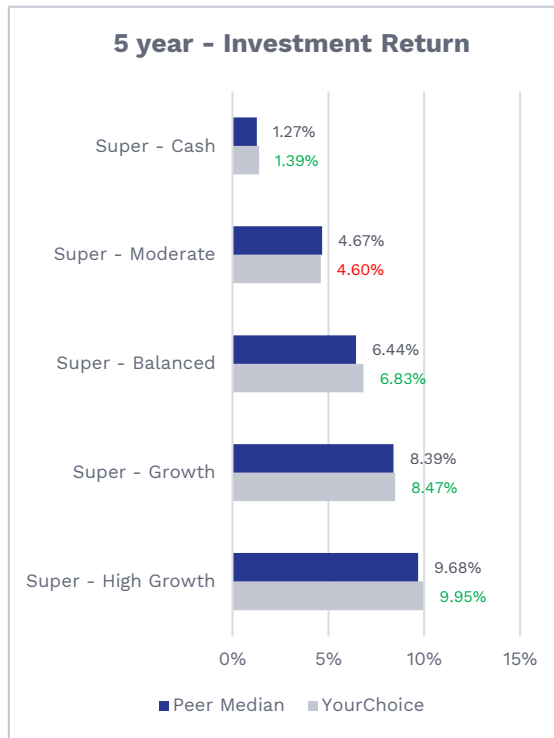
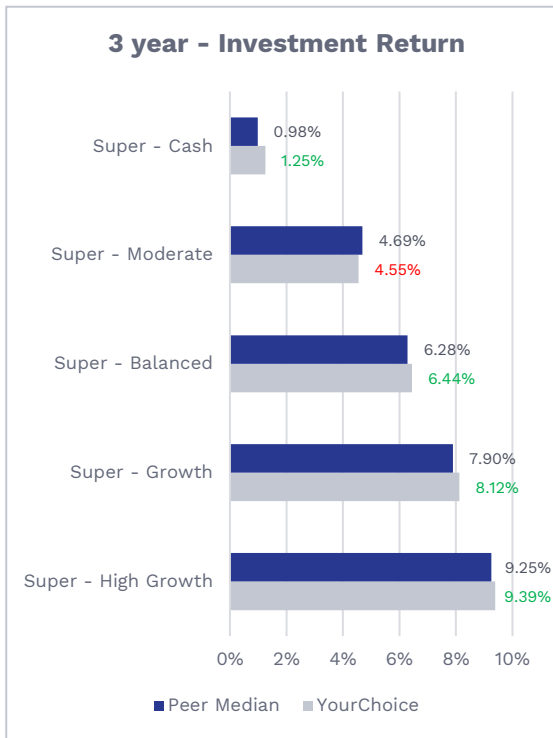
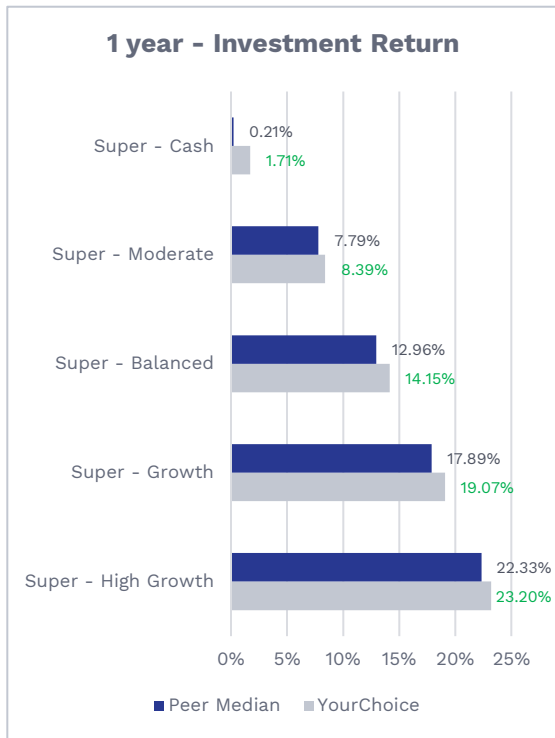
## Passive Investment Options

Page 16 illustrates the investment performance of YourChoice Super's passive Accumulation options. All options have outperformed their peer fund medians across one, three and five year timeframes, with the exception of the Passive High Growth option which underperformed its median in the year to 30 June 2021. Three and five year performance is not available for the Passive Growth and Passive Moderate investment options.

YourChoice Super's passive investment options have all outperformed APRA's Strategic Asset Allocation Benchmark over the three year timeframe, which will be used for the Your Future Your Super performance test. YourChoice Super's Balanced and High Growth options underperformed APRA's Strategic Asset Allocation Benchmark over three years, but are within the 0.50% tolerance. Currently, no longer dated performance is available for these options on the heatmap or any performance for the other options.

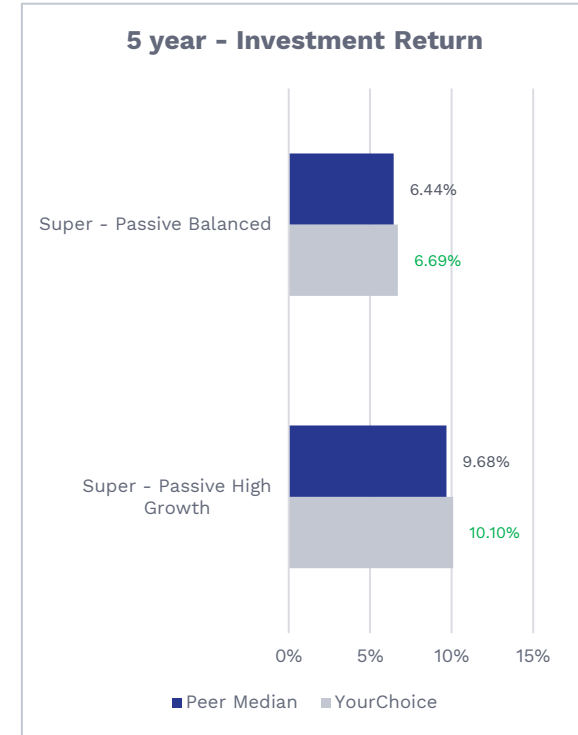
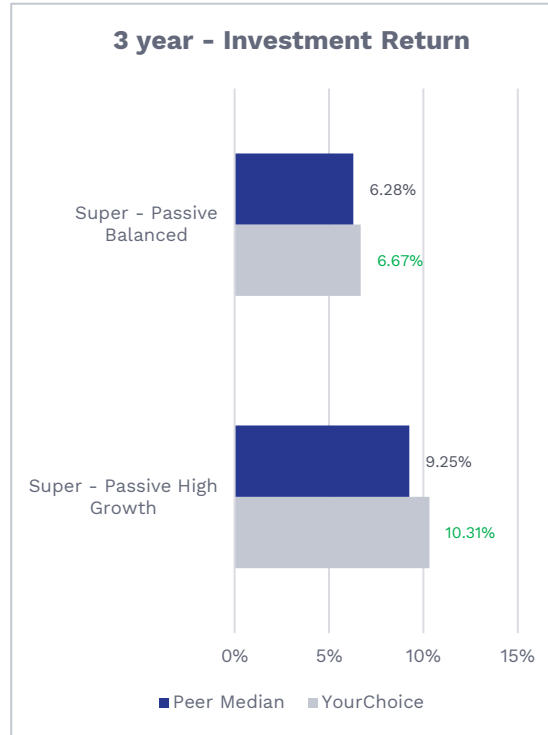
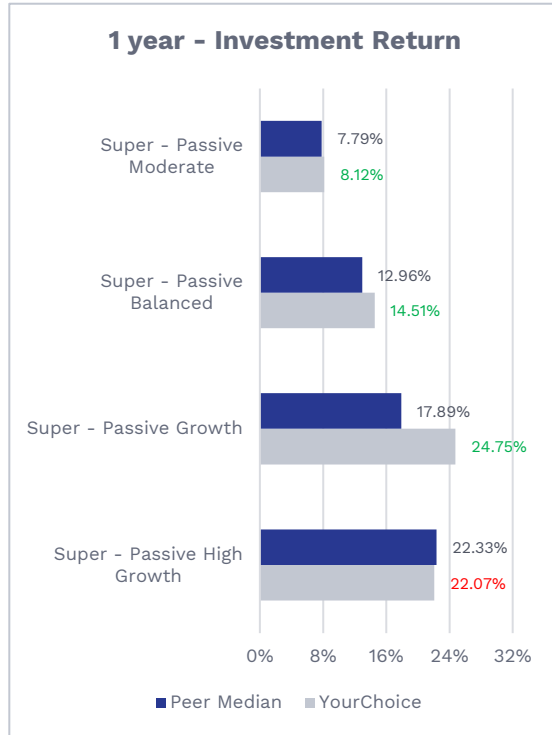
On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation products. Performance for shorter and longer timeframes are either outperforming or are in line with peer fund medians. All options are currently outperforming or in tolerance of their APRA performance benchmarks, however the Trustee notes that there are opportunities to uplift the performance on the investment options that are slightly underperforming their APRA benchmarks.

# Investment Return Comparison: Accumulation, Active Options





# Investment Return Comparison: Accumulation, Passive Options



# Investment Return Comparison: Accumulation

YourChoice Super's passive options have outperformed APRA's Strategic Asset Allocation Benchmark over a three year timeframe, which will be used for the Your Super Your Future performance test. YourChoice Super's Balanced and High Growth options both underperformed APRA's Strategic Asset Allocation Benchmark over three years, but are within the 0.50% tolerance.

Note that no data for the Growth, Moderate, Passive Growth and Passive Moderate options is available. Data for periods greater than three years was also not available as of yet for any of the investment options.

Value of YourChoice Super's Product Selection\* in the past 3 years

Value of YourChoice Super's asset allocation\*\* in the past 3 years

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.
YourChoice Super - Balanced	6.75%	-0.28%	-0.54%
YourChoice Super - Growth	N/A	N/A	N/A
YourChoice Super - High Growth	9.70%	-0.10%	-0.20%
YourChoice Super - Moderate	N/A	N/A	N/A
YourChoice Super - Passive Balanced	6.98%	0.58%	-0.30%
YourChoice Super - Passive Growth	N/A	N/A	N/A
YourChoice Super - Passive High Growth	10.62%	0.75%	0.66%
YourChoice Super - Passive Moderate	N/A	N/A	N/A



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

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

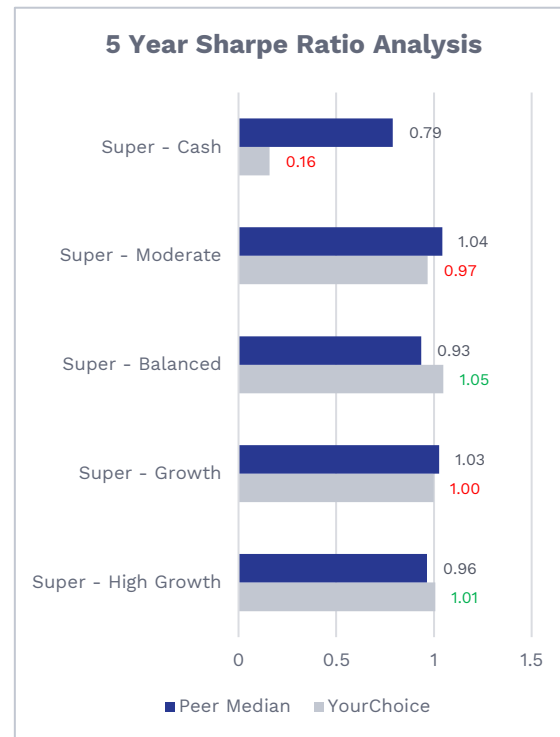
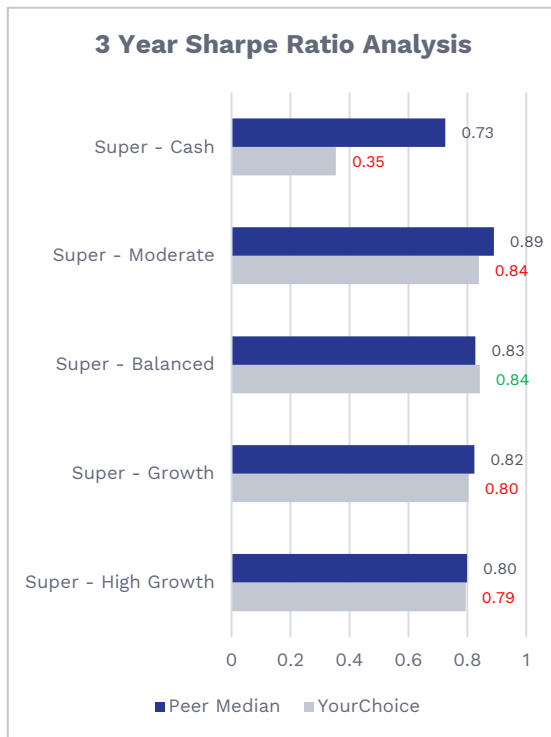
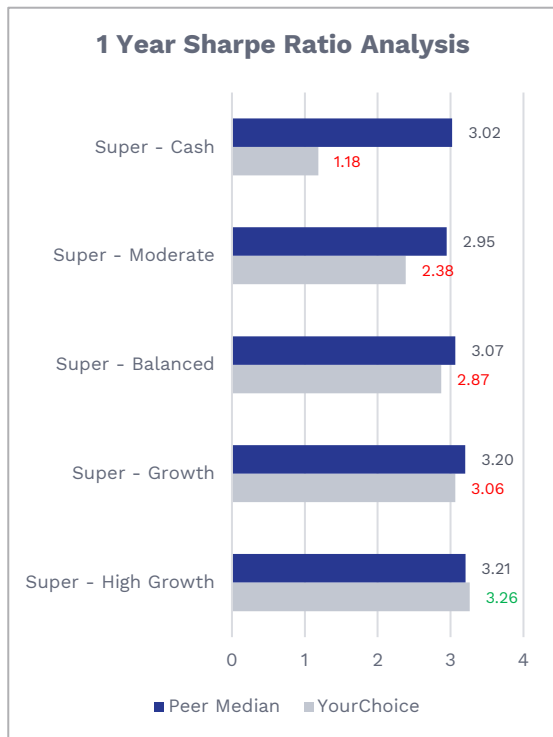
# Investment Risk Comparison: Accumulation

The graphs on the following two pages measure the performance of YourChoice Super'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.

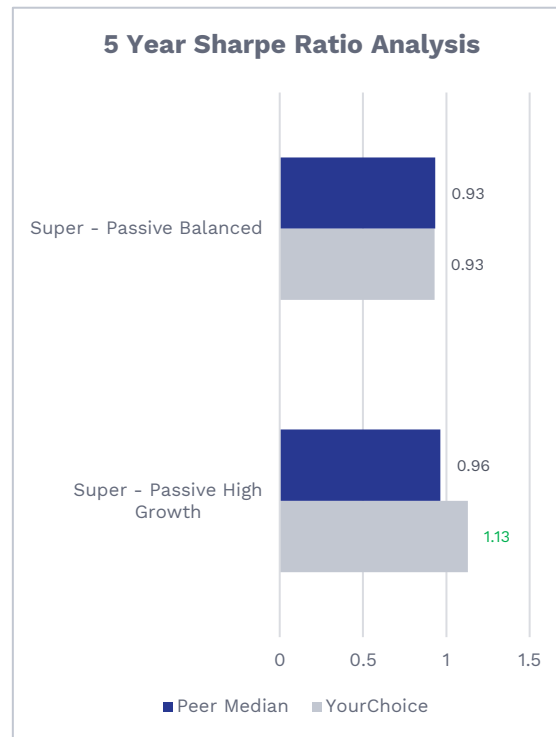
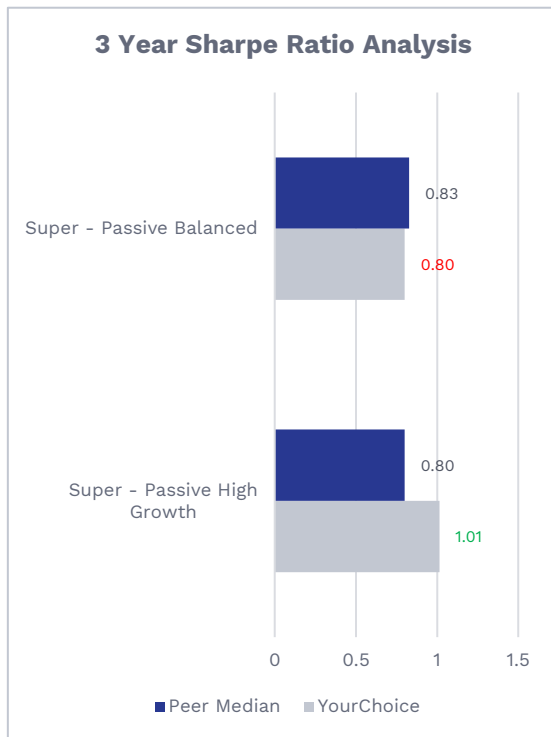
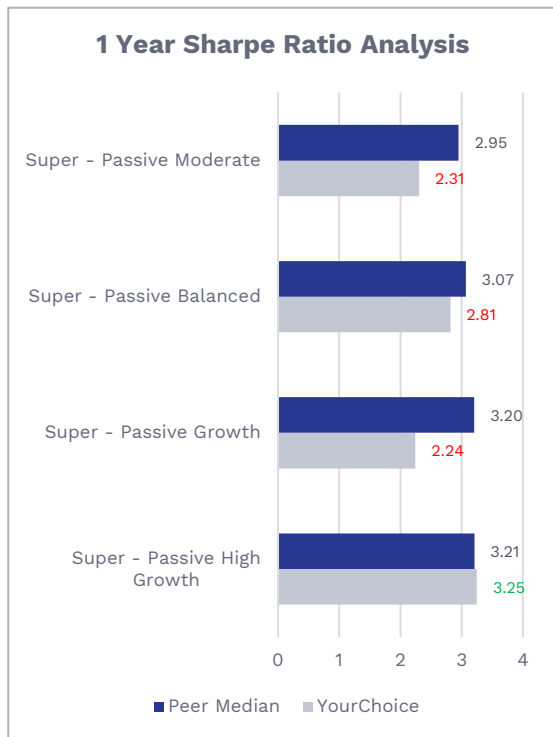
The majority of YourChoice Super's Sharpe ratios are in line with the peer medians across its diversified Accumulation investment options (both passive and actively managed investment options) over the one year, three and five year timeframes. However, the Cash option's Sharpe ratios are significantly lower than the peer median across all timeframes and the Moderate option underperformed its relevant median on a one year timeframe.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product as the investment risk across all periods is in line with peer medians for a majority of investment options. However, it is noted that the risk adjusted returns of the Cash option could be improved.

# Investment Risk Comparison: Accumulation, Active Options



# Investment Risk Comparison: Accumulation, Passive Options



# Pension Comparative Assessment

# Fees & Costs Comparison: Pension

## **Total Fees**

YourChoice Super's total fees (administration fee plus investment fees) for Pension members are compared to peer fund median fees in the charts on pages 24 and 25. YourChoice Super's Pension investment options are considerably lower cost than the peer fund median when total fees are calculated on \$50,000 and \$100,000 balances, with the exception of its Cash investment option which is more expensive than the relevant peer fund median when measured across all modelled balance points.

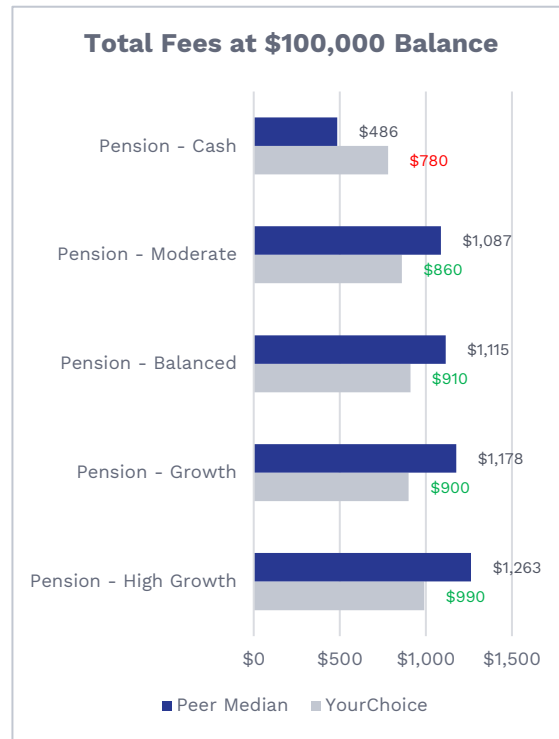
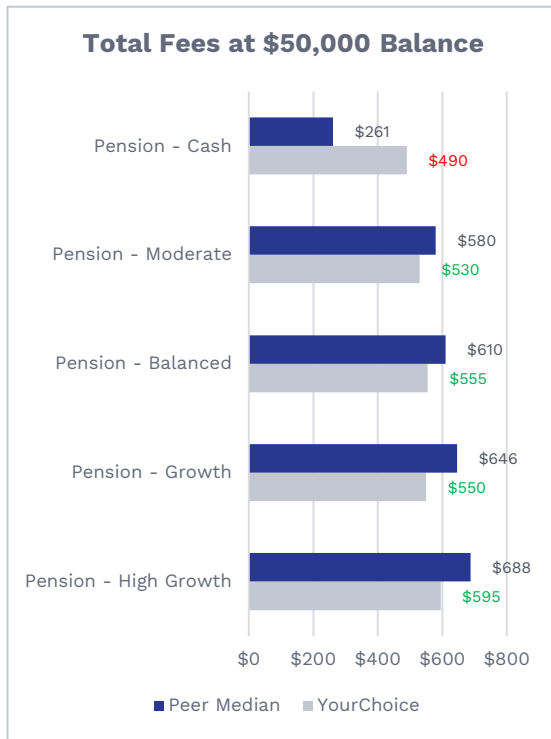
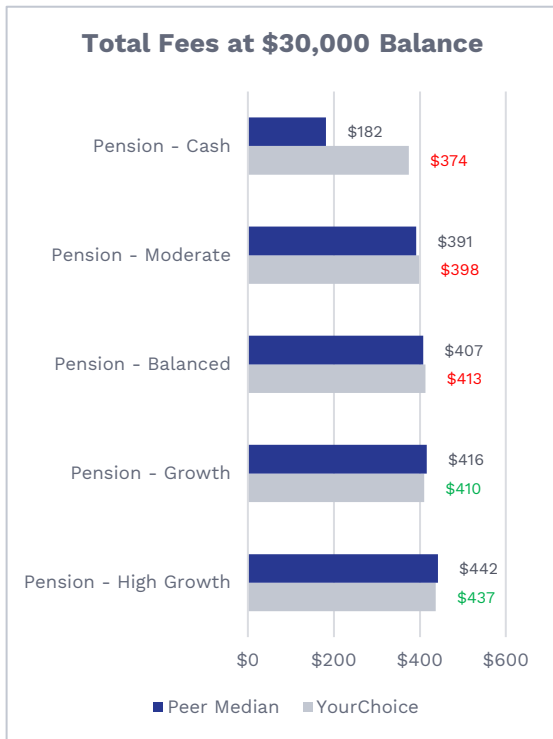
A majority of YourChoice Super's Pension investment options are also lower cost at the \$30,000 balance point when compared to their medians, with the Moderate and Balanced options only slightly higher cost at the \$30,000 balance point.

## **Administration Fees**

On pages 26 and 27, YourChoice Super's administration fees for its Pension product are compared to the peer fund median administration fee. YourChoice Super is significantly higher cost than the median across all Pension investment options when calculated on \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the total fees for YourChoice Super at a product level are less expensive than the peer fund median for a majority of investment options. However, the Trustee acknowledges that a reduction in the administration fee is needed in order to be more competitive with peers.

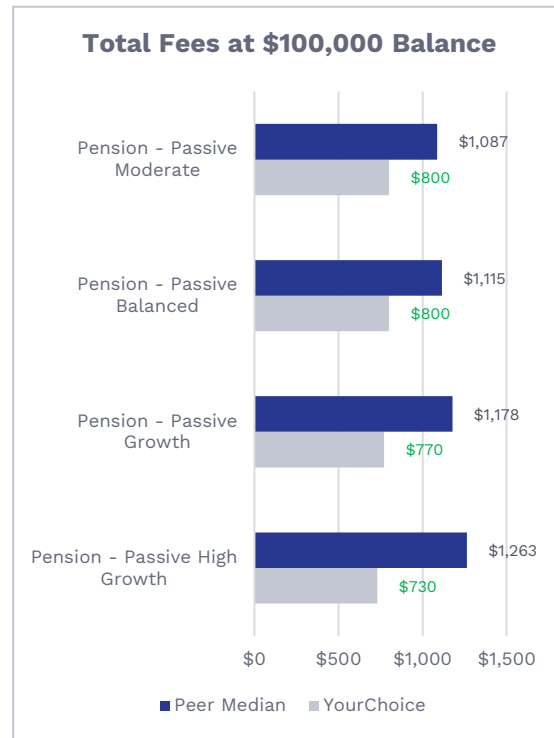
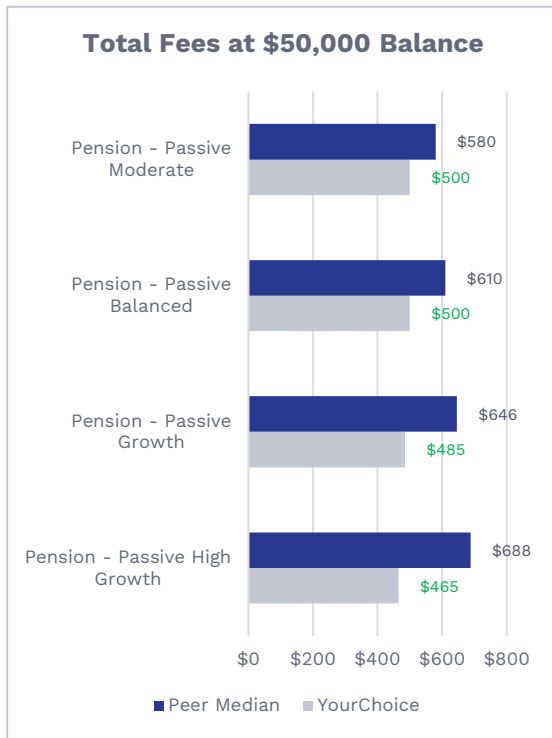
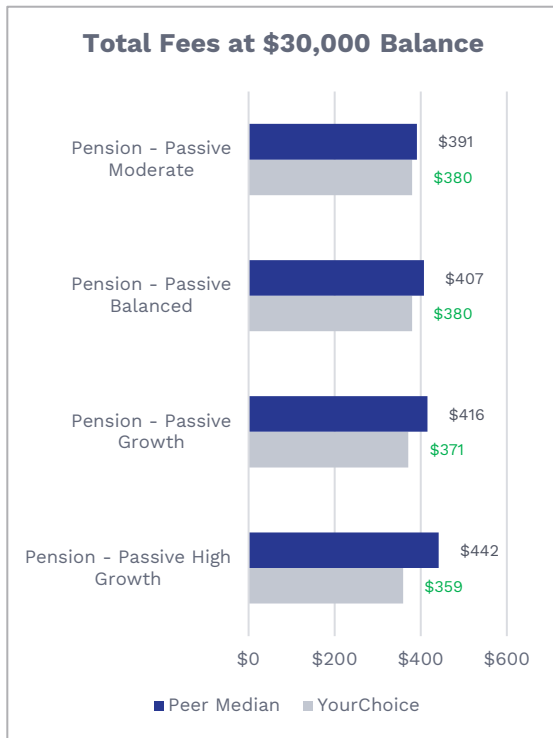
# Fees & Costs Comparison: Pension, Active Options



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Pension - High Growth Option, Balanced (60-76) for the Pension - Growth Option, Conservative Balanced (41-59) for the Pension - Balanced Option, Capital Stable (20-40) for the Pension - Moderate Option, and Cash for the Pension - Cash Option)

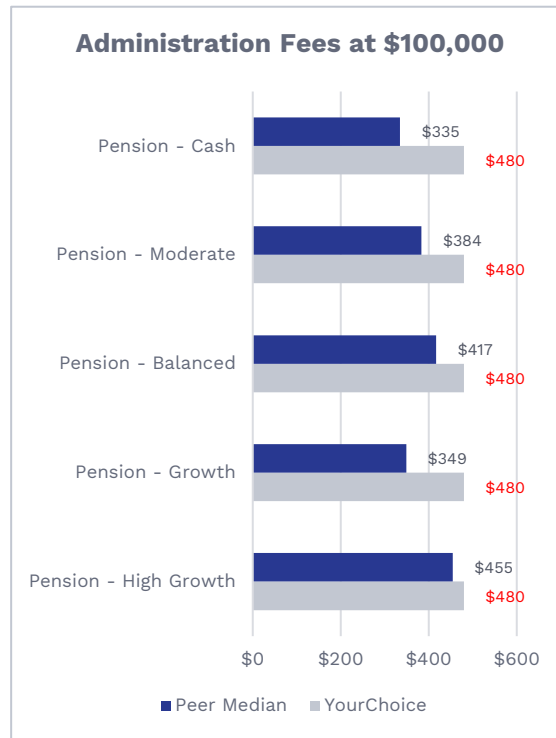
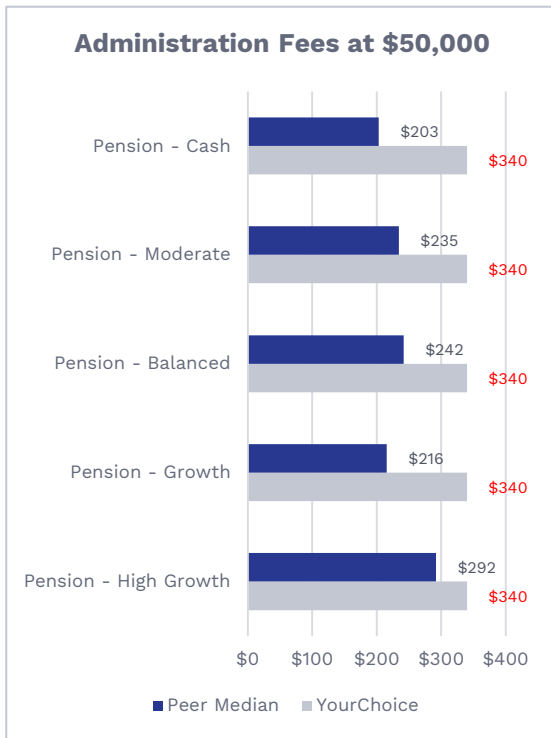
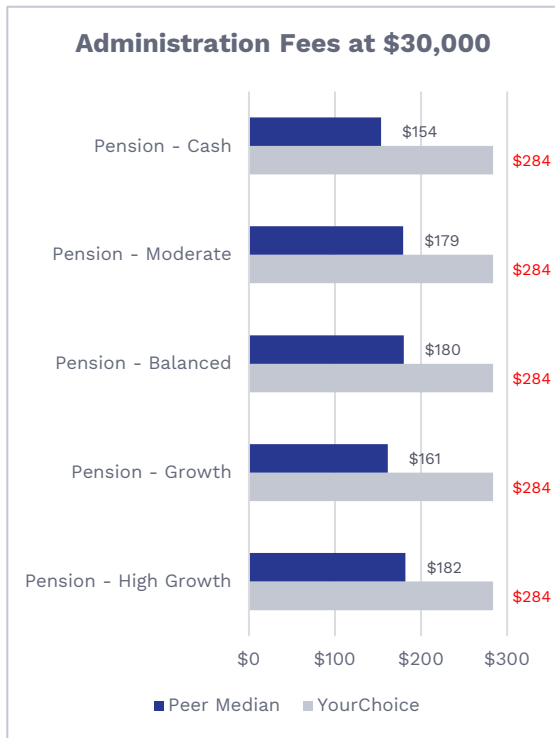


# Fees & Costs Comparison: Pension, Passive Options

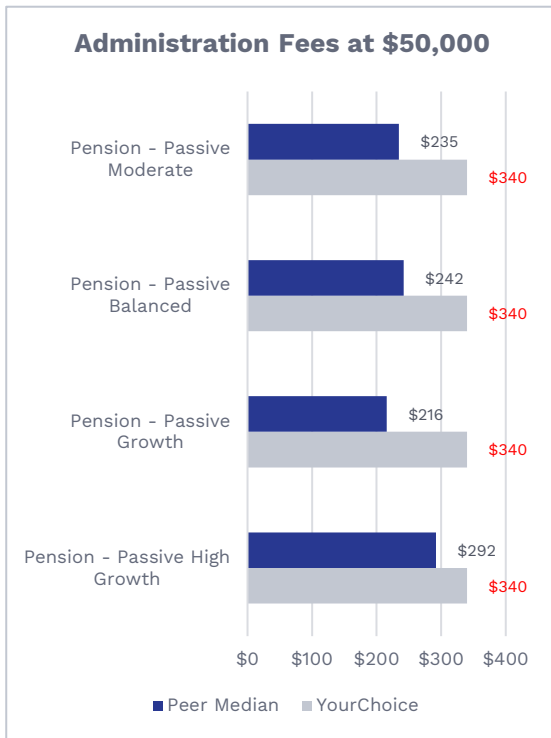


Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Pension - Passive High Growth Option, Balanced (60-76) for the Pension - Passive Growth Option, Conservative Balanced (41-59) for the Pension - Passive Balanced Option, and Capital Stable (20-40) for the Pension - Passive Moderate Option)

# Fees & Costs Comparison: Pension, Active Options



# Fees & Costs Comparison: Pension, Passive Options



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the Pension - Passive High Growth Option, Balanced (60-76) for the Pension - Passive Growth Option, Conservative Balanced (41-59) for the Pension - Passive Balanced Option, and Capital Stable (20-40) for the Pension - Passive Moderate Option)

# Investment Return Comparison: Pension

## **Actively Managed Investment Options**

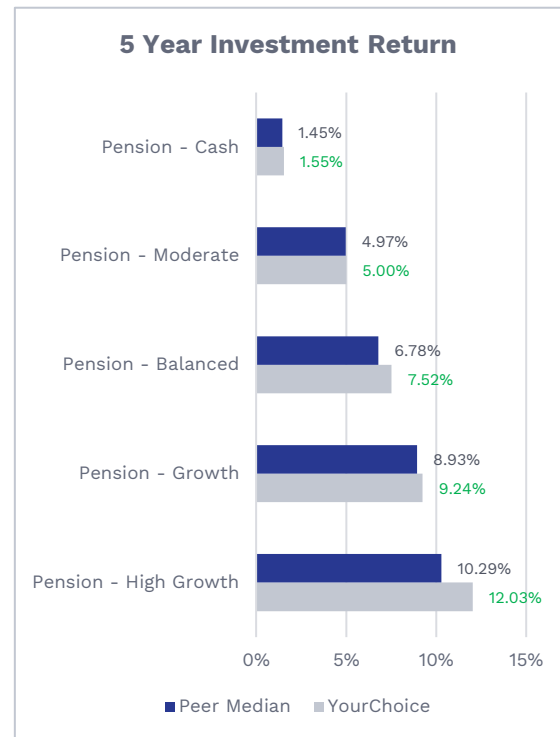
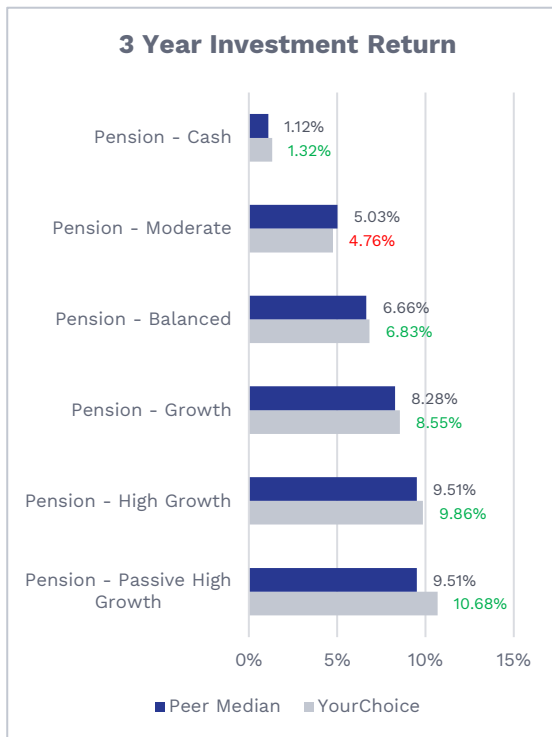
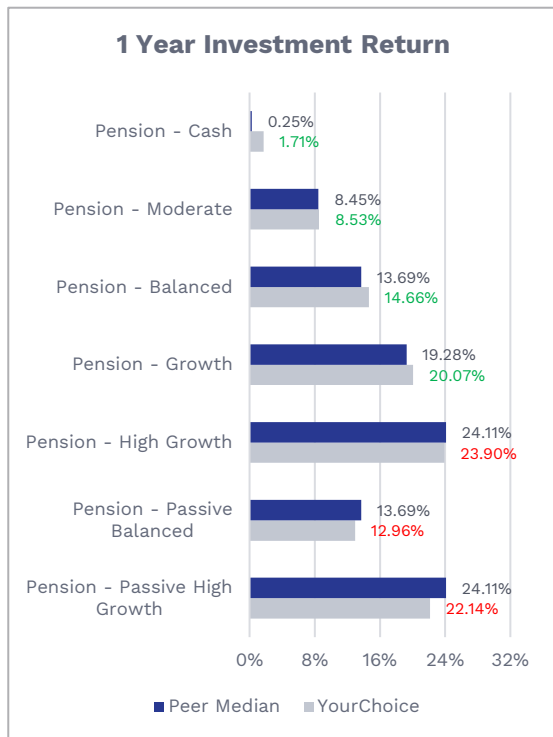
YourChoice Super's net investment returns across its actively managed investment options for Pension members are considered over one year, three year and five year periods to 30 June 2021 on the following page. All actively managed investment options have outperformed their relevant peer fund median with the exception of the High Growth option in the one year period and Moderate option in the three year period.

## **Passive Investment Options**

Page 29 also illustrates the relative performance of YourChoice Super's passive investment options for Pension members. The Passive Balanced and Passive High Growth investment options both underperformed their peer fund medians for one year to June 30 2021. However, over a three year period the Passive High Growth option outperformed its peer fund median. No performance data is available for the other passive options and no other longer dated data is available for the Passive Balanced and Passive High Growth options.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension products as a majority of investment options are outperforming or are in line with their relevant peer fund medians.

# Investment Return Comparison: Pension



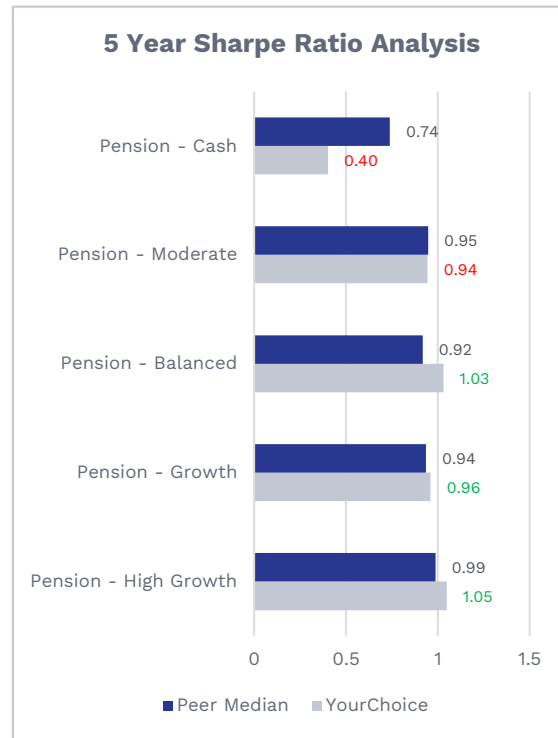
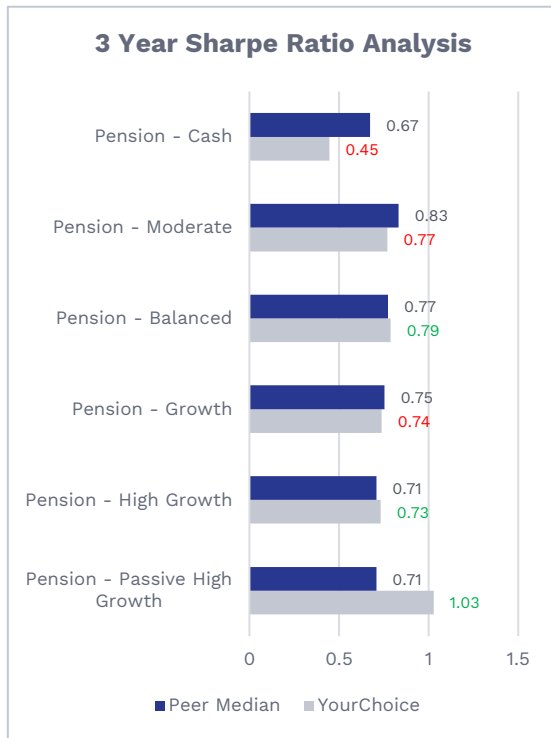
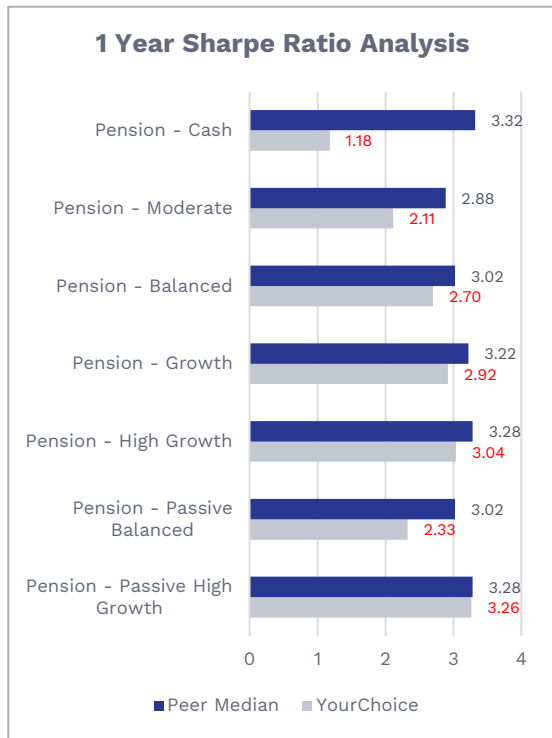
# Investment Risk Comparison: Pension

The graphs on the following page measure the performance of YourChoice Super'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.

The majority of YourChoice Super's Sharpe ratios are in line with or better than the relevant peer fund medians for the across its diversified Pension investment options (both passive and actively managed investment options) over the one year, three and five year timeframes. However, the Cash option's Sharpe ratios are significantly lower than the peer median across all timeframes, and the Passive Balanced and Moderate options both underperformed their peer median over a one year timeframe.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the investment risk across all periods is in line with peer medians for a majority of investment options. However, it is noted the risk adjusted returns of the Cash option could be improved.

# Investment Risk Comparison: Pension Options



# Product Appropriateness Assessment



## OPTIONS, FACILITIES & BENEFITS

YourChoice Super 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.

YourChoice Supers' focus on driving improvements to the quality and usage of communication and member engagement tools has resulted in above average member engagement. Key initiatives undertaken over FY21 include improvements to the digital online portal which includes a platform for investment management and research and an insurance calculator.

An 'Education Hub' has also been implemented to provide members with a structured form of financial education on superannuation and its key basics. It is noted that implementation for this commenced on August 2021 and thus is outside the scope of this Member Outcomes Assessment, but this is due to the impacts of COVID-19 on the content filming schedule. 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 determined that the options, benefits and facilities offered under the product are appropriate to members.

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## INVESTMENT STRATEGY

YourChoice's investment menu consists of eight diversified investment options and a Cash option. Its diversified options cover four of APRA's and SuperRatings growth bands with only a high growth (>90%) option not available. All the investment options also have an equivalent passive option available to both Pension and Accumulation members. Passive options are lower cost and cater to more cost conscious members.

The Cash option is for investors seeking greater liquidity or are more risk averse.

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

The investment strategy was reviewed in June 2021. As a result of this review, there were changes made to the investment objectives of the High Growth option and Passive High Growth option.

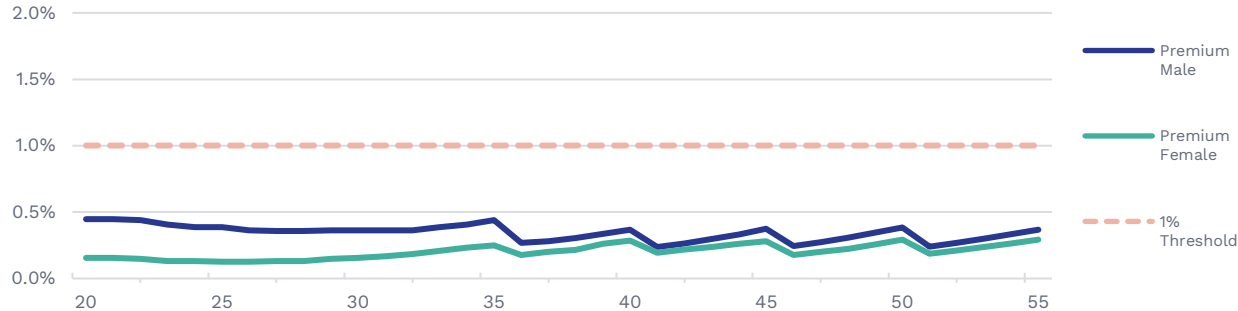
The average member in YourChoice Super is 42 years of age with an account balance of over \$21,000. Based on the above, the Trustee has determined that the investment strategy and investment menu is appropriate for members as it provides investment options for all members who have varying risk profiles and circumstances.

## INSURANCE STRATEGY & FEES

YourChoice Super provides insurance for members through Hannover Life (MLC Limited from 1 October 2021 ). Default insurance is not offered so members must opt-in to gain access to insurance. 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.

The following graph shows how YourChoice Super's premiums\* for Death and TPD insurance cover compares to a 1% of salary\*\* threshold from ages 20 to 55. Standard cover starts at \$535,000. As members become older, the premiums increase, and cover decreases to reflect the rise in health risk. Insurance premiums are below the 1% of salary threshold for males and females before the age of 55.

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



## SCALE

YourChoice Super had 14,696 members with approximately \$317M in funds under management as at 30 June 2021.

- Net members' benefits flows of \$-77M, compared to the industry median of -\$4M
- Number of member accounts grew by -21%, compared to the industry median of -3%
- Net rollovers into YourChoice Super of \$-59M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 1,237%, compared to the industry median of 107%

Although the above data indicates that YourChoice was in an outflow position during FY21, it is significant to note that, during FY21, members of YourChoice were transferred into OneSuper Members' Choice Superannuation Plan via a Successor Fund Transfer ('SFT'). This has resulted in members becoming part of a larger superannuation fund with approximately \$1.28 billion of Funds Under Management ('FUM'). This consolidation has the potential to realise improved member benefits and lower overall costs through a range of efficiencies for members of YourChoice and OneSuper.

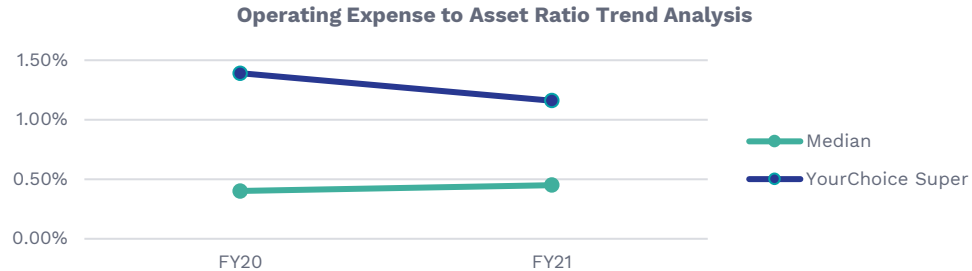
With the SFT into OneSuper, members are now part of a greater FUM and larger member pool, this is likely to drive down fixed cost per member and per dollar of FUM.

In addition, there is an ongoing ability to access resources at scale as a result of YourChoice's 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

YourChoice'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 YourChoice's operating expense ratio was significantly higher than that of the median fund in FY20 but has reduced by 0.23% by FY21 whereas the median fund operating expense ratio has increased by 0.05%.



Noting the smaller size of the Fund, the operating costs are considered appropriate for YourChoice's members and do not inappropriately erode their retirement balances. However, the Trustee notes that there is an opportunity to improve this ratio in the future – it is anticipated that the consolidation activity with the SFT into OneSuper is likely to drive down fixed cost per member and per dollar of FUM to improve the operating expense ratio.

## 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 with larger account balances ensures that the costs of services available to all members are appropriately shared across the fund membership base.

The investment fees are lower for the passively managed options reflecting the lower cost of managing the investment.

Administration fees are charged to members on a monthly basis and investment fees are factored into the 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 are not eroded.

Asset-based Fees		
From	To	Rate
\$0	\$249,999	0.60% p.a.
\$250,000	\$1m	0.55% 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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