

# Lesf and Macmahon 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 how Lesf and Macmahon Super ('LAMS'). It analyses how LAMS' 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 LAMS' MySuper, Accumulation and Pension products is contained in separate sections within this report, however the assessment of product appropriateness applies across the MySuper, 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 Determination

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

- Total fees (which includes both administration and investment fees) are less expensive than the industry MySuper median across all modelled balance points;
- The investment returns of the MySuper option outperformed the industry MySuper median across one, three and five year timeframes;
- The investment risk allocation is comparable to the industry median and appropriate for LAMS' MySuper members; and
- A majority of the objective assessment factors, being LAMS' options, benefits and facilities, investment strategy, insurance strategy and fees, operating costs and the basis for setting fees, are considered appropriate for LAMS' members and do not inappropriately erode their retirement balances.

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:

- On balance, the investment returns of LAMS' investment options performed mainly inline with 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
- A majority of the objective assessment factors, being LAMS' options, benefits and facilities, investment strategy, insurance strategy and fees, operating costs and the basis for setting fees, are considered appropriate for LAMS' 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 fees for Accumulation investment options. It is anticipated that recent increase in scale of the Fund through the consolidation activity with OneSuper will assist to drive down costs borne by members.

# LAMS' Overview

# LAMS' Overview

LAMS' is a superannuation fund that is 'simple yet effective' and 'designed to be able to meet member needs over the different stages of life'. LAMS' seeks to provide quality customer service to their members and employers and are focused on making employers' administration as easy and efficient as possible.

LAMS' offers six managed investment options to its members (three of which are available to Pension members):

**Passive Balanced Option**  
(MySuper)

**Growth Option**  
(Pension only)

**Moderate Option**  
(available in both Accumulation  
& Pension products)

**High Growth Option**  
(Accumulation only)

**Diversified Shares Option**  
(Accumulation only)

**Cash Option**  
(available in both Accumulation  
& Pension products)



# MySuper Comparative Assessment

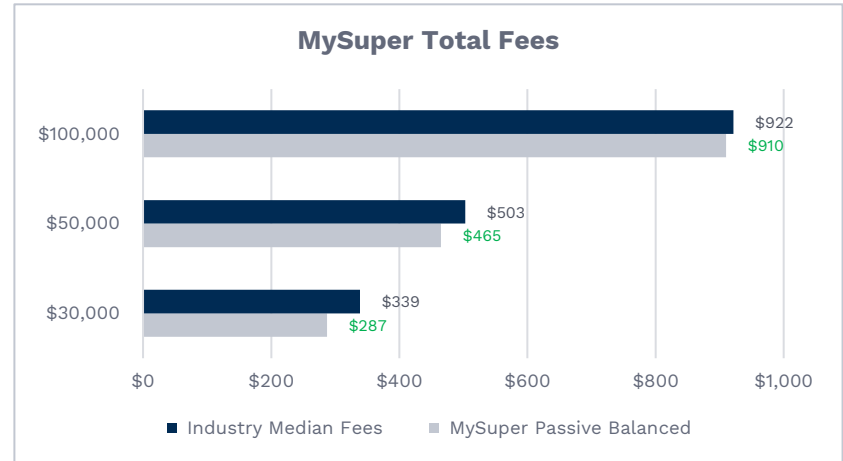
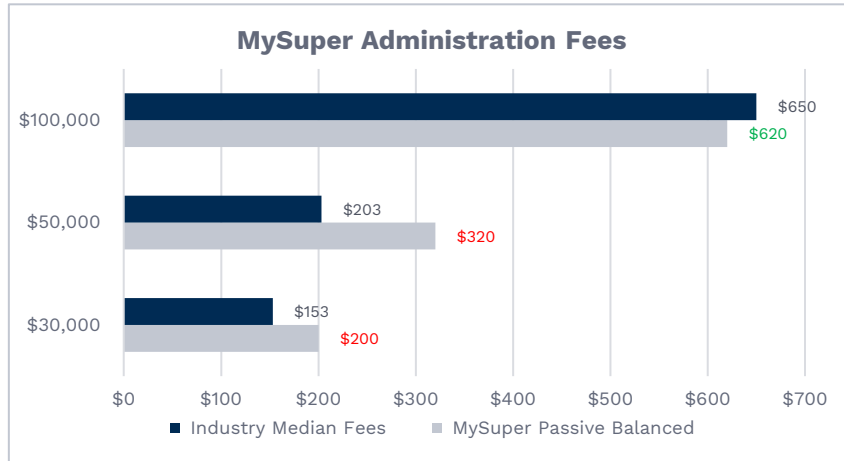
# Fees & Costs Comparison: MySuper

LAMS' total fees (administration fee plus investment fees) for its MySuper product are compared to industry median fees in the charts below. LAMS' MySuper option is lower cost than the industry median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

Administration fees however are more expensive than the industry median for \$30,000 and \$50,000 balances.

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

The Trustee has determined it is promoting the financial interests of the beneficiaries of its MySuper product as the total fees across all modelled balance points are cheaper than the peer fund median. The Trustee notes that there is an opportunity to improve administration fees in order to be more competitive with peers.

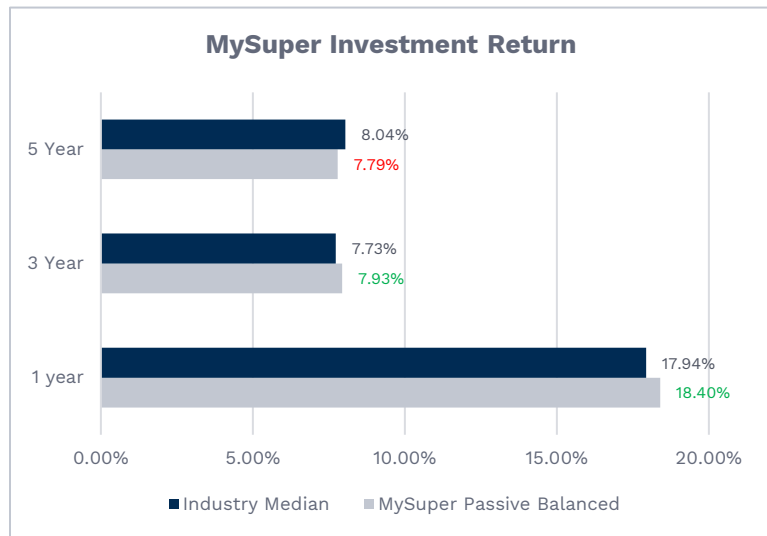


# Investment Return Comparison: MySuper

LAMS' net investment return for its MySuper investment option has outperformed its seven year APRA benchmark which is used for APRA's performance heatmap, passing the performance test. LAMS's performance test metric is negative reflecting the higher administration cost to the industry median.

LAMS' MySuper option also outperformed the industry median over the one year and three year period to 30 June 2021. For the five year performance period, it is slightly underperforming the industry median.

The Trustee has determined it is promoting the financial interests of the beneficiaries of its MySuper product as the investment return across the one year and three year timeframes outperformed that of the industry median and the five year return is close to that of the industry median.



Value of LAMS's Product Selection\* in the past 7 years

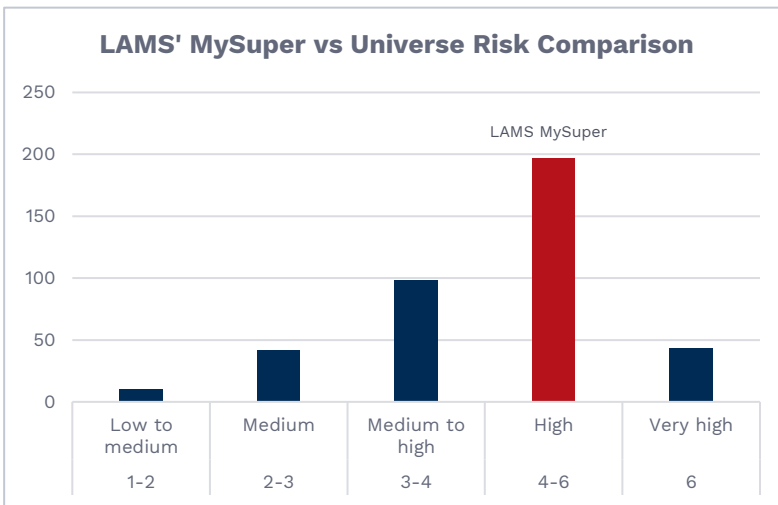
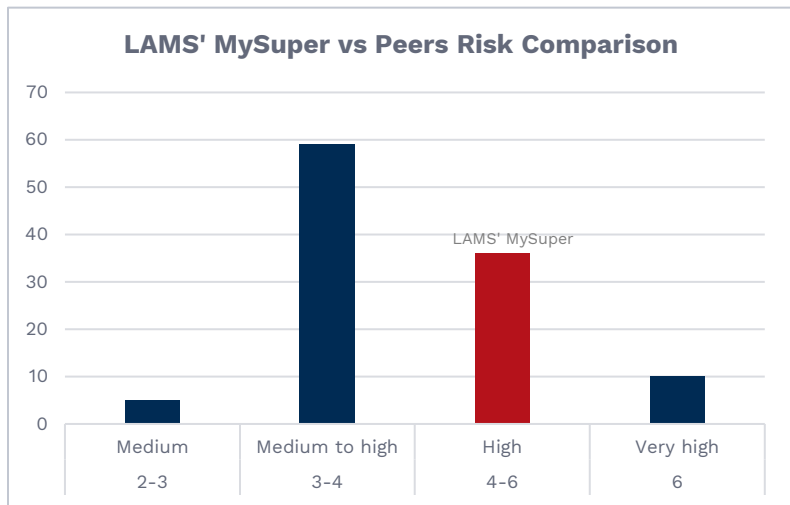
MySuper product name	Performance Test metric	Performance Test Pass / Fail indicator	7 year Net Investment Return (NIR) p.a.	7 year NIR relative to SAA Benchmark Portfolio p.a.
Industry Median	-0.04%		7.77%	-0.19%
MySuper Passive Balanced	-0.07%	Pass	7.62%	0.15%

# Investment Risk Comparison: MySuper

The graphs below show how LAMS' MySuper product compares on investment risk rating to other MySuper products. The orange bar indicates the risk category that LAMS' MySuper product falls under and the height of the bar illustrates the count of other MySuper products in that same risk category.

The Trustee is of the view that LAMS' investment risk for its MySuper option is appropriate when compared to the industry, being the High risk category which is 4 to 6 years of expected negative growth over a 20 year time frame. LAMS' MySuper investment risk falls within the same risk category as the industry median when assessed against the universe of MySuper products.

The investment risk expectation for LAMS' MySuper option is 5 years of negative growth for every 20 year period. Comparatively, the MySuper industry median is 4.18 years of negative growth for every 20 year period. Therefore, LAMS' is not materially higher than the industry median and its investment risk is appropriate given its growth asset allocation.



# Accumulation Comparative Assessment

# Fees & Costs Comparison: Accumulation

## **Total Fees**

LAMS' total fees (administration fee plus investment fees) for Accumulation members are compared to peer fund median fees in the charts following this page. The majority of LAMS' investment options are in line with or slightly higher cost than the peer fund median when total fees are calculated on \$30,000, \$50,000, and \$100,000 balances. The Cash option, however, is notably higher than the median at all balance points.

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

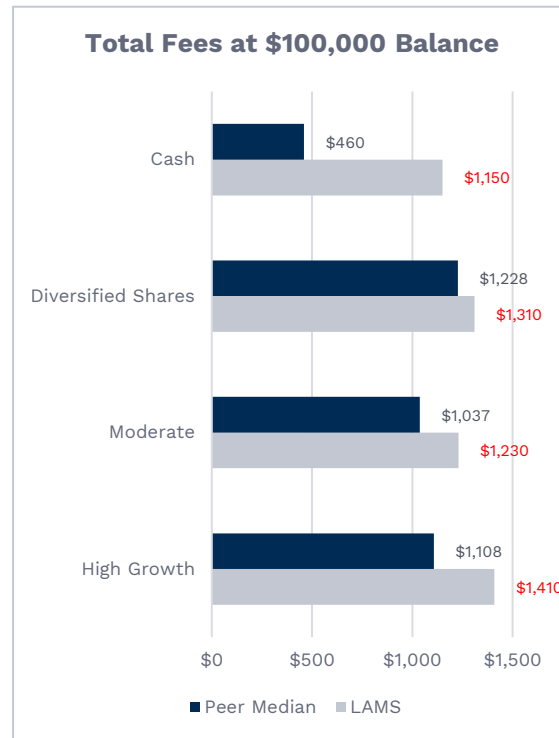
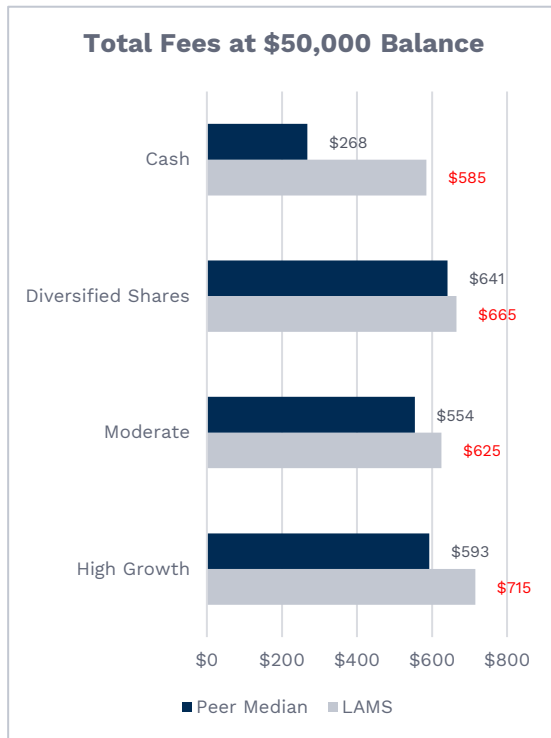
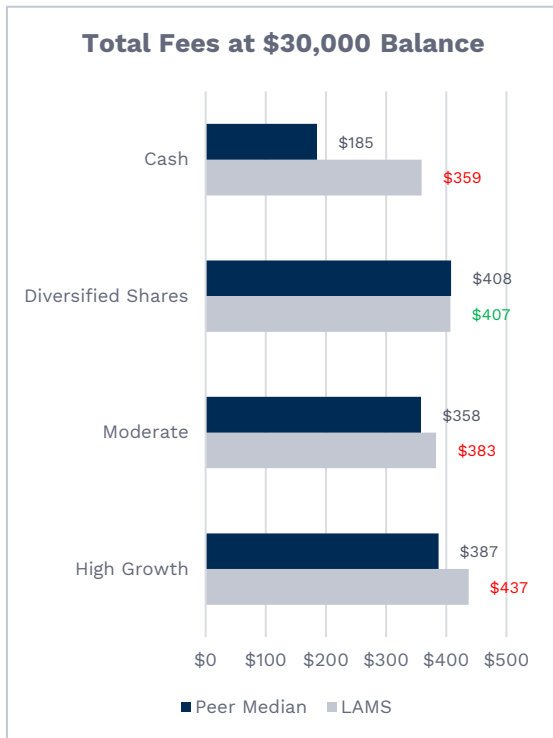
## **Administration Fees**

On page 16, LAMS' Accumulation administration fees are also compared to peer fund median administration fees. LAMS' is higher cost across all investment options when administration fees are calculated on \$30,000, \$50,000 and \$100,000 balances.

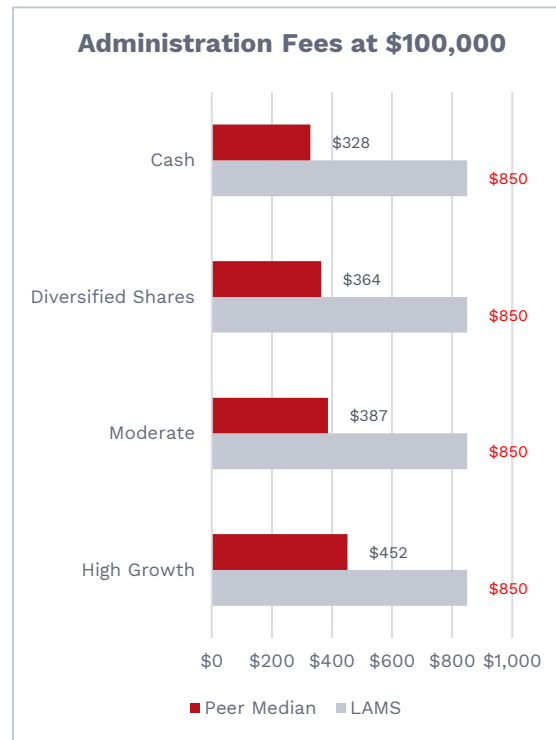
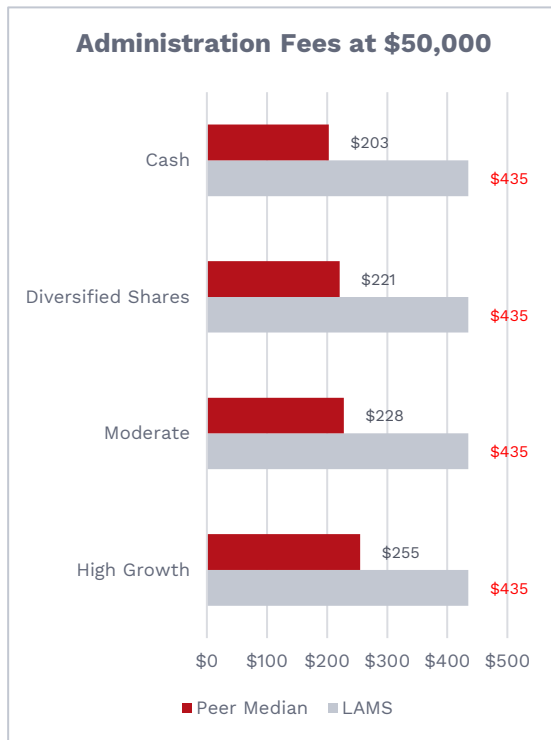
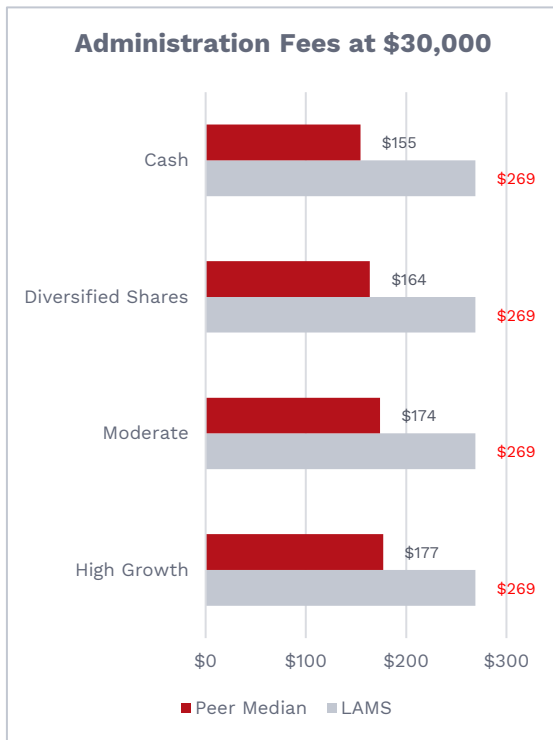
The Trustee notes that this is consistent with APRA's heatmap which rated LAMS' as having less competitive fees than the median fund on an administration fees basis for \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is not promoting the financial interests of the beneficiaries of its Accumulation product as the total fees for LAMS' for a majority of investment options are more expensive than their relevant peer fund median across all balance points. In addition, there is an opportunity for improvement on administration fees and, by extension, total fees in order to be more competitive with peers.

# Fees & Costs Comparison: Accumulation



# Fees & Costs Comparison: Accumulation



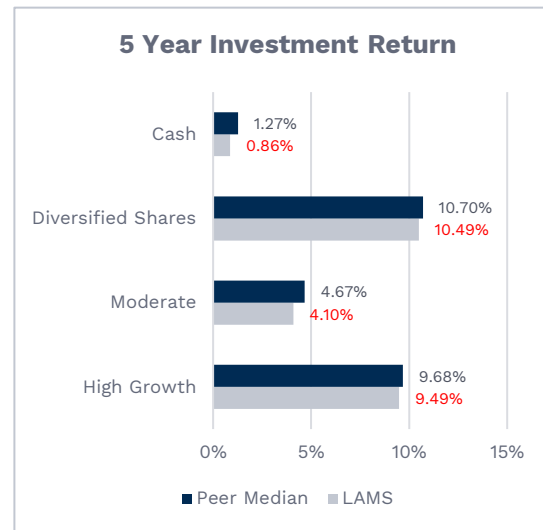
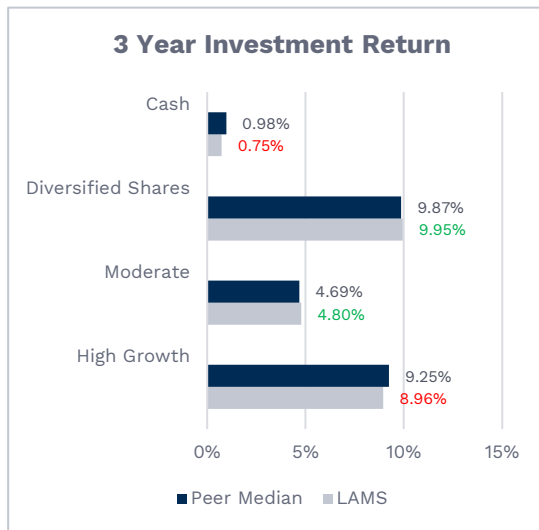
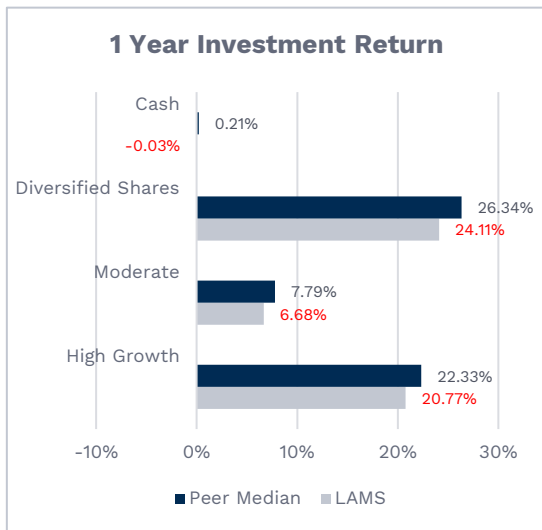


# Investment Return Comparison: Accumulation

LAMS' net investment returns for its Accumulation investment options are considered in the graphs below. Investment performance over three year and five year periods to 30 June 2021 is in line with or has outperformed the peer fund median. However, the one year investment performance to 30 June 2021 has slightly underperformed the peer fund median.

LAMS' investment options, with the exception of the Moderate option, have underperformed APRA's Strategic Asset Allocation Benchmark over five years, which will be used for the Your Future Your Super performance test. We note that seven year return data was not available on the heatmap.

As superannuation is a long term investment, longer dated performance is considered more significant. On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation products as the three and five year investment returns are in line with or better than the peer fund medians.



Source: Peer median data derived from SuperRatings median data for the relevant asset class (Growth (77-90) for the High Growth Option, Balanced (60-76) for the Growth Option, Capital Stable (20-40) for the Moderate Option, High Growth (91-100) for the Diversified Shares Option, and Cash for the Cash Option)

# Investment Return Comparison: Accumulation

LAMS' net investment return for its diversified investment options, with the exception of the Moderate option, underperformed their 5-year APRA benchmarks, which are used for APRA's performance heatmap. Similarly, all options underperformed the five year APRA Simple Reference Portfolios except for the Moderate option. Seven year performance data was unavailable on the heatmap for LAMS' options.

Value of LAMS' Product Selection\* in the past 5 years

Value of LAMS' asset allocation\*\* in the past 5 years

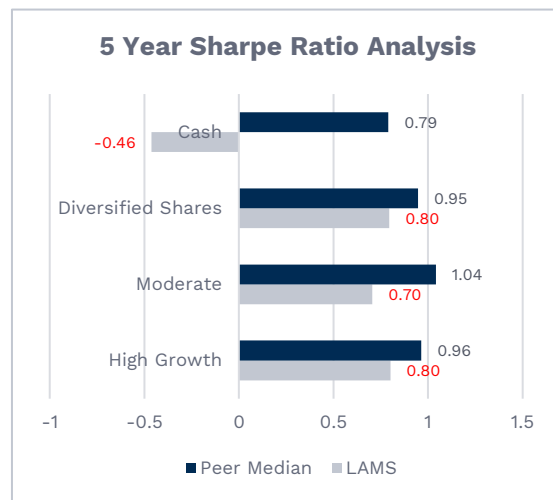
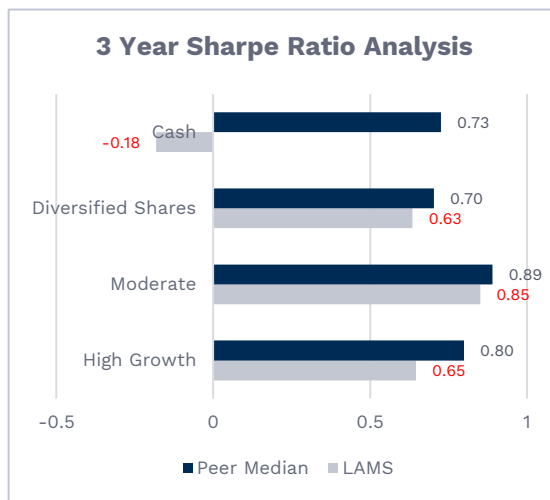
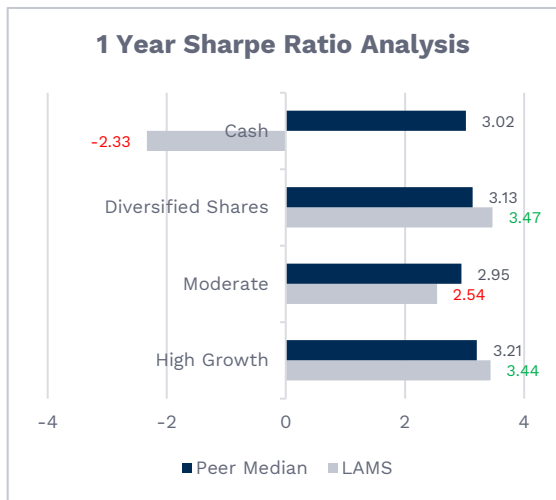
Choice option name	5 year Net Investment Return (NIR) p.a.	5 year NIR relative to SAA Benchmark Portfolio p.a.	5 year NIR relative to Simple Reference Portfolio p.a.
LAMS' Super - Diversified Shares Option	11.20%	-0.76%	-0.61%
LAMS' Super - High Growth Option	10.20%	-0.54%	-0.42%
LAMS' Super - Moderate Option	5.51%	0.82%	0.78%

# Investment Risk Comparison: Accumulation

In the following graphs, we measure the performance of LAMS' Accumulation 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.

LAMS' Sharpe ratios are in line with or slightly underperformed the peer medians over the three and five year timeframes. Over the one year timeframe, the Diversified Shares and High Growth options' Sharpe ratios outperformed the median and the Moderate option only slightly underperformed. However, the Cash option's Sharpe ratios are significantly lower than the peer median, across all timeframes.

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



# Pension Comparative Assessment

# Fees & Costs Comparison: Pension

## Total Fees

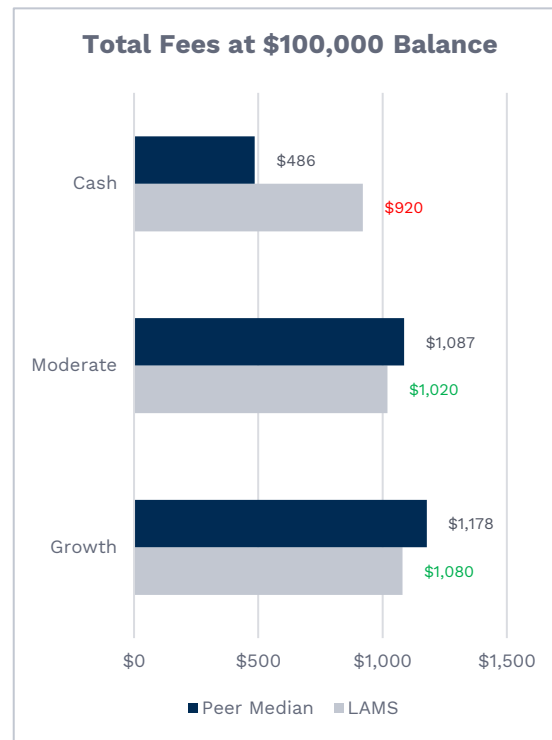
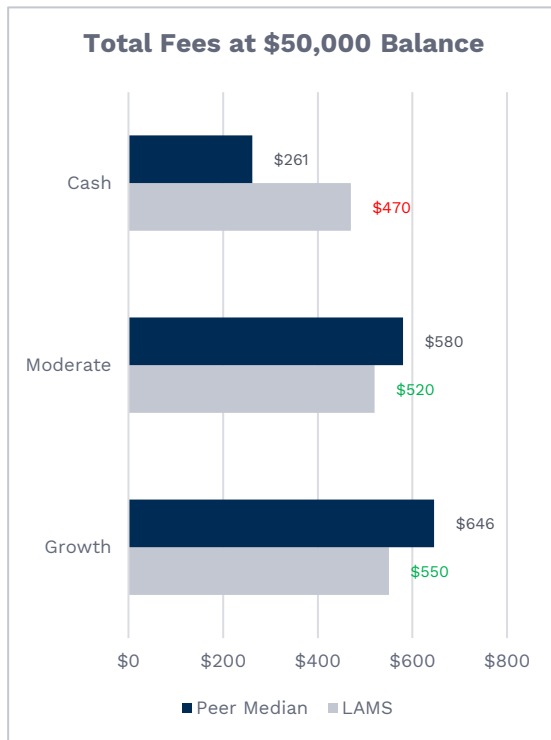
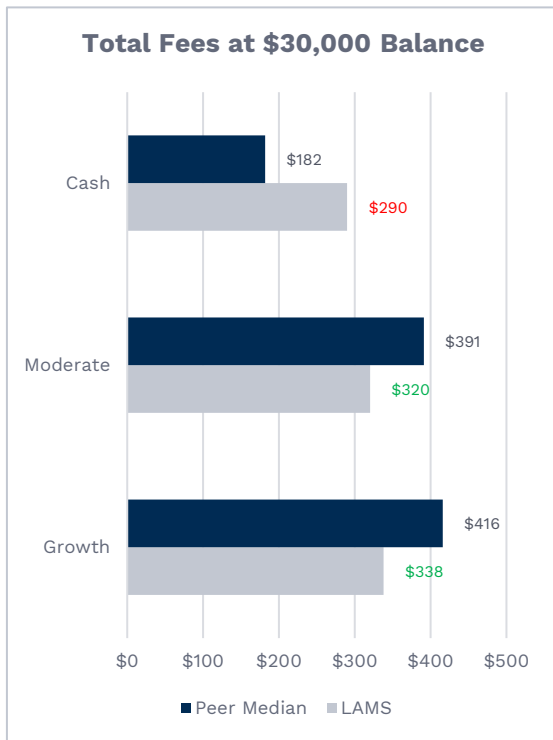
LAMS' total fees (administration fee plus investment fees) for Pension members are compared to peer fund median fees in the charts following this slide. LAMS' investment options are lower cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. The only exception to this is its Cash option, which was higher than the median at all balance points modelled.

## Administration Fees

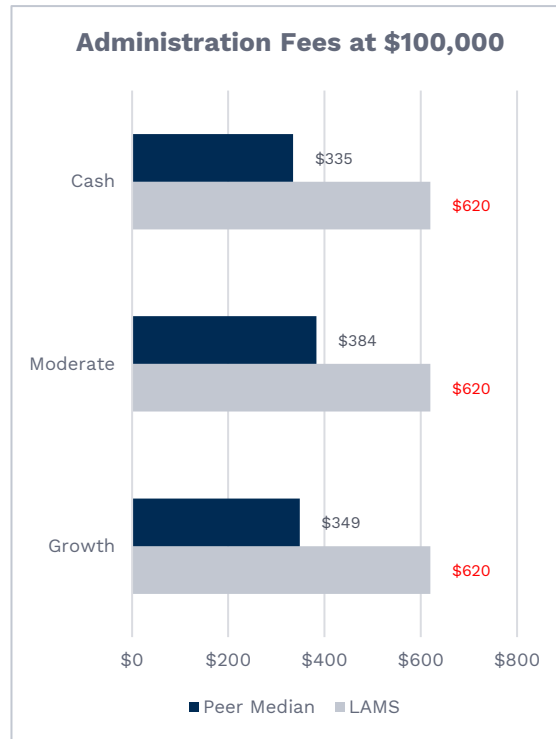
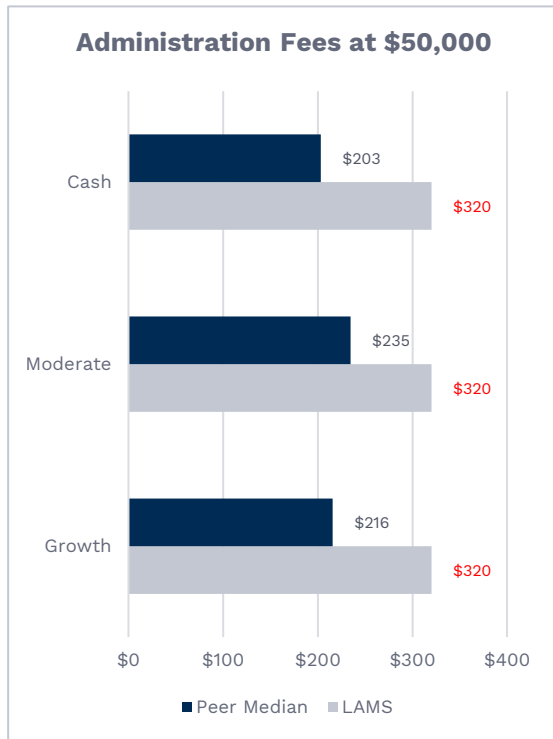
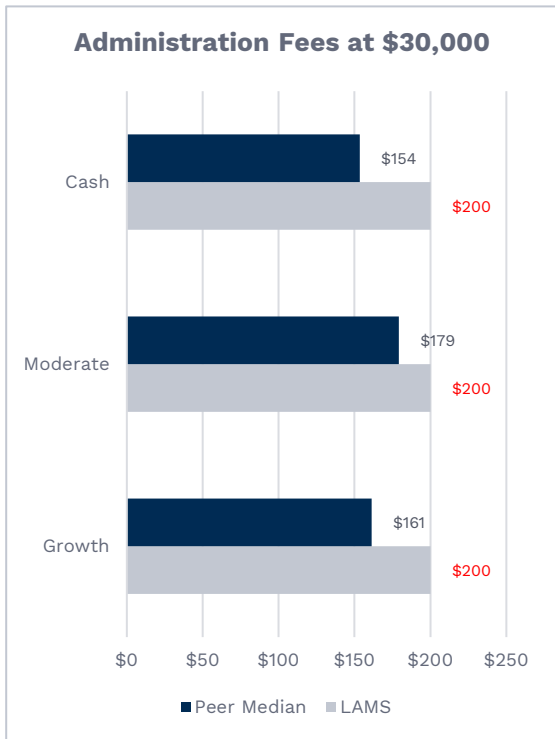
LAMS' Pension administration fees are also compared to peer fund median administration fees. LAMS' is higher cost across all investment options when administration fees are calculated on \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the total fees for the majority of LAMS' investment options less expensive than the peer fund median. 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: Pension



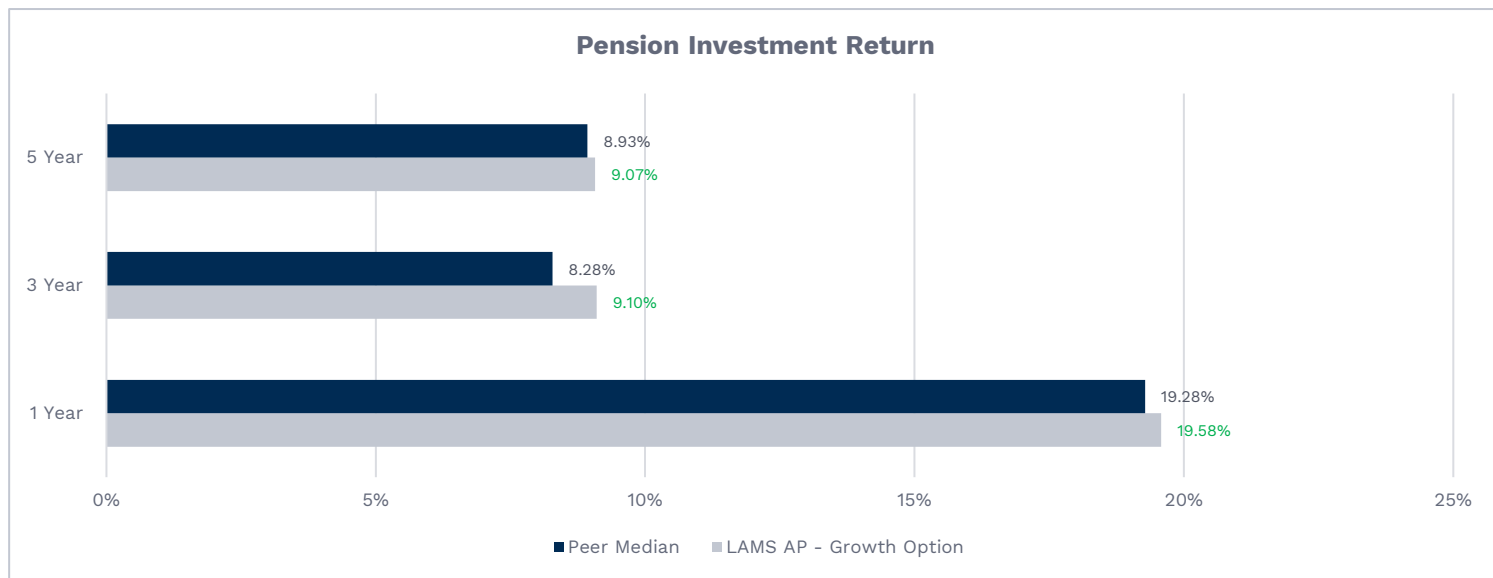
# Fees & Costs Comparison: Pension



# Investment Return Comparison: Pension

LAMS' Growth investment option for Pension members yielded net investment returns that outperformed the peer fund median over a one year, three year and five year period to 30 June 2021. No performance data is available for the other Pension options.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension products as the investment returns are better than the peer fund median.



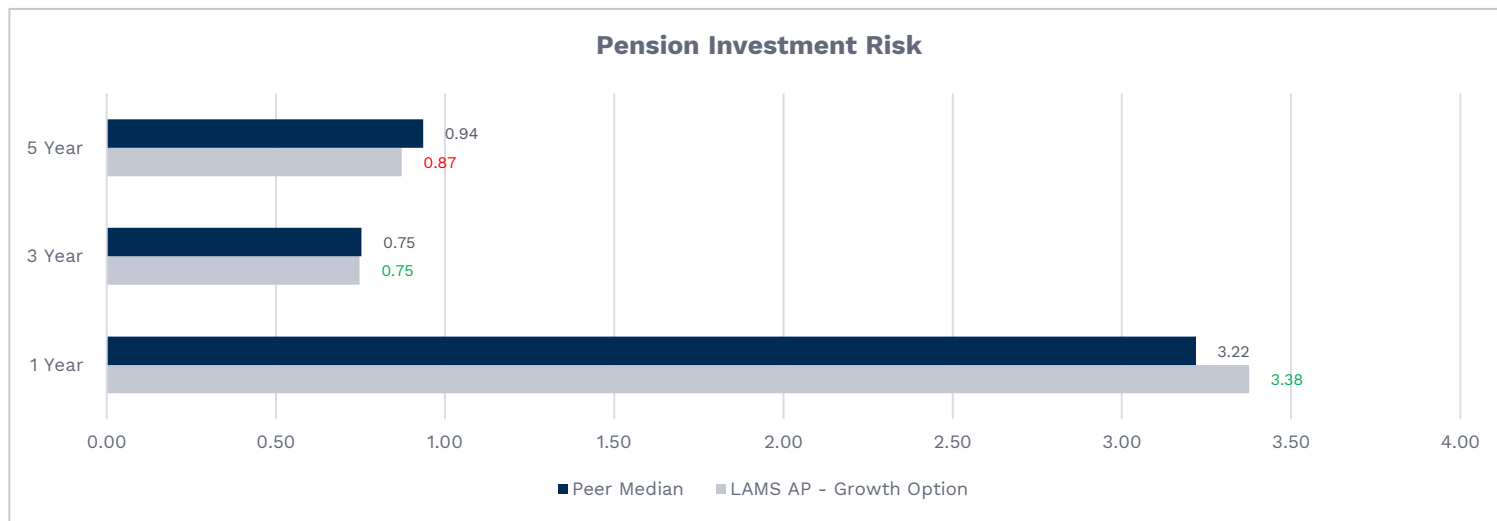


# Investment Risk Comparison: Pension Options

In the following graphs, we measure the performance of LAMS' Pension 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 Sharpe ratio of LAMS's Growth investment option for Pension is in line with its peer median across all timeframes. No data is available for the other Pension options.

The Trustee has determined it is promoting the financial interests of the beneficiaries Pension products as the investment risk across all periods are mainly inline with peer medians.



# Product Appropriateness Assessment

## OPTIONS, FACILITIES & BENEFITS

LAMS' 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.

An 'Education Hub' has 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.

## INVESTMENT STRATEGY

LAMS' investment menu consists of four diversified options and one single asset sector option. Its diversified options cover 4 out of 5 of APRA's growth asset allocation classifications, with only a conservative asset allocation not on offer.

For more complex investors and investors looking for a higher growth asset allocation, LAMS' also offers a Diversified Shares option. For investors seeking greater liquidity or those with a more conservative risk sentiment, LAMS' has a Cash option available.

The average LAMS' Accumulation member is 46 years of age, so the range of diversified investment options is considered appropriate for LAMS' membership.

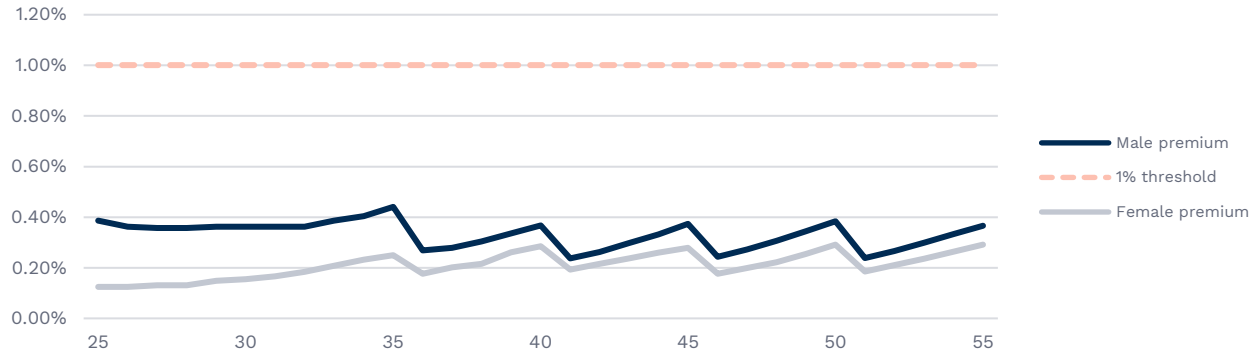
The investment strategy was reviewed in June 2021. As a result of this review, there were some changes made to the investment objectives of the diversified shares and high growth options.

Based on the above, the Trustee has determined that the investment strategy and investment menu is appropriate for members as it provides options for all members who have varying risk profiles and circumstances.

## INSURANCE STRATEGY & FEES

LAMS' provides insurance for members through MLC Limited, offering access to Death, Death & TPD, and Terminal Illness insurance. Default Death & TPD cover is provided to members upon joining with the same sum insured till 44 age bracket then tapering down. The affordability of this default cover was analysed.

The following graph shows how LAMS's premiums\* for Death and TPD insurance cover compares to a 1% of salary\*\* threshold from ages 25 to 55. Whilst LAMS' has not opted into the Insurance in Superannuation Voluntary Code of Practice, the recommended benchmark of 1% of annual salary is still considered. Standard cover starts at \$408,000 until age 32 when it incrementally reduces as members age, dropping to \$116,000 by age 55. Insurance premiums are below the 1% of salary threshold across the modelled age spectrum for both males and females.



The Trustee has determined that the insurance strategy for the product is appropriate for members, and that there is no inappropriate erosion of members' retirement income due to the impact of insurance premiums.

## SCALE

LESF & Macmahon Super had 4,315 members with approximately \$171M in funds under management as at 30 June 2021.

- Net members' benefits flows of \$-8M, compared to the industry median of -\$4M
- Number of member accounts grew by -5%, compared to the industry median of -3%
- Net rollovers into LAMS' of \$-9M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 153%, compared to the industry median of 107%

Although the above data indicates that LAMS' was in an outflow position during FY21, it is significant to note that, during FY21, members of LAMS' were transferred into OneSuper via a Successor Fund Transfer ('SFT'). This 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 LAMS' and OneSuper.

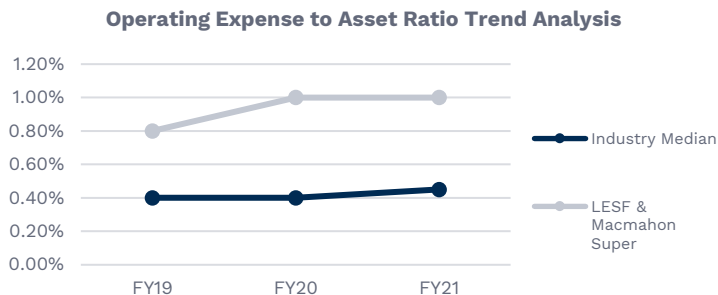
With the SFT into OneSuper, members are now part of a greater FUM and larger member pool, this is likely to drive down fixed cost per member and per dollar of FUM.

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

LAMS' 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 LAMS' operating expense ratio\* was significantly higher than that of the median fund in FY19 and increased 0.20% between FY19 and FY21 whereas the median fund operating expense ratio has only increased by 0.05%. This increase is due to the impact of one-off Successor Fund Transfer costs being incurred during FY20 and FY21.



Noting the smaller size of the Fund, the operating costs are considered appropriate for LAMS' 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 through further consolidation measures.

## BASIS FOR SETTING FEES

LAMS' administration fee is comprised of the combination of a flat dollar-based fee (\$20 per annum) and a basis points fee (0.60% per annum for MySuper, 0.83% per annum for non-MySuper). For balances under \$6,000 the flat dollar fee is waived and total fees 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 membership base.

In July 2020, administration fee reductions were applied to the MySuper option to what it is currently. In December 2020, investment-related fees have been reduced for all pooled investment options, except for Cash.

The flat dollar-based administration fee is charged to members on a monthly basis, and the basis points administration fee 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.

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



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