

# RetireSelect

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

28 February 2022



*RetireSelect*

# Table of contents

*RetireSelect*

Item	
Introduction	3
Executive summary	5
Choice overview	7
Accumulation comparative assessment	9
Pension comparative assessment	16
Product appropriateness assessment	22



# 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 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

Diversa Trustees Limited, (Trustee) of RetireSelect, a sub plan of OneSuper, (RetireSelect or Fund) 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 FY21 across most modelled balance points for most investment options except the Cash option. RetireSelect's diversified investment options are also considered competitive in the context of APRA's heatmap at \$50,000 and \$100,000 account balances;
- For investment returns, the majority of RetireSelect's investment options outperformed their relevant peer fund median on a one, three and five years' basis, and the diversified options outperformed their APRA benchmarks on a five year 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

# RetireSelect Overview



RetireSelect is branded as a superannuation fund that 'makes super simple with a variety of choice' where access to the Fund by members can only be via the members financial adviser as a Nominated Representative of RetireSelect.

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, and Term Deposits. Managed Account Model Portfolios and ASX Listed Securities can be accessed via the Managed Account.

RetireSelect offers the below five pre-mixed 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 pre-mixed pooled investment options.

**Balanced  
Option**

**High Growth  
Option**

**Growth  
Option**

**Moderate  
Option**

**Cash Option**





# Accumulation Comparative Assessment

# Fees & Costs Comparison: Accumulation

*RetireSelect*

## **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 or less expensive than the peer fund median when calculated on a \$50,000 account balance. However, the Cash investment option is 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.

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

## **Administration Fees**

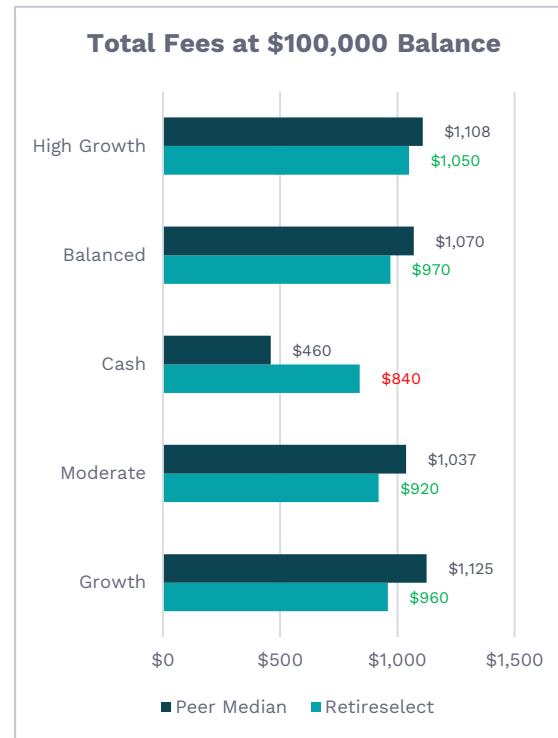
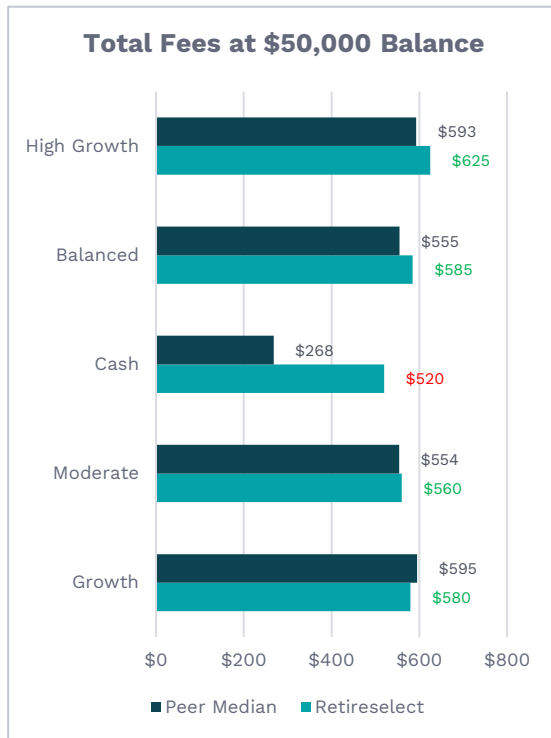
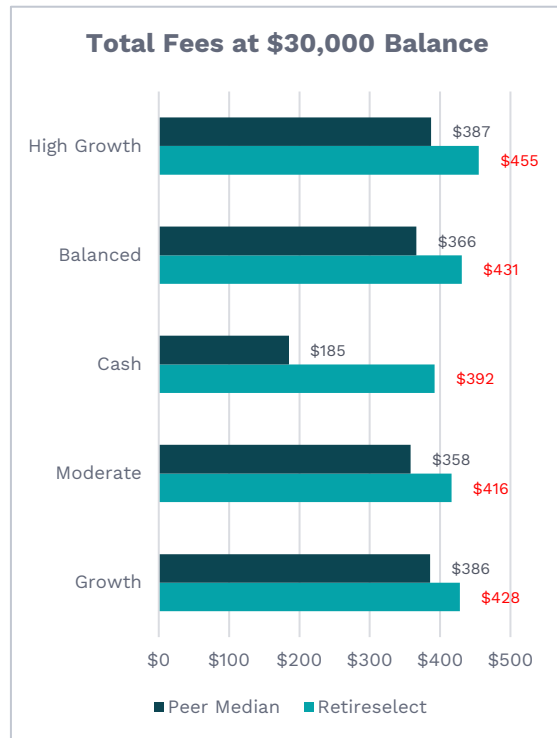
On page 12, RetireSelect's Accumulation administration fees are compared to peer fund median administration fees. RetireSelect is higher cost across investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balance.

The Trustee notes that this is consistent with APRA's heatmap which rated RetireSelect as having 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 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 at \$100,000 and is rated as competitive in the APRA heatmap. 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: Accumulation

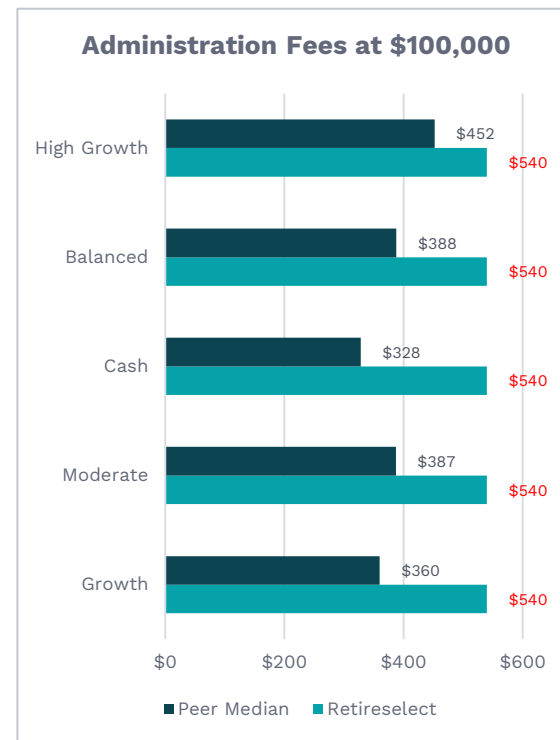
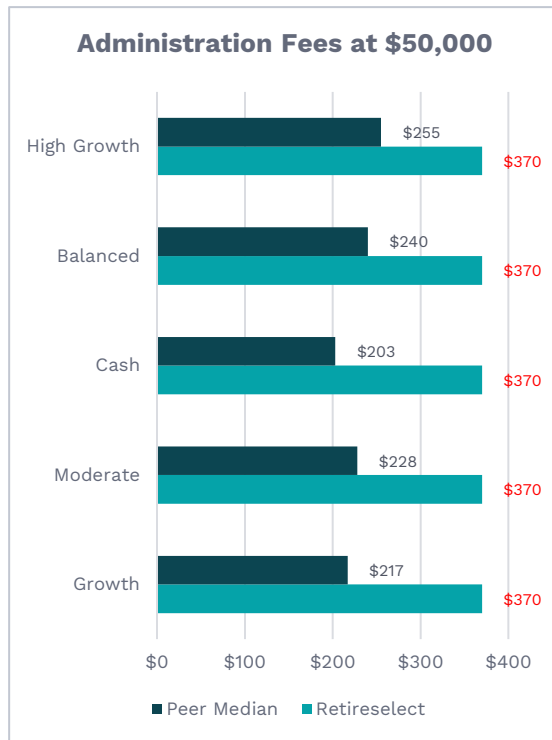
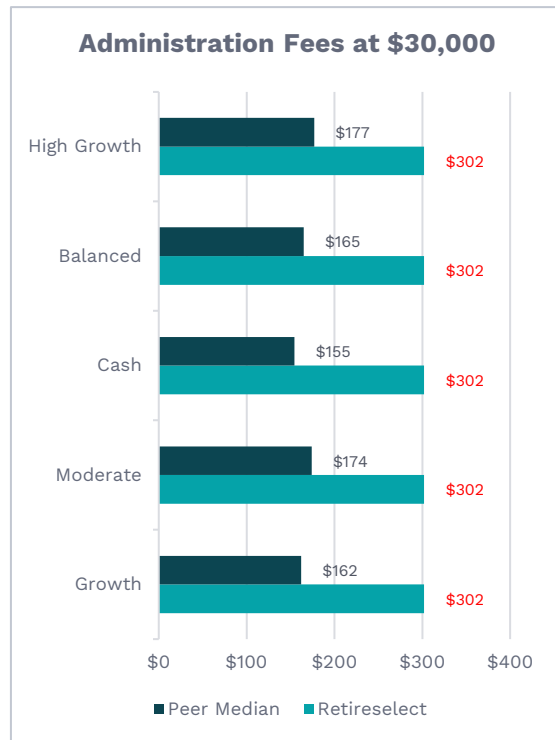
*RetireSelect*



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

# Fees & Costs Comparison: Accumulation

*RetireSelect*



# Investment Return Comparison: Accumulation

*RetireSelect*

RetireSelect's options' net investment returns over a one year period to 30 June 2021 have all outperformed the peer fund median. RetireSelect's investment options over three and five years have outperformed the median with the exception of the Moderate option only slightly underperforming its peer median.

RetireSelect's pre-mixed investment options have all outperformed APRA's Strategic Asset Allocation Benchmark over five years, which will be used for the Your Future Your Super performance test. All options, except for the Moderate option also outperformed the 5 year APRA simple reference portfolios. We note seven year return data was not available on APRA's heatmap for RetireSelect.

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.

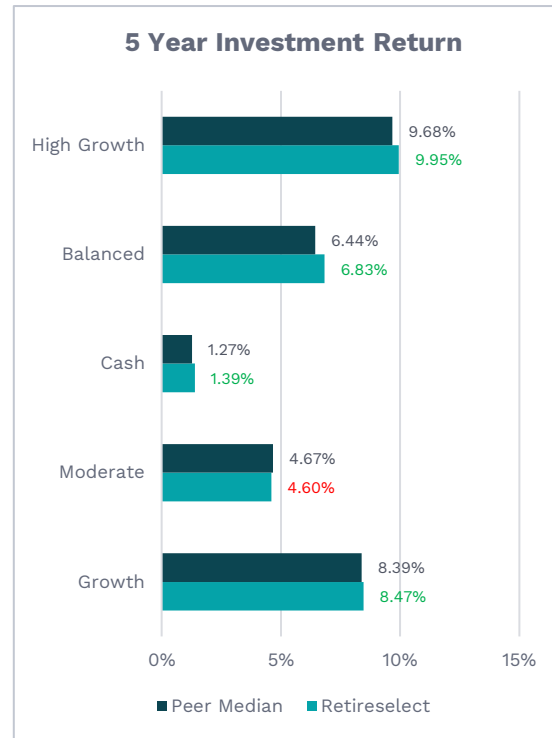
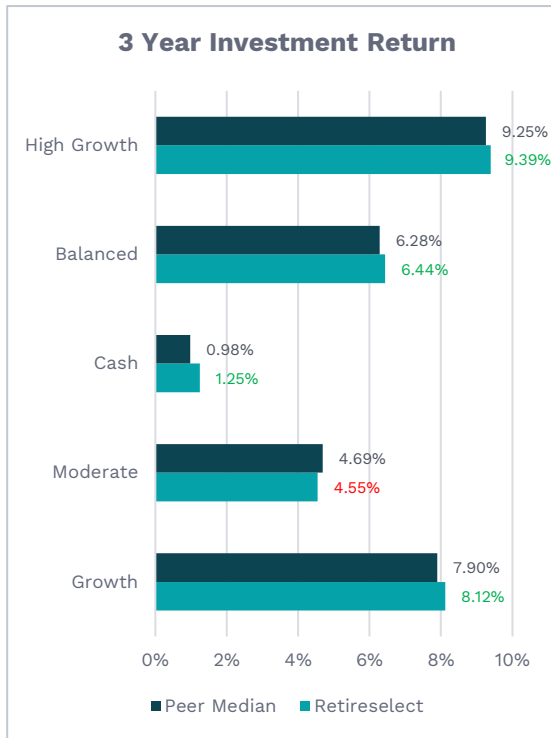
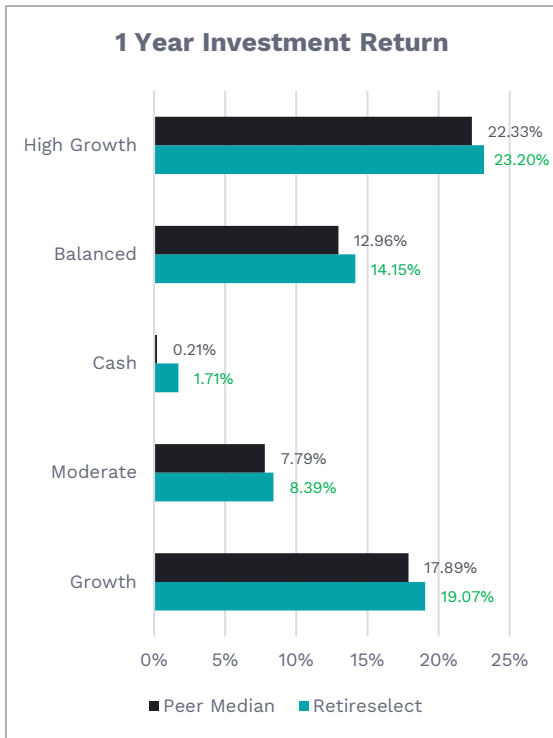
Value of RetireSelect's  
Product Selection\* in  
the past 5 years

Value of  
RetireSelect's  
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.
RetireSelect Super - Balanced	7.26%	0.58%	0.19%
RetireSelect Super - Growth	8.90%	0.58%	0.09%
RetireSelect Super - High Growth	10.38%	0.54%	0.10%
RetireSelect Super - Moderate	5.03%	0.42%	-0.02%

# Investment Return Comparison: Accumulation

*RetireSelect*

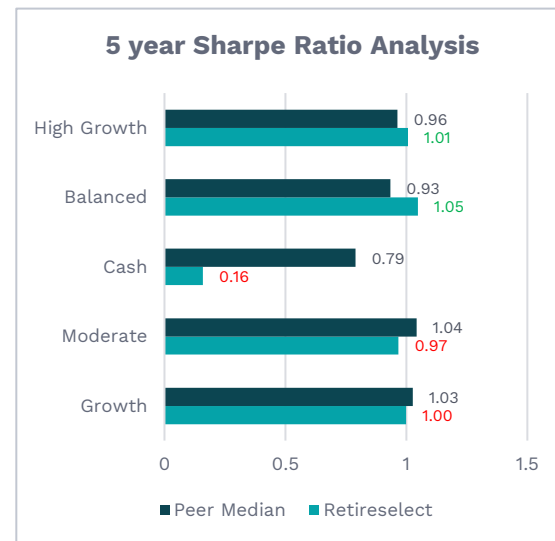
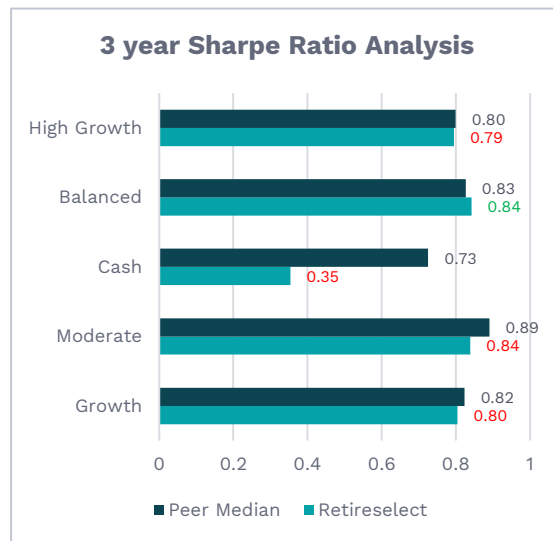
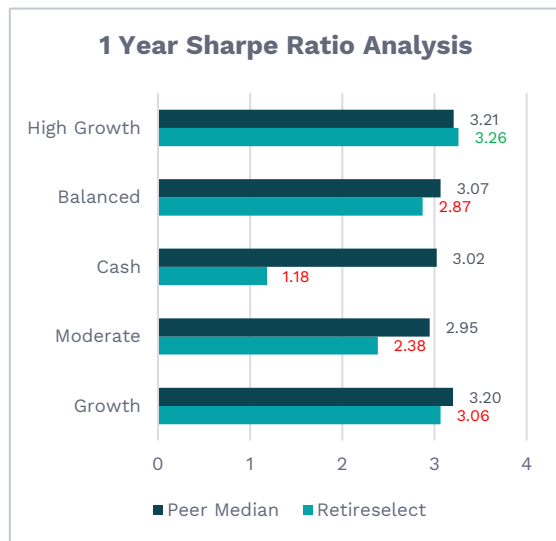


# Investment Risk Comparison: Accumulation

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 inline with 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 Accumulation product are being promoted as risk-adjusted returns are in line with peer fund medians for a majority of investment options.





# Pension Comparative Assessment



# 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 is 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.

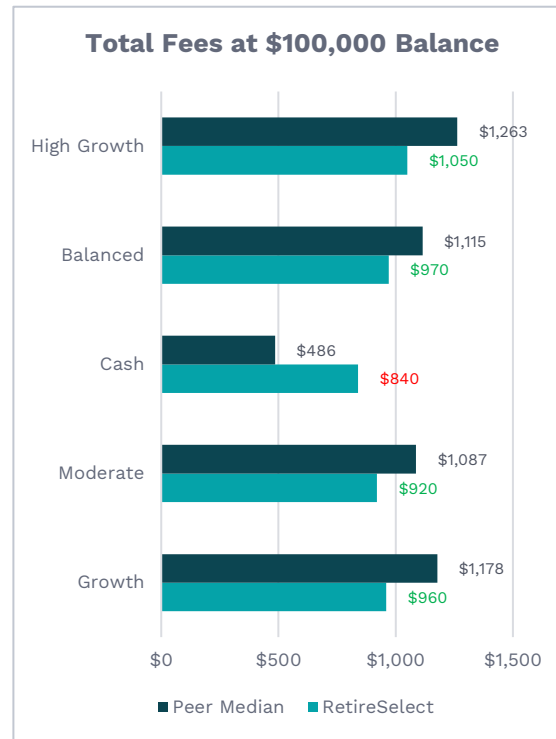
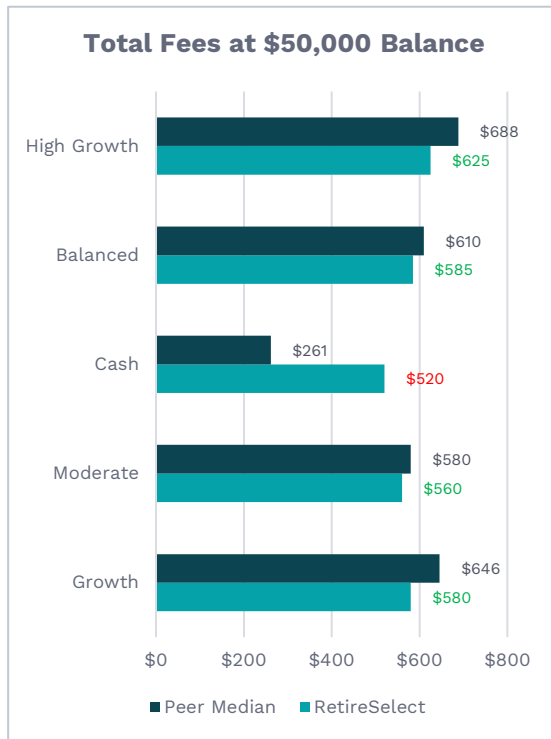
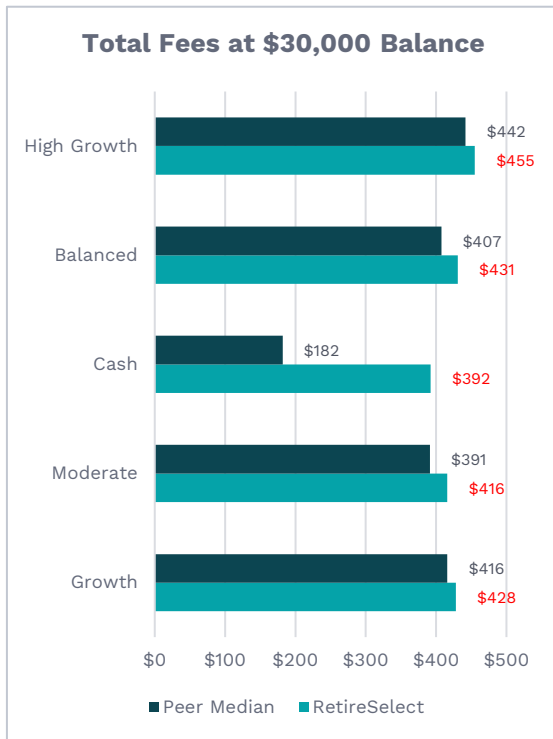
## **Administration Fees**

On page 19, RetireSelect's Pension administration fees are compared to peer fund median administration fees. RetireSelect is a 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. The Trustee notes however, that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

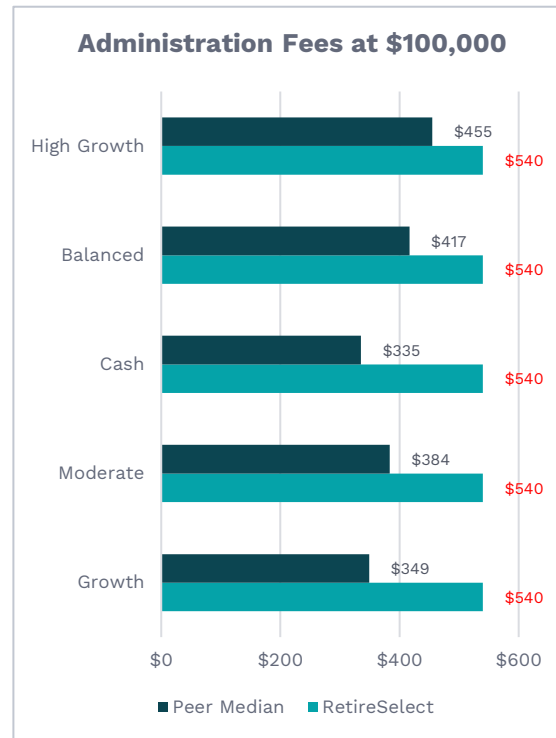
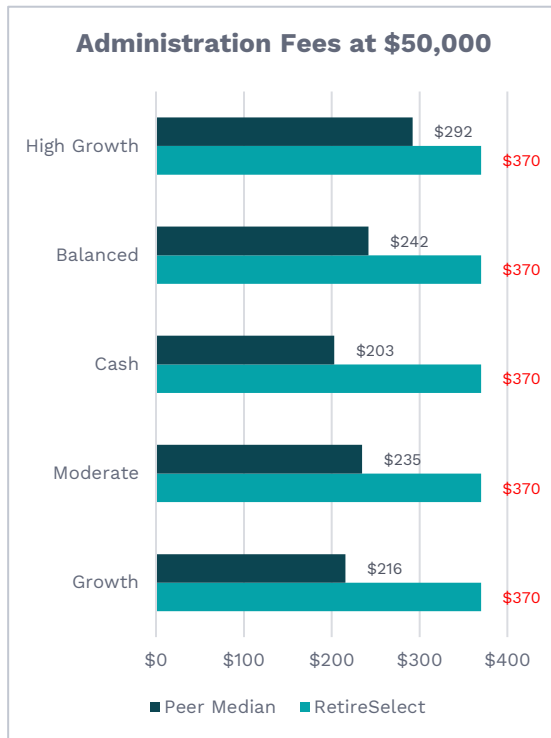
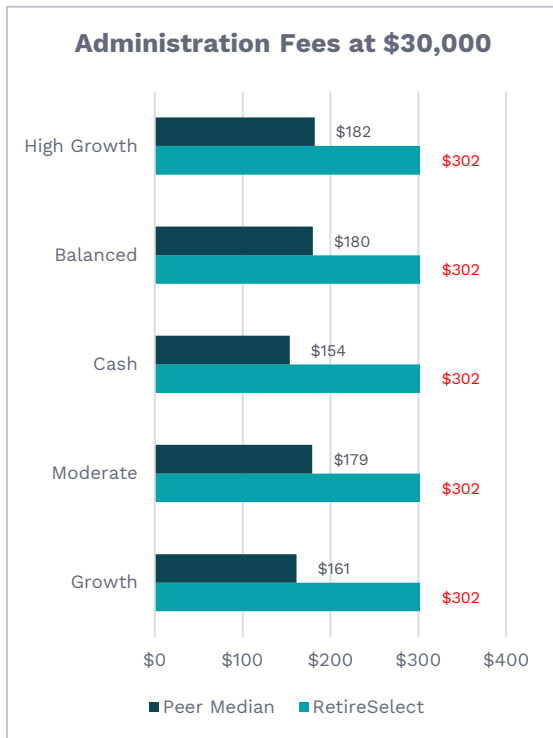
# Fees & Costs Comparison: Pension

*RetireSelect*



# Fees & Costs Comparison: Pension

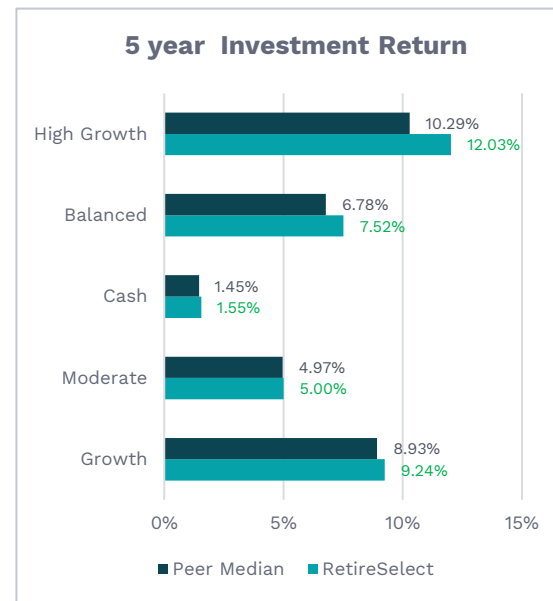
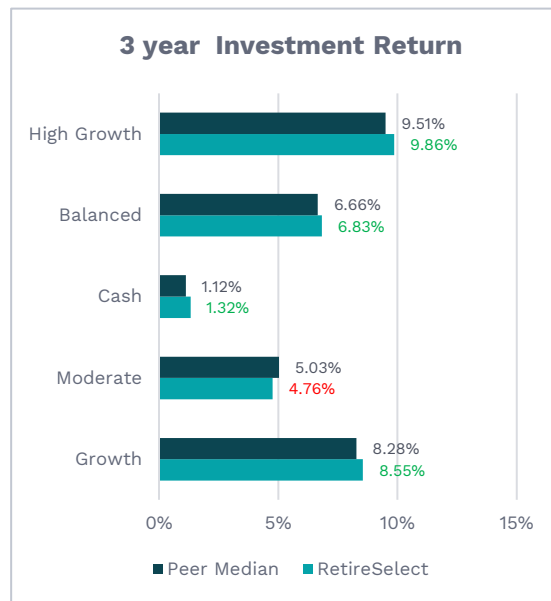
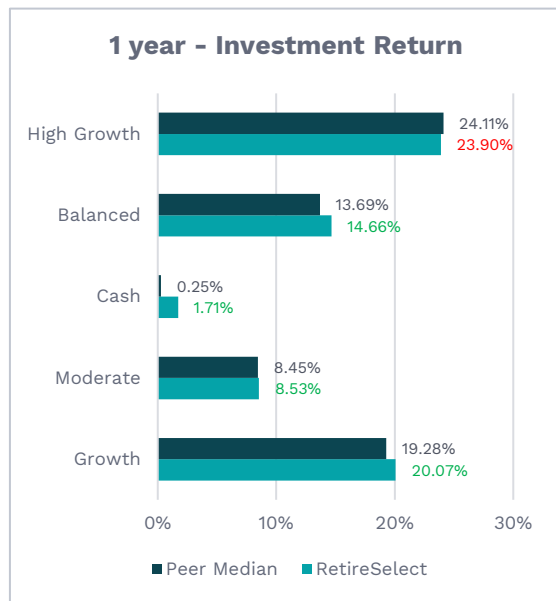
*RetireSelect*



# Investment Return Comparison: Pension

RetireSelect's options' net investment returns over a one year period to 30 June 2021 have all outperformed the peer fund median with the exception of the High Growth option. RetireSelect's options over three and five years have outperformed the median with the exception of the Moderate investment option slightly underperforming over three years.

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

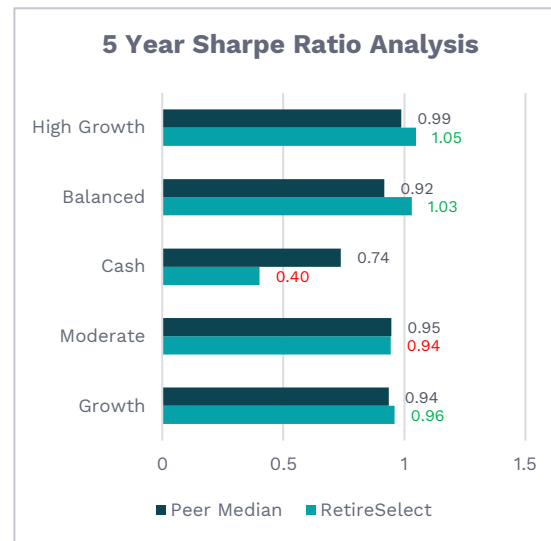
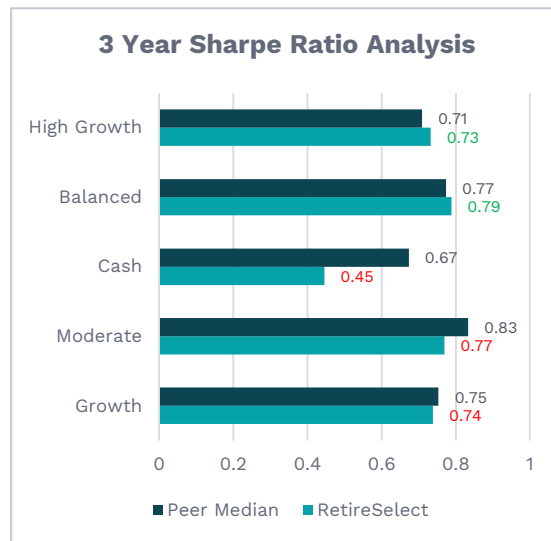
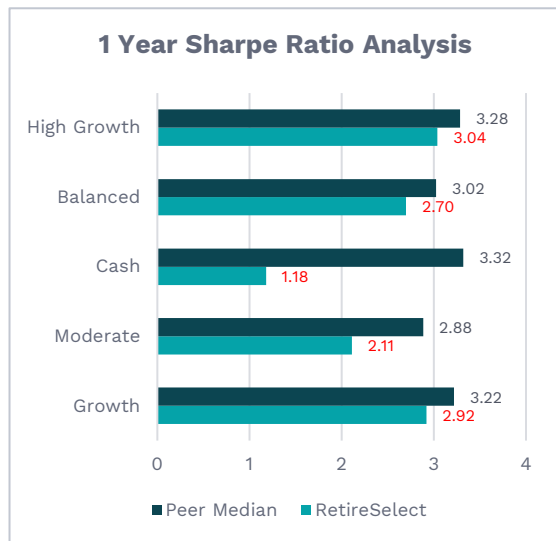


# Investment Risk Comparison: Pension

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 in line with relevant 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.





# Product Appropriateness Assessment

## 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. Key initiatives undertaken over FY21 include the launch of a digital online portal with a platform for investment management and research, ten outsourced model portfolios and an insurance calculator.

An 'Education Hub' is under investigation to be implemented to provide members with a structured form of financial education on superannuation and its key basics. It is noted that implementation for this is likely in Quarter 4 of FY2022, 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 and planning. 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

RetireSelect's investment menu consists of a CORE menu of four pre-mixed pooled investment options and a Cash investment option for investors seeking greater liquidity or who have a more conservative risk appetite. It offers these investment options across both a Accumulation and Pension.

RetireSelect's pre-mixed pooled investment options cover all of APRA's five growth asset allocation classifications.

In addition, members who are more confident in managing their financial affairs have access to a FULL Menu via a direct investments platform, with a Cash Hub, Term Deposits, Managed Funds, and a full range of Managed Account Model Portfolios, and ASX Listed Securities, available through the Managed Account,

RetireSelect reviewed its investment strategy in June 2021. As a result of the review, the High Growth investment objective was adjusted to reflect shifting market conditions.

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.

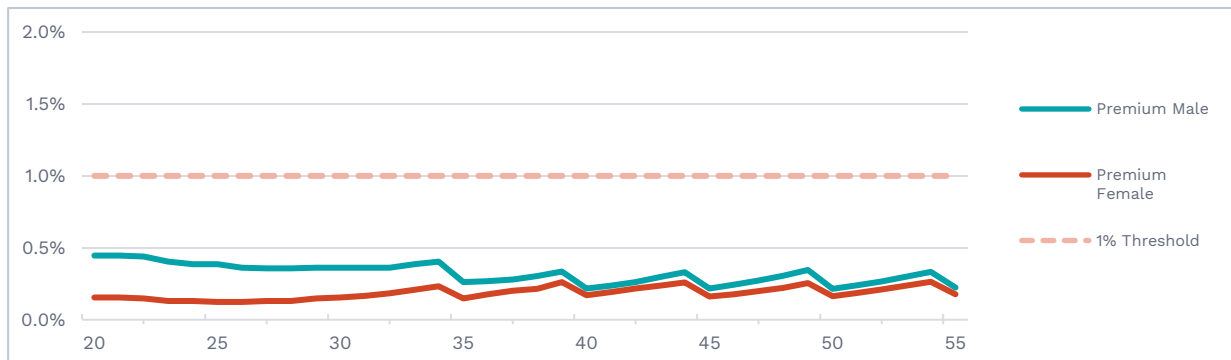
## INSURANCE STRATEGY & FEES

RetireSelect provides insurance for members through MLC Limited. 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 balance due to the impact of insurance premiums.

The following graph shows how RetireSelect'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 RetireSelect's members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.



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

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



## SCALE

RetireSelect had 549 members with approximately \$128M in funds under management as at 30 June 2021:

- Net members' benefits flows of \$-4M, compared to the industry median of -\$4M
- Number of member accounts grew by -6%, compared to the industry median of -3%
- Net rollovers into RetireSelect Super of \$-5M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 142%, compared to the industry median of 107%

The above data indicates that RetireSelect was in an outflow position during FY21, with contraction greater than that of the median superannuation fund. However, during FY21, members of RetireSelect were transferred into OneSuper Members' Choice Superannuation Plan 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 RetireSelect and OneSuper.

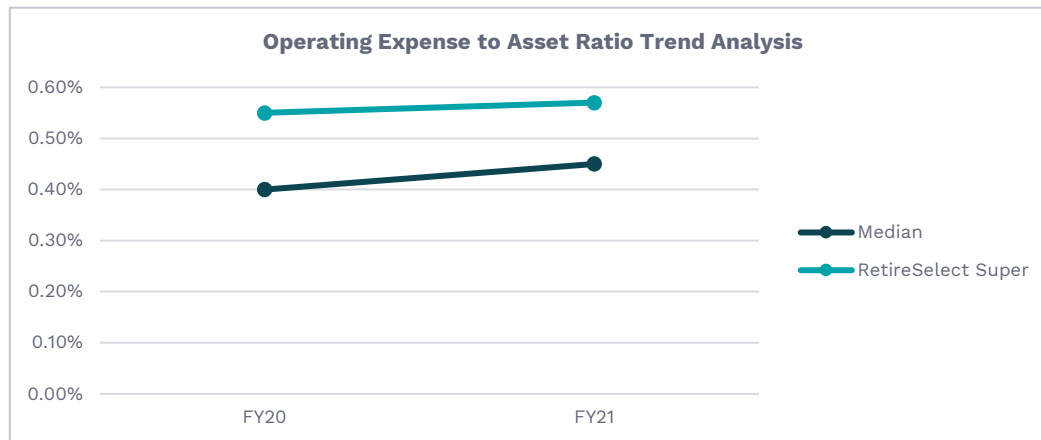
With the SFT into OneSuper, members are now part of a greater FUM and larger member pool, this is likely to drive down fixed cost per member and per dollar of FUM.

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

RetireSelect'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 RetireSelect's operating expense ratio was slightly higher than that of the median fund in FY20 and FY21, but is trending up at a slightly lower rate than the median. It is noted that RetireSelect's operating expense ratio has increased by only 0.02% between FY20 and FY21 whereas the median fund operating expense ratio has increased by 0.05% over the same period.



Noting the smaller size of the Fund, the operating costs are considered appropriate for RetireSelect'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 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 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 would not be eroded.

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.



[certane.com](https://certane.com)

# Disclaimer

- The material included in this presentation (Material) is produced by Diversa Trustees Limited 'Diversa or Trustee'. It is designed and intended to provide general information in summary form on legal topics, current at the time of publication, for general informational purposes only. The Material may not apply to all jurisdictions.
- The Material does not constitute legal advice, are not intended to be a substitute for legal advice and should not be relied upon as such.
- You should seek legal advice or other professional advice in relation to any particular matters you or your organisation may have.
- No claim or representation is made or warranty given, express or implied, in relation to any of the Material. You use the Material are entirely at your own risk.
- The Material remains the intellectual property of Diversa and its related bodies corporate and must not be copied, shared, or reproduced without express prior authorisation.

## **Limitation of Liability**

- Where conditions and warranties implied by law cannot be excluded, Diversa limits its liability where it is entitled to do so. Otherwise, Diversa is not liable for any loss or damage (including consequential loss or damage) to any person, however caused, which may arise directly or indirectly from the Material or the use of such Material.
- Diversa is not responsible for ensuring that any of the Material is accurate, current, suitable or complete although Diversa uses every reasonable endeavour to maintain the accuracy information available, however, some or all of the information may, from time to time, be amended, or become superseded or otherwise inaccurate.

## **No client-solicitor relationship created**

- The transmission or receipt of any Material is not intended to create, nor should such transmission or receipt be taken as creating, a client-solicitor relationship between Diversa and the recipient.