

ING Superannuation Fund – Living Super

Member Outcomes Assessment
For the year ended 30 June 2022

Board approval date 28th February 2023

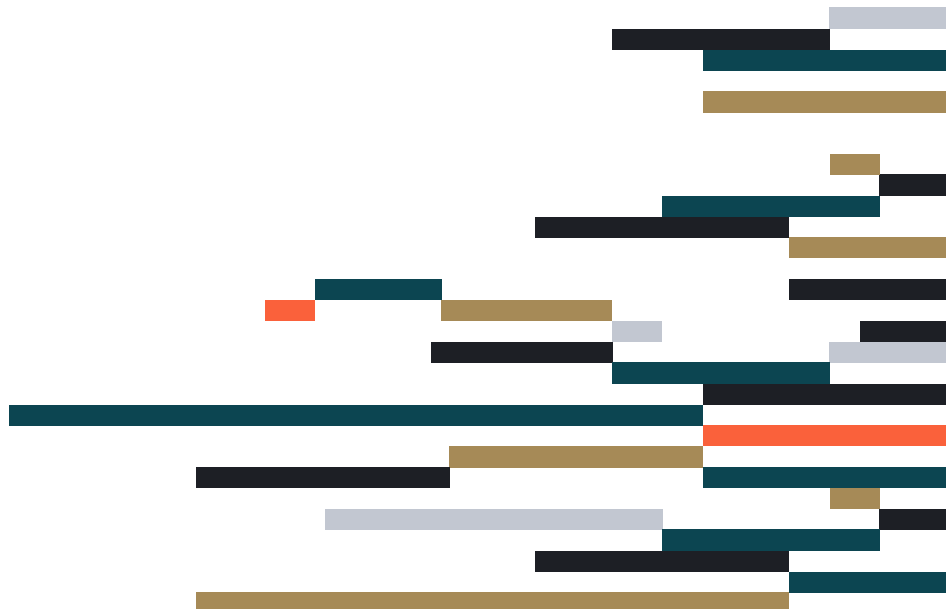


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Introduction

Introduction

What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Living Super – a product issued out of the ING Superannuation Fund. It analyses how Living Super’s products compare to similar products and whether these products are serving financial interests of members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

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

Product Determinations

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

- Total fees and costs (which includes both administration and investment fees) at a product level are less expensive than the peer median for FY22 across all modelled balance points for all investment options;
- On balance, the net investment returns of Living Super's investment options underperformed the peer median on a one year basis, but most investment options performed better or close to median on three year and five year basis. The Trustee considers longer-term performance to be more significant due to the long-term nature of super;
- A majority of the objective assessment factors, being Living Super's options, benefits and facilities, investment strategy, insurance strategy and fees, operating costs and the basis for setting fees, are considered appropriate for Living Super's members and do not inappropriately erode their retirement balances.

The Trustee notes, however, that whilst total fees and costs are all lower than the peer median, there is an opportunity for improvement on administration fees for both Accumulation and Pension products in order to be more competitive with peers. In addition, some uplift will be required to ensure that Living Super's investment options perform at or above peers.

The Trustee also notes an opportunity to improve Balanced investment returns for both the Accumulation and Pension products.

Investment risk on a one year, three year and five year time horizon has underperformed the peer median across most diversified investment options, however more than half of the single sector investment options have outperformed the median.

Scale will need to be considered closely in the future for Living Super, as the growth rate is below the APRA fund median. The Trustee is currently working with the Promoter to address the long-term sustainability of the fund; one of the potential solutions being considered is the merger of Living Super with a fund with a higher growth rate.



Choice Overview

Living Super Overview

Living Super was launched in August 2012. Members are able to invest in a range of diversified and single sector options, each of which are also offered as a pension (and transition to retirement) product. ING (the Promoter of Living Super) delivers its financial products with a focus on simplicity and good value for customers.

Living Super offers twelve managed investment options to its members:

**Balanced
Option
(Closed to
new members
from 1 July
2020)**

**Conservative
Option**

**Moderate
Option**

**Growth
Option**

**High Growth
Option**

Cash Option

**Australian
Shares Option**

**International
Shares Option**

**International
Shares
(Hedged)
Option**

**Australian
Listed
Property
Option**

**Australian
Fixed Interest
Option**

**International
Fixed Interest
(Hedged)
Option**



Choice Assessment

Fees & Costs Comparison: Accumulation

Total Fees

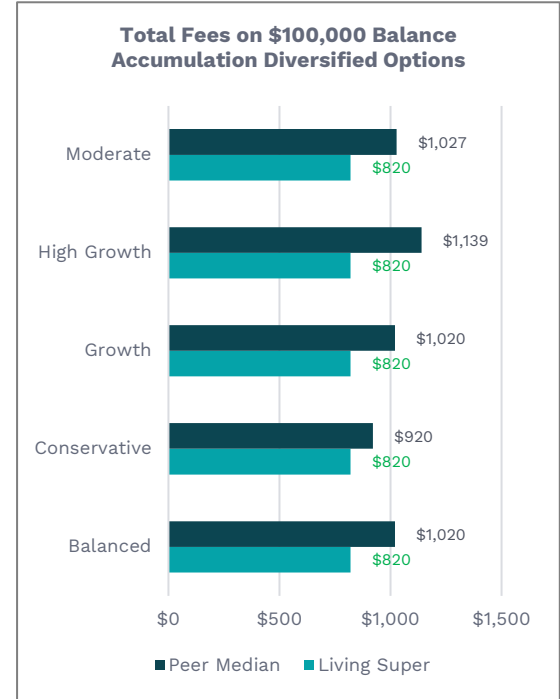
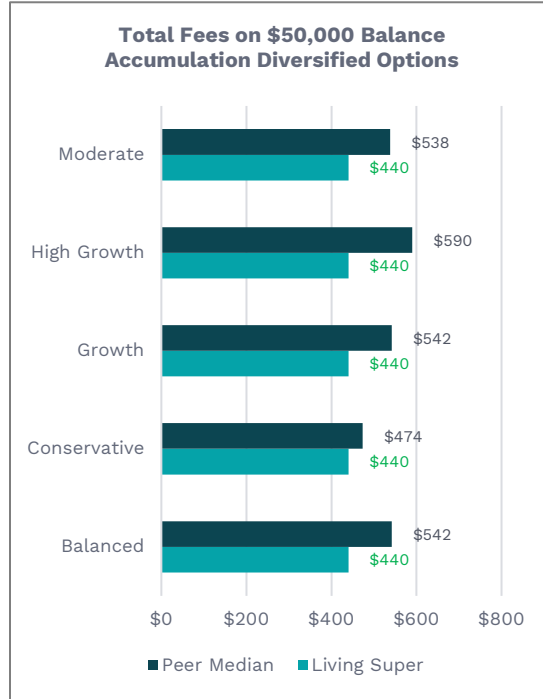
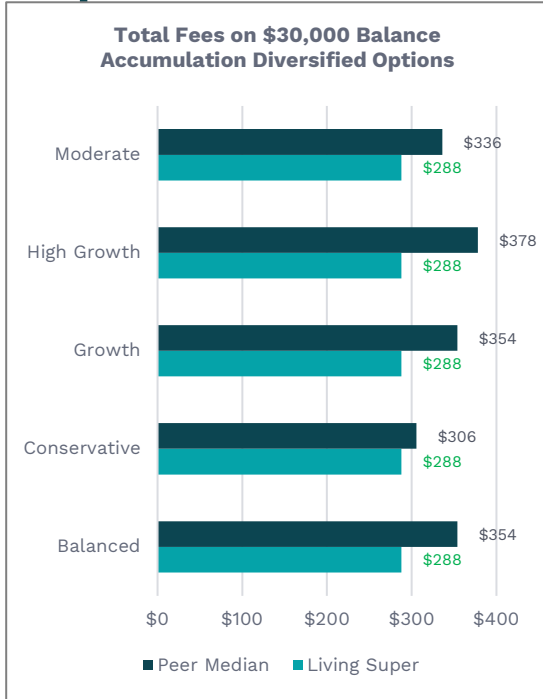
Living Super's total fees and costs (administration fee plus investment fees) are compared to peer median fees in the graphs on the following page. Living Super's investment options are considerably lower cost than the peer median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances.

Administration Fees

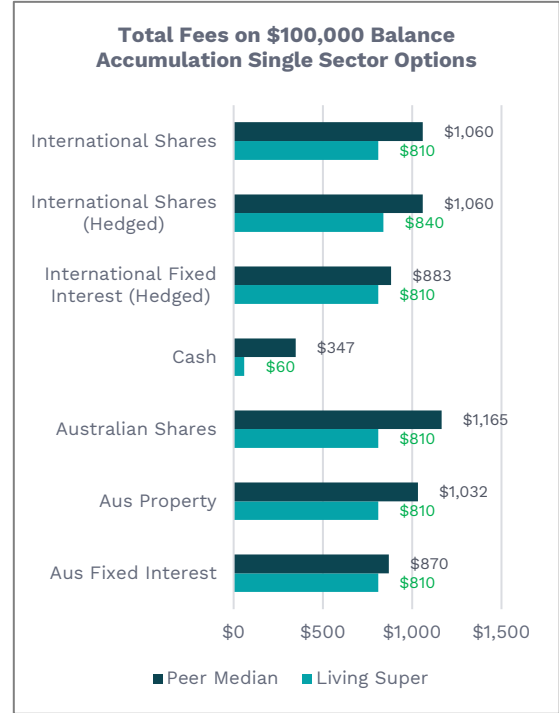
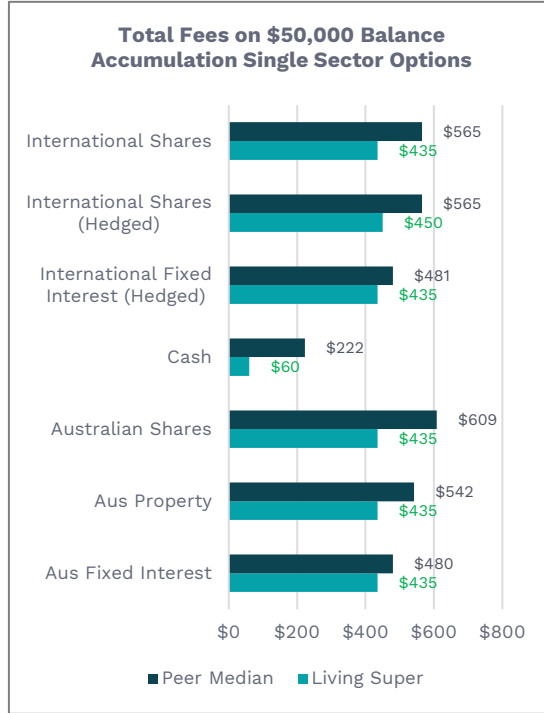
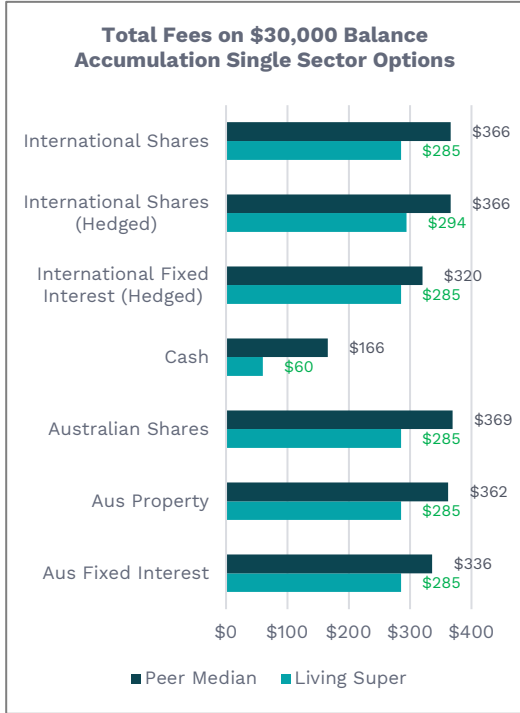
On pages 13 and 14, Living Super's Accumulation administration fees are also compared to peer median administration fees. Living Super is higher cost across a majority of investment options when administration fees are calculated on \$30,000, \$50,000 and \$100,000 balances.

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

Total Fees & Costs Comparison: Accumulation Diversified Options

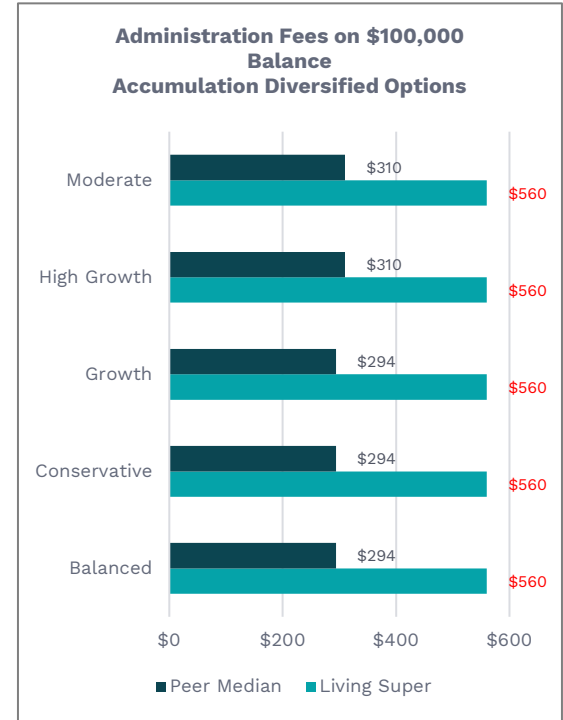
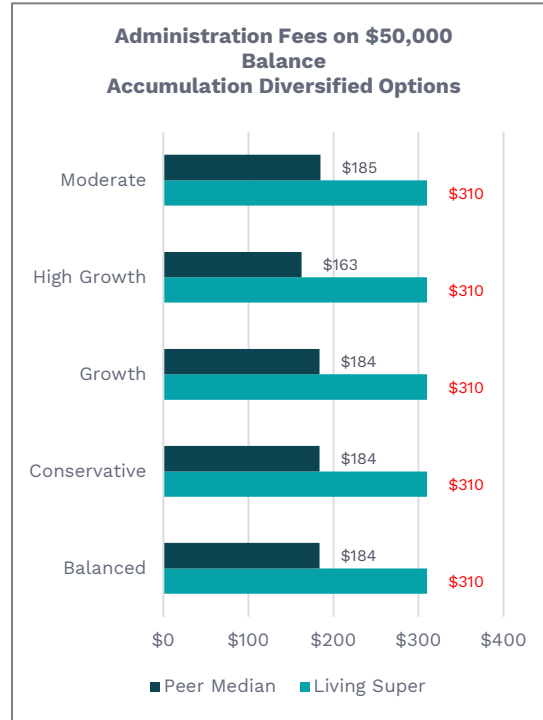
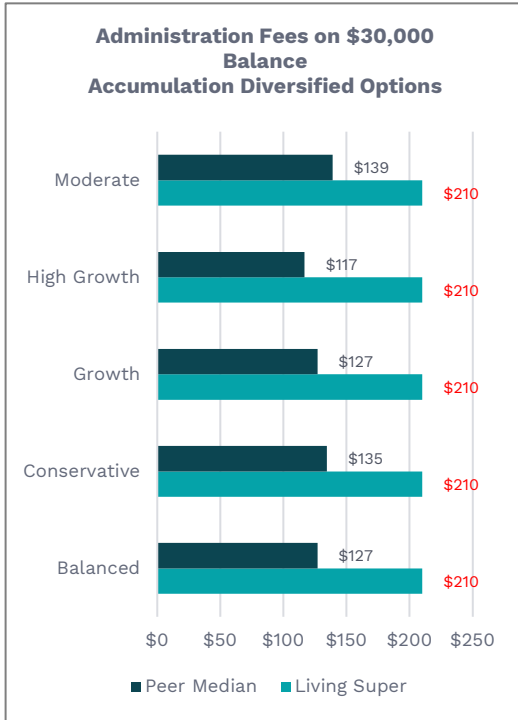


Total Fees & Costs Comparison: Accumulation Single Sector Options

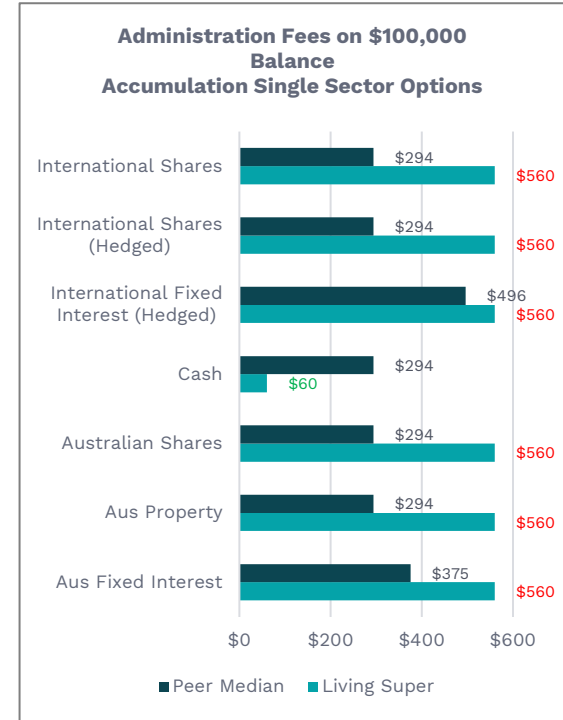
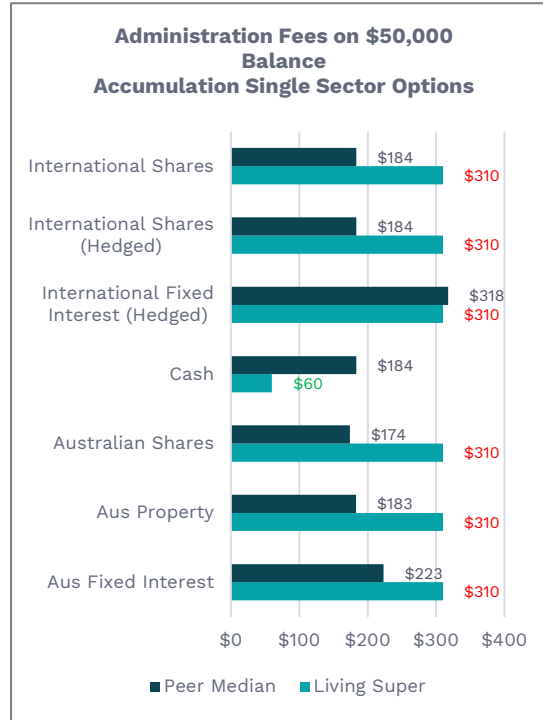
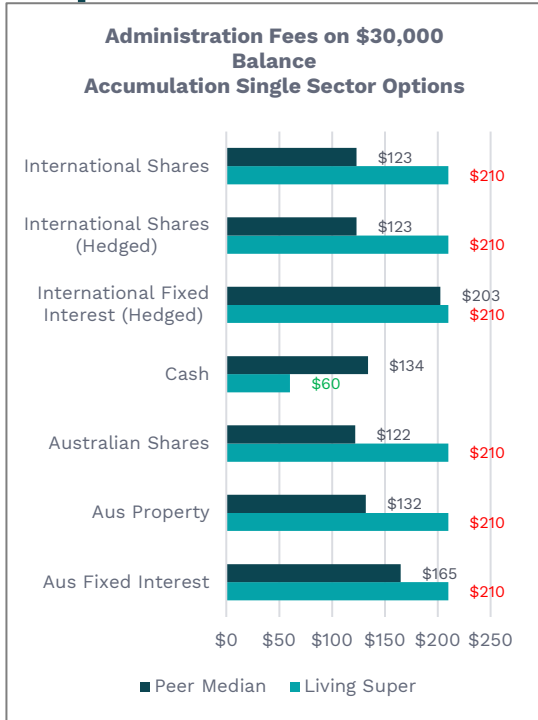


Source: Peer median is derived from SuperRatings' 30 June 2022 median data for the relevant asset class - SuperRatings' Australian Fixed Interest for Living Super's Aus Fixed Interest option, SuperRatings' Property for Living Super's Aus Property option, SuperRatings' Australian Shares for Living Super's Australian Shares option, SuperRatings' Cash for Living Super's Cash option, SuperRatings' International Fixed Interest for Living Super's International Fixed Interest (Hedged) option, SuperRatings' International Shares for Living Super's International Shares (Hedged) option, and SuperRatings' International Shares for Living Super's International Shares option.

Administration Fees Comparison: Accumulation Diversified Options



Administration Fees Comparison: Accumulation Single Sector Options



Fees & Costs Comparison: Pension

Total Fees

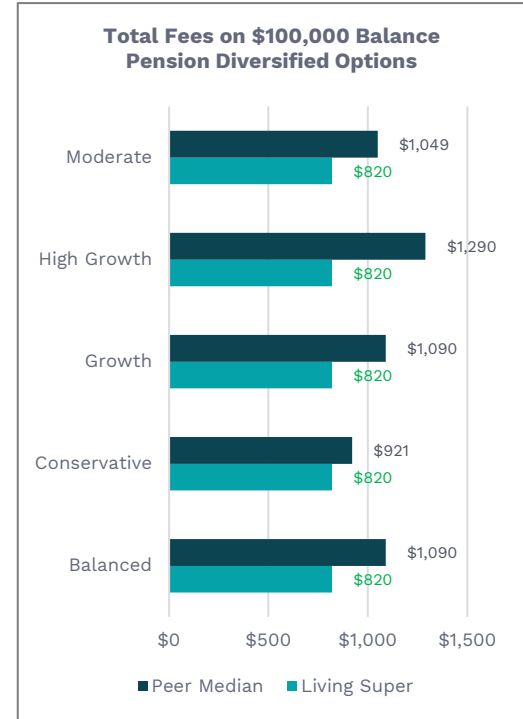
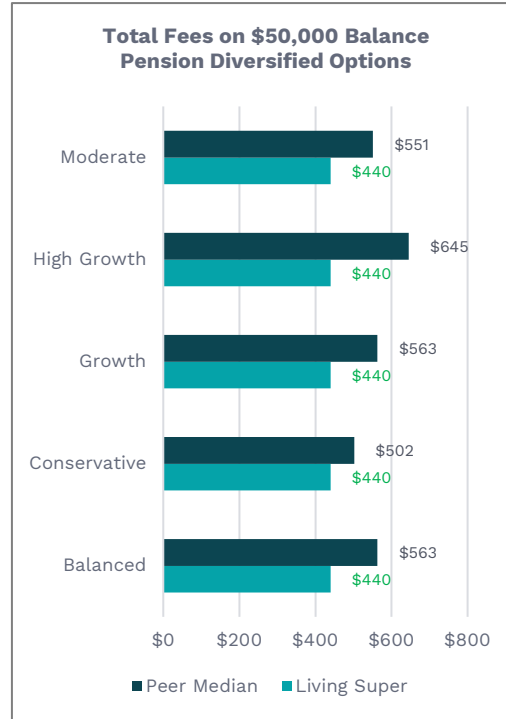
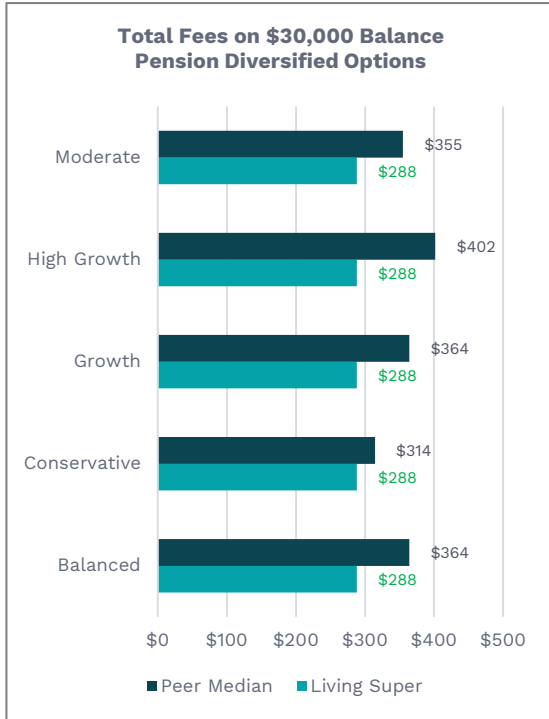
Living Super's total fees (administration fees plus investment fees) for its Pension product are compared to peer median fees in the graphs on the following page. Living Super's options are considerably lower cost than the peer median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

Administration Fees

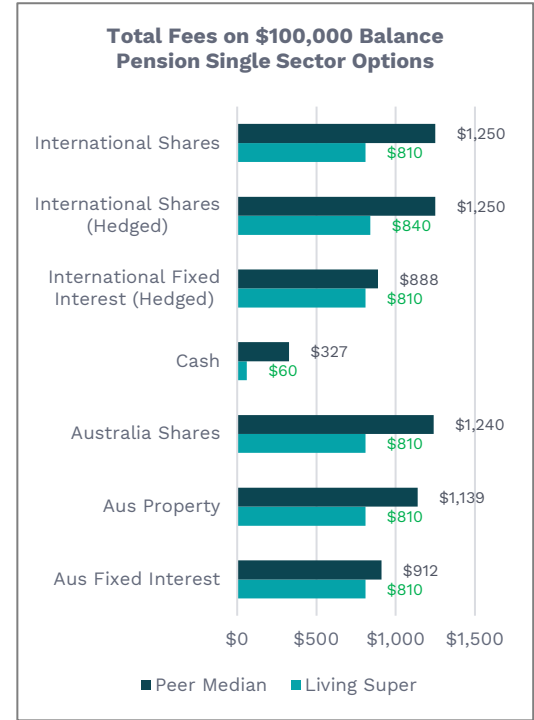
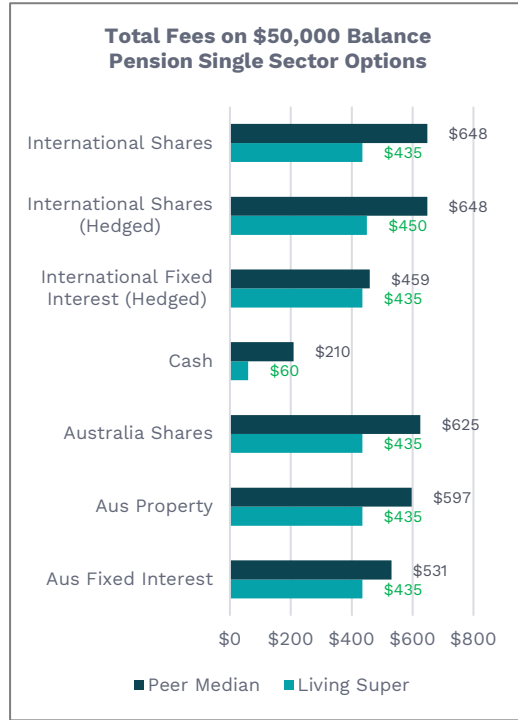
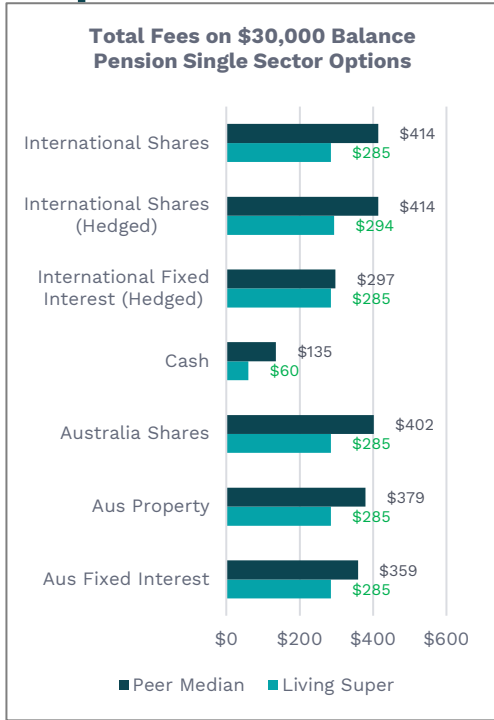
On pages 18 and 19, Living Super's Pension administration fees are also compared to peer median fees. Living Super is higher cost than the median across a majority of investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the total fees for Living Super at a product level are less expensive than the peer median. The Trustee notes however, that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

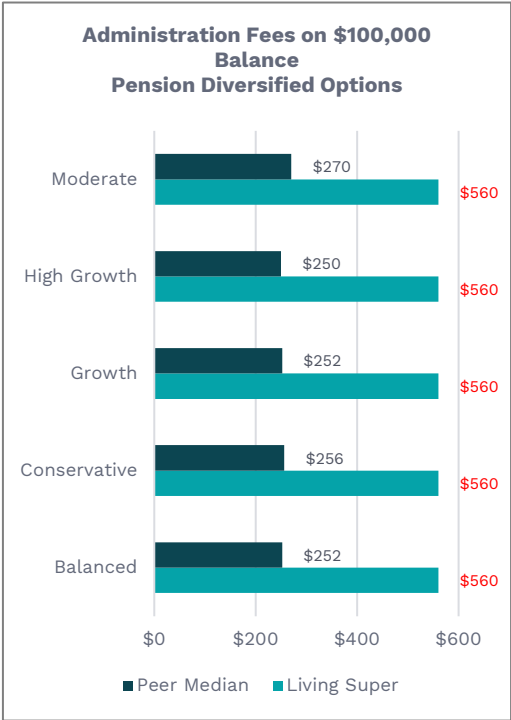
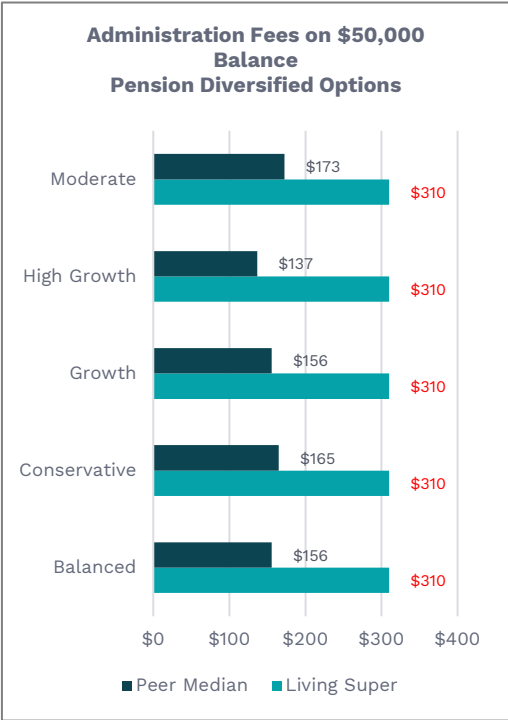
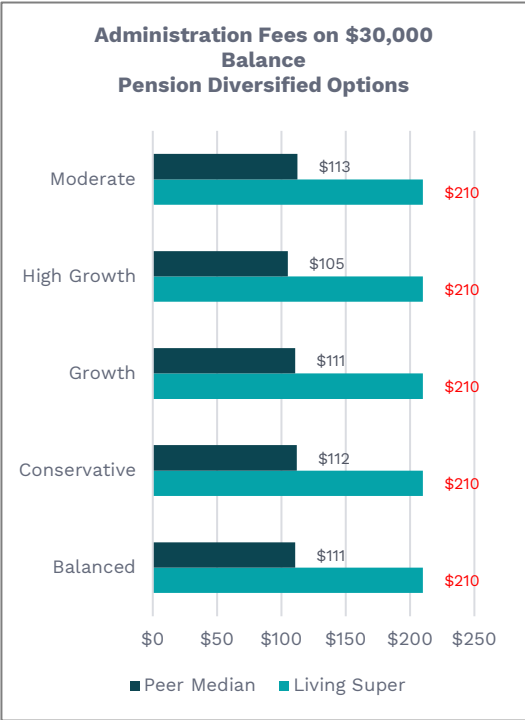
Total Fees & Costs Comparison: Pension Diversified Options



Total Fees & Costs Comparison: Pension Single Sector Options

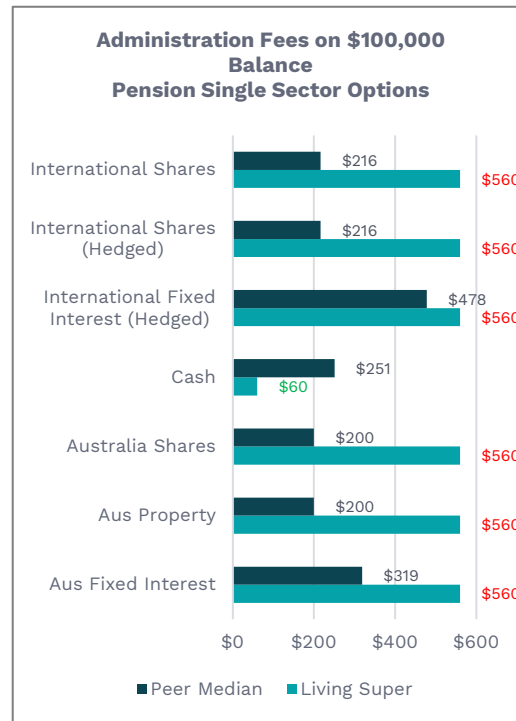
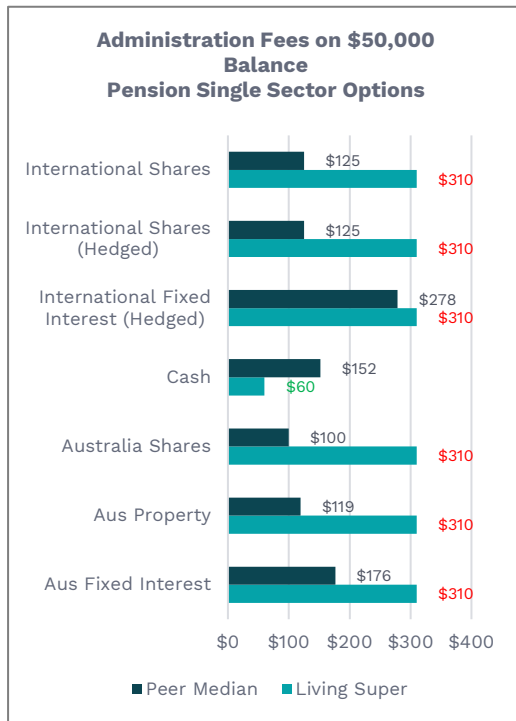
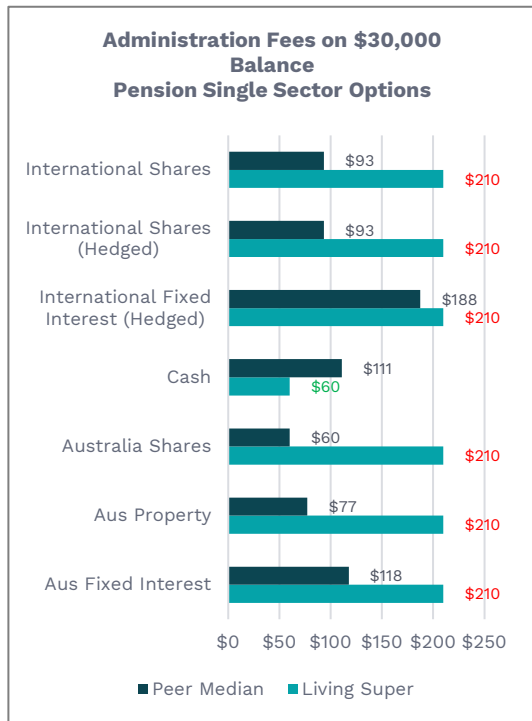


Administration Fees Comparison: Pension Diversified Options



Source: Peer median is derived from SuperRatings' 30 June 2022 median data for the relevant asset class - SuperRatings' Balanced (60-76) % growth assets for Living Super's Balanced option, SuperRatings' Capital Stable (20-40) % growth assets for Living Super's Conservative option, SuperRatings' Balanced (60-76) % growth assets for Living Super's Growth option, SuperRatings' High Growth (91-100) % growth assets for Living Super's High Growth option, and SuperRatings' Conservative Balanced (41-59) % growth assets for Living Super's Moderate option.

Administration Fees Comparison: Pension Single Sector Options



Investment Return Comparison: Accumulation

Diversified Options

Living Super's diversified options' net investment returns over the one year and three year periods to 30 June 2022 have mostly underperformed the peer median. However, Living Super's High Growth investment option smoothens out over a five year time period performing in line or outperforming their relevant medians. Living Super's Balanced and Growth options have underperformed their peer medians through all periods.

We note that three and five year investment return data isn't available for Living Super's Moderate and Conservative investment options, as these were only launched 1 July 2020. These two options have underperformed their peer medians over the one year period.

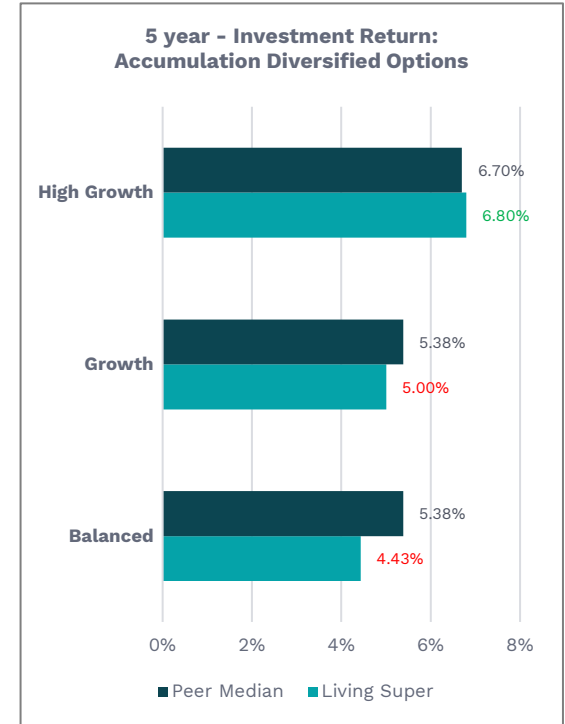
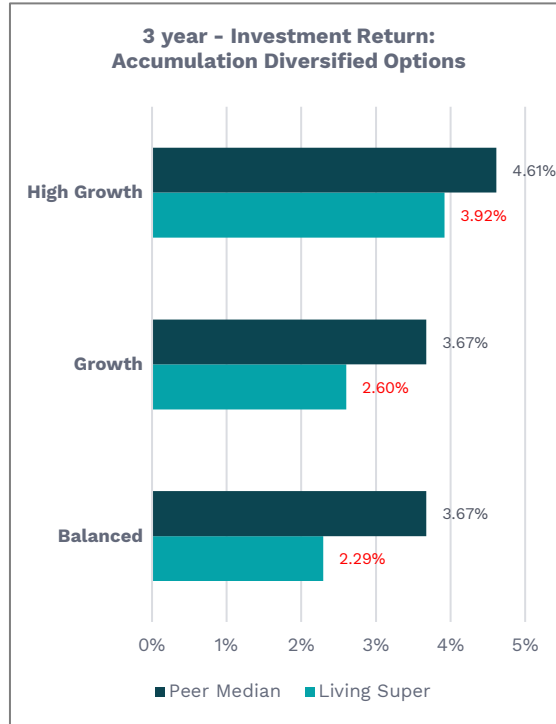
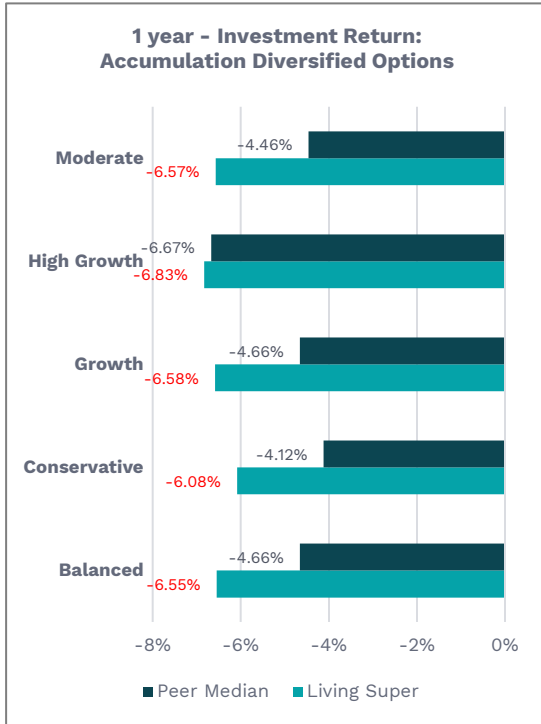
Single Sector Options

While the majority of Living Super's single sector investment options outperformed the peer median over the one year period, most of the options returns for the three and five year periods, marginally underperformed compared to the peer median.

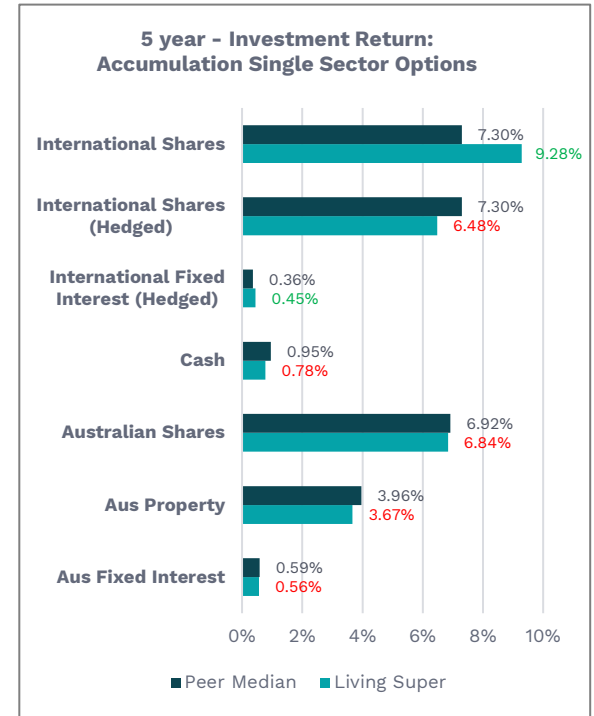
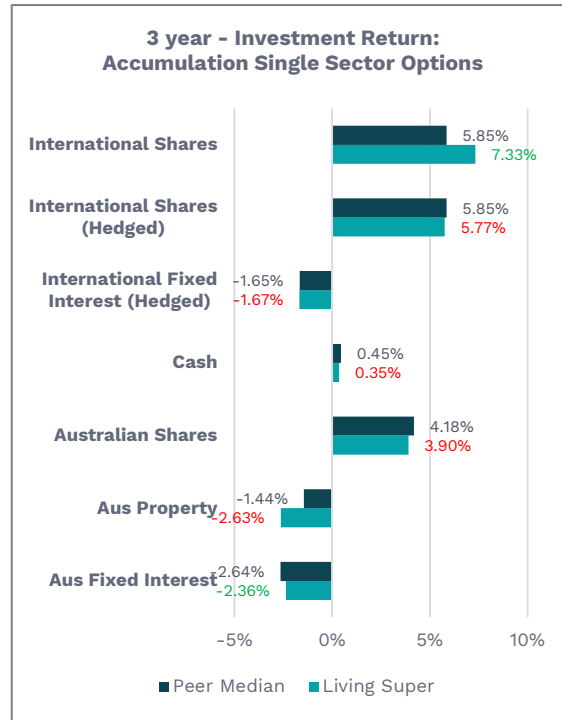
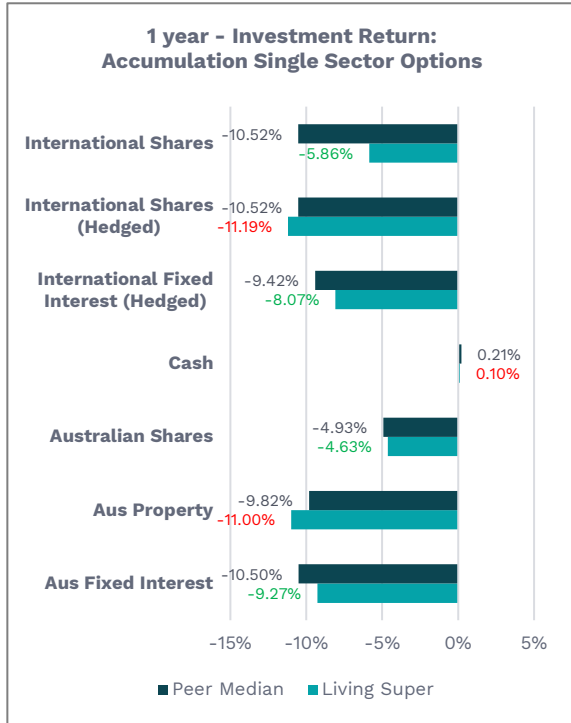
On balance, across all investment options, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product as three and five year investments the investment returns over the longer dated returns either outperform, or are only marginally under the peer median.

The Trustee notes an opportunity to improve Balanced investment returns for the Accumulation product, as well as opportunities to uplift the short term performance across all investment options.

30 June 2022 Investment Return Comparison: Accumulation Diversified Options



30 June 2022 Investment Return Comparison: Accumulation Single Sector Options



Investment Return Comparison: Pension

Diversified Options

Living Super's diversified options' net investment returns over the one year and three year periods to 30 June 2022 have all underperformed the peer median. However, Living Super's Growth and High Growth investment options smooth out over a five year time period performing in line or outperforming their relevant medians. Living Super's Balanced option has underperformed its peer medians through all periods.

We note that three and five year investment return data isn't available for Living Super's Moderate and Conservative investment options, as these were only launched 1 July 2020. These two options have underperformed their peer medians over the one year period.

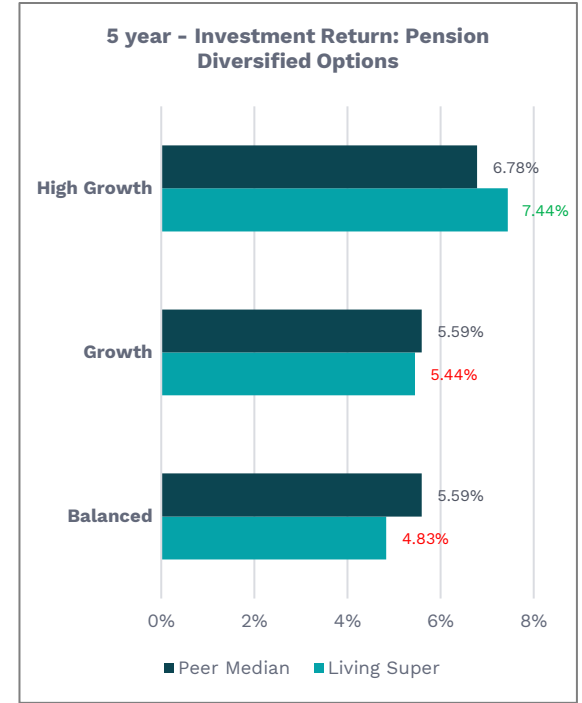
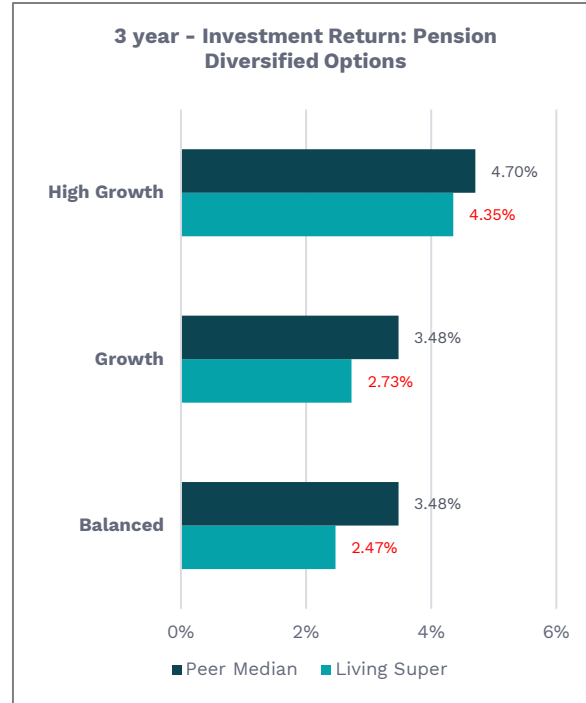
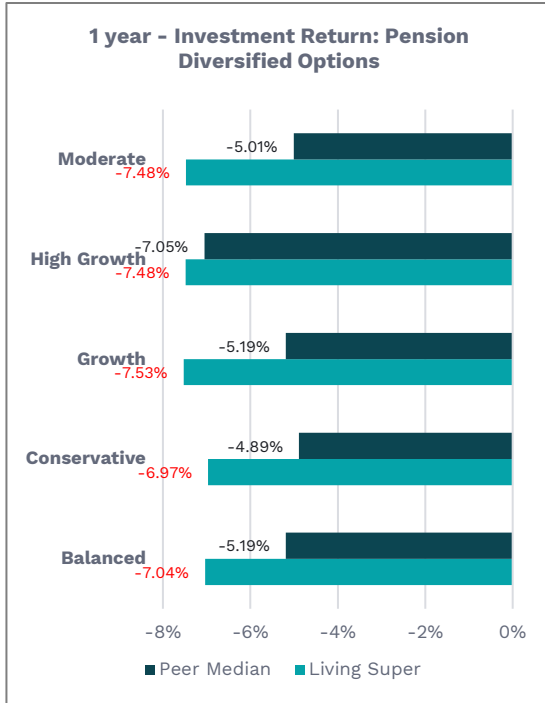
Single Sector Options

Whilst over half of Living Super's single sector investment options outperformed the peer medians over the one year period, the returns over the three and five year periods for the majority of the single sector investment options performed in line with the peer median. The International Shares option exceeded the peer median by 2.32% over the 5 year period.

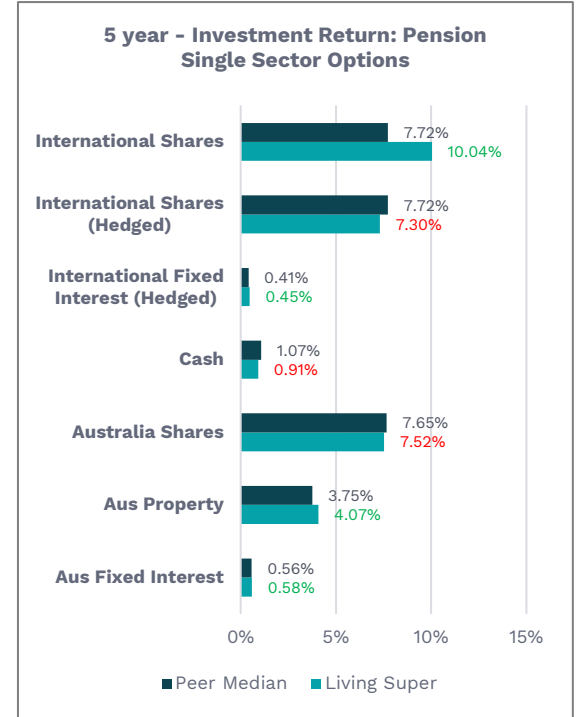
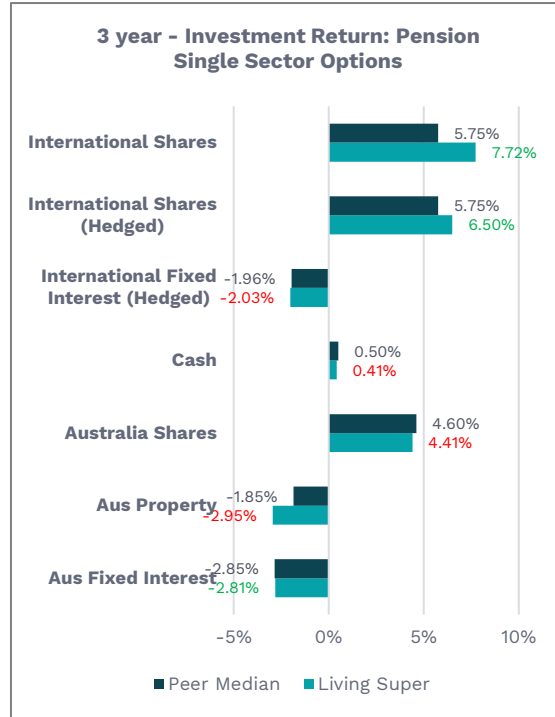
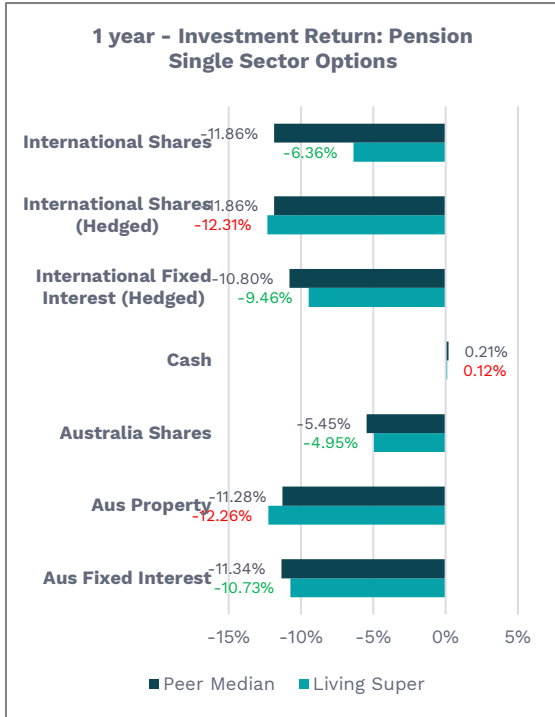
On balance, across all investment options, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as three and five year investment returns for more than half of all investment options are exceeding or are close to peer median performance.

The Trustee notes an opportunity to improve Balanced investment returns for the Pension product.

30 June 2022 Investment Return Comparison: Pension Diversified Options



30 June 2022 Investment Return Comparison: Pension Single Sector Options



Source: Peer median is derived from SuperRatings' 30 June 2022 median data for the relevant asset class - SuperRatings' Australian Fixed Interest for Living Super's Aus Fixed Interest option, SuperRatings' Property for Living Super's Aus Property option, SuperRatings' Australian Shares for Living Super's Australian Shares option, SuperRatings' Cash for Living Super's Cash option, SuperRatings' International Fixed Interest for Living Super's International Fixed Interest (Hedged) option, SuperRatings' International Shares for Living Super's International Shares (Hedged) option, and SuperRatings' International Shares for Living Super's International Shares option. It is noted that the Diversified Fixed Income benchmark is used for Living Super's Australian Fixed Interest investment option and Living Super's International Fixed Interest (Hedged) investment option. This assumes that the Diversified Fixed Income benchmark is diversified by corporate and government bonds but the median does not consider the geography of the underlying assets or the impact of the hedging.

Investment Risk Comparison

In the following graphs, we measure the performance of Living Super's investment options after adjusting for risk comparing to the peer 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.

Diversified Options

Living Super's Sharpe ratio is lower than the peer median for the majority of diversified investment options (across both Accumulation and Pension products) over the one year, three year and five year timeframes. However, the High Growth investment option for the Accumulation and Pension products performed at median for the five year period.

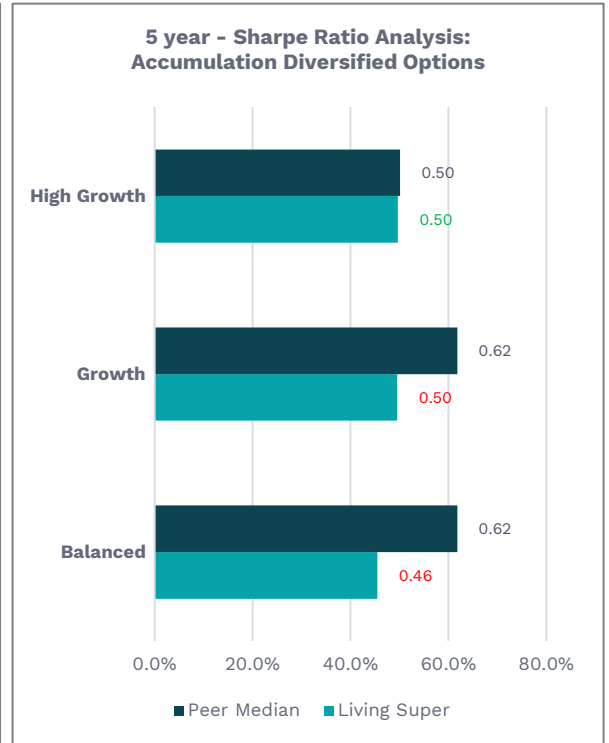
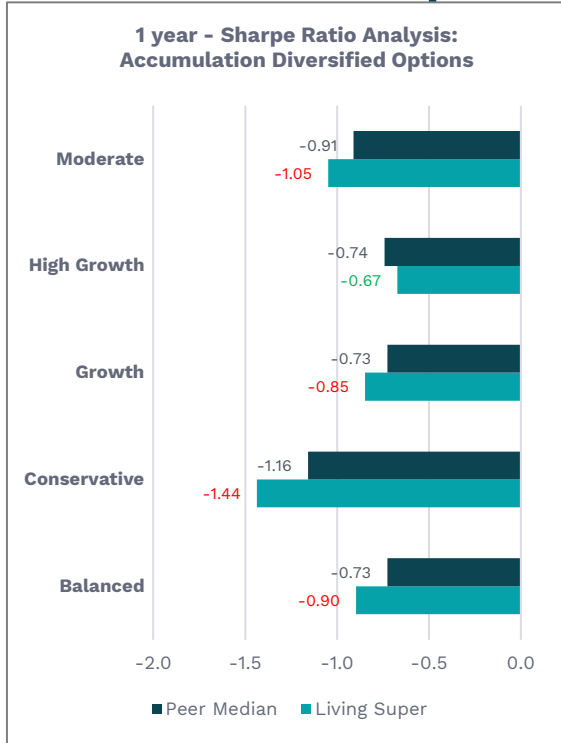
We note that three and five year investment return data isn't available for Living Super's Moderate and Conservative investment options as these options were only launched on 1 July 2020.

Single Sector Options

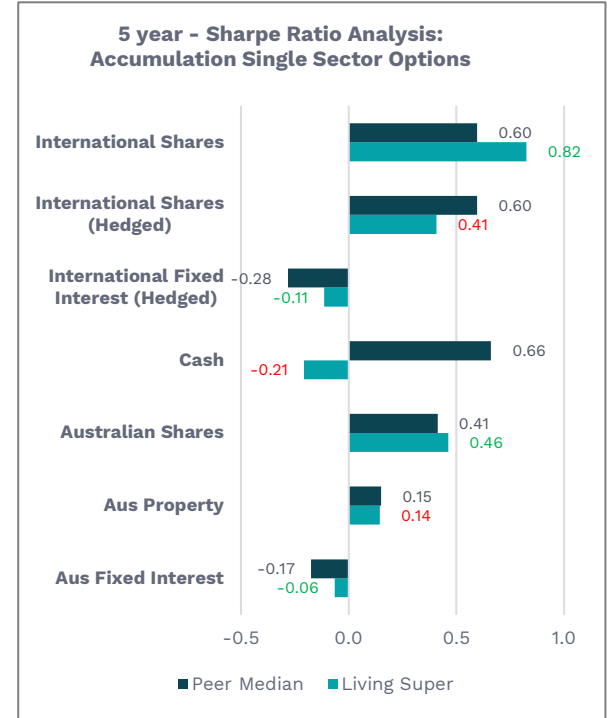
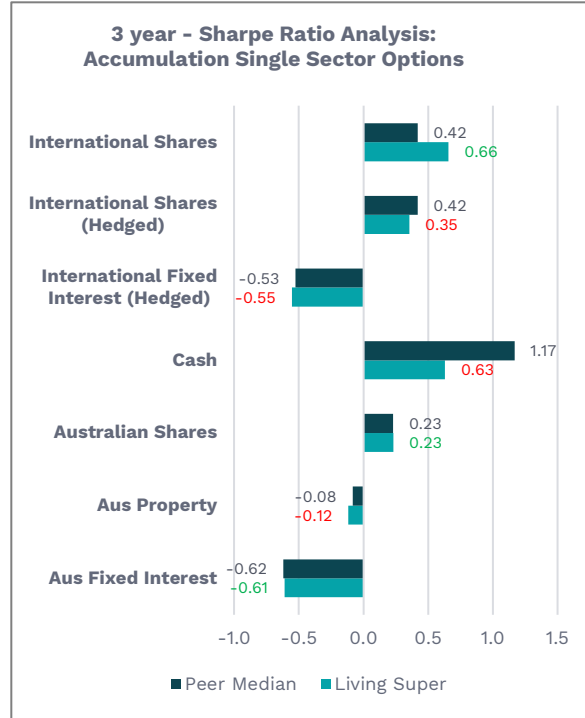
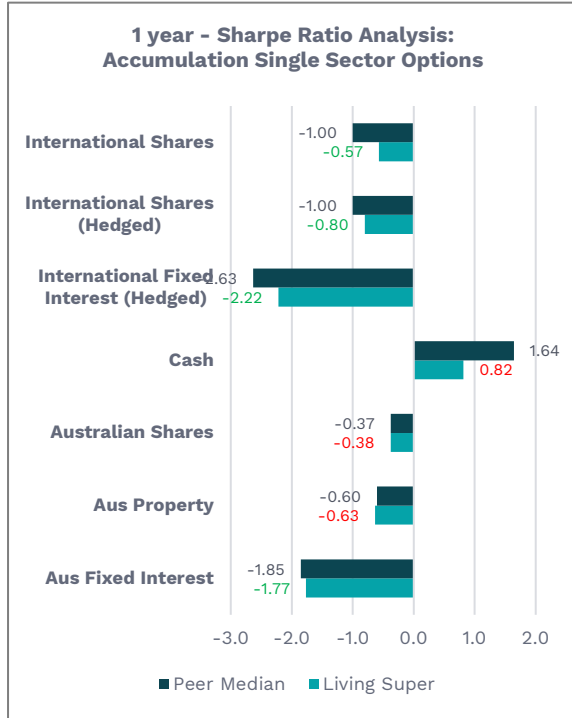
Living Super's risk adjusted returns are exceeding median peer performance for more than half of the single sector investment options for the one year and five year periods.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of both its Accumulation and Pension product. Whilst investment risk for approximately half of all investment options is higher than the peer median, the long term nature of superannuation possibly allows the risk-adjusted investment performance to improve for diversified investment options and therefore ensure that members' financial interests are being promoted.

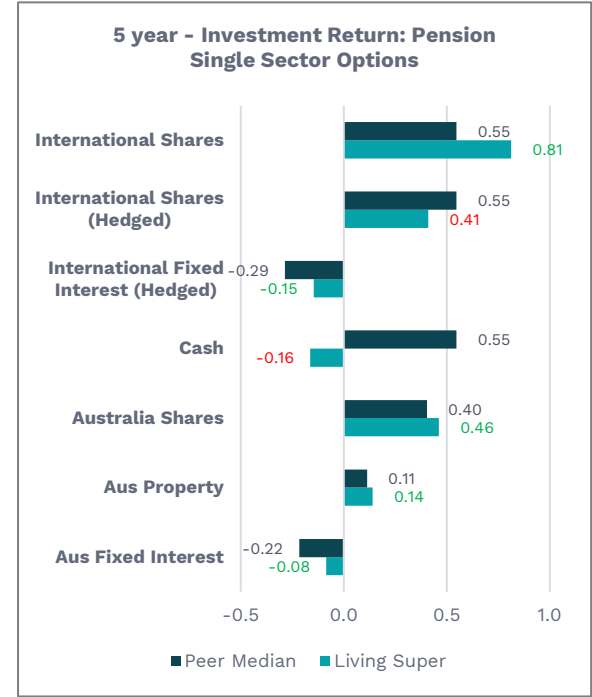
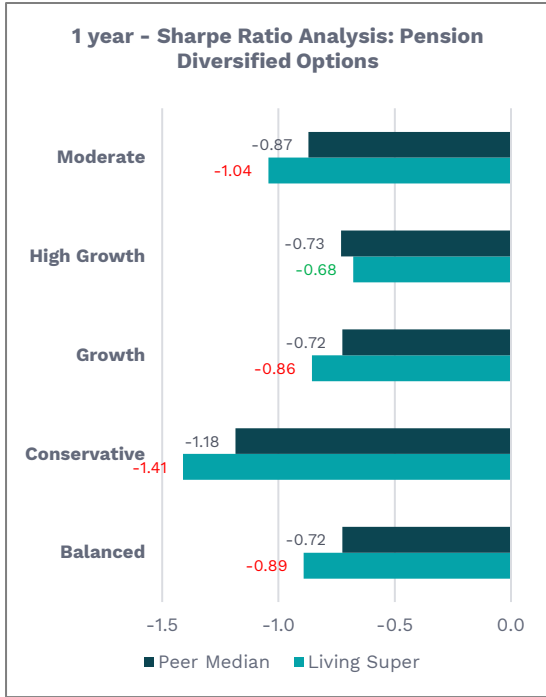
30 June 2022 Investment Risk Comparison: Accumulation Diversified Options



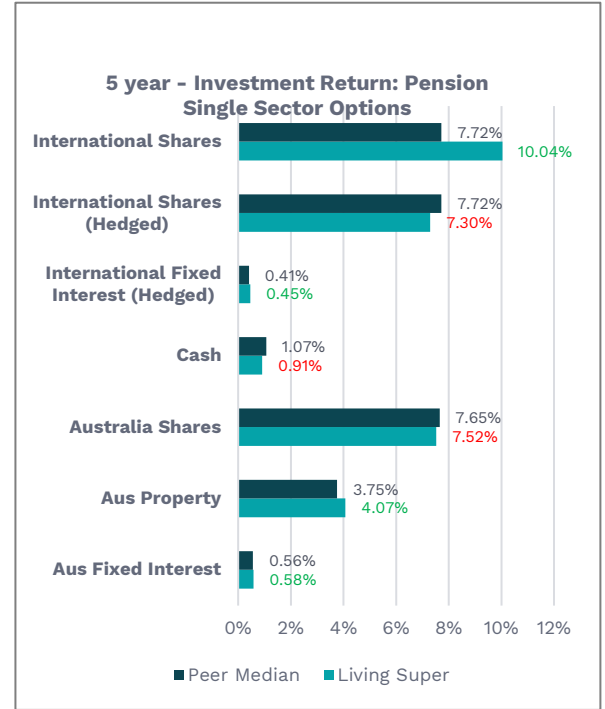
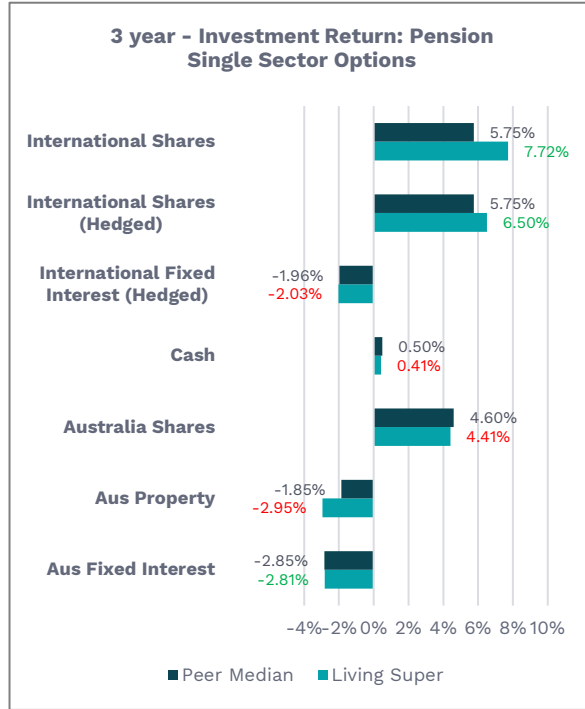
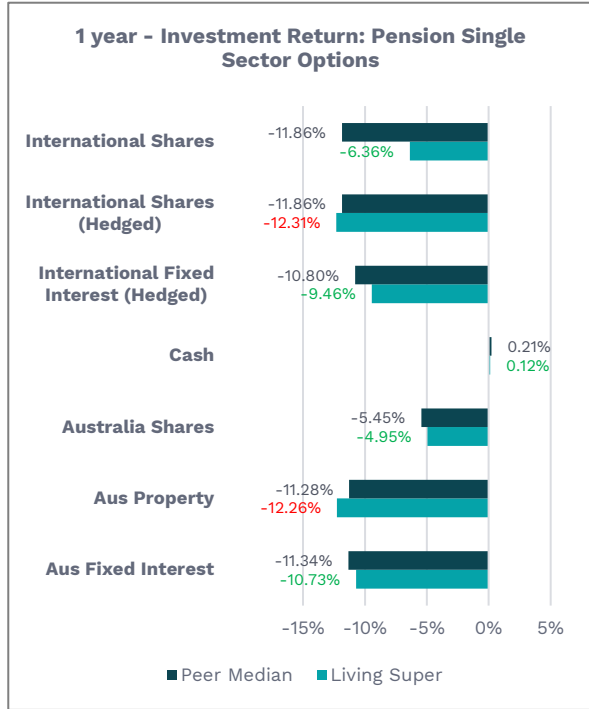
30 June 2022 Investment Risk Comparison: Accumulation Single Sector Options



30 June Investment Risk Comparison: Pension Diversified Options



30 June 2022 Investment Risk Comparison: Pension Single Sector Options



OPTIONS, FACILITIES & BENEFITS

Living Super offers a range of services and products to all members in order to assist them with engaging with their superannuation so that they can maximise their balance and optimise their retirement outcomes.

Living Super engages with its members through digital channels, and assists members in meeting their financial objectives through:

- Educational content, including a quarterly newsletter via email, which generally includes a historical performance update, commentary and articles hosted by ING's blog.
- Engaging digital tools, such as an insurance premium calculator.
- An online platform for trading in ASX-listed securities.
- 24/7 access through ING online banking.

During the second half of FY22, ING recorded a customer effort score of 4.09/5.00 for the Living Super application process, whereby a higher score indicates an easier process.

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.

INVESTMENT STRATEGY

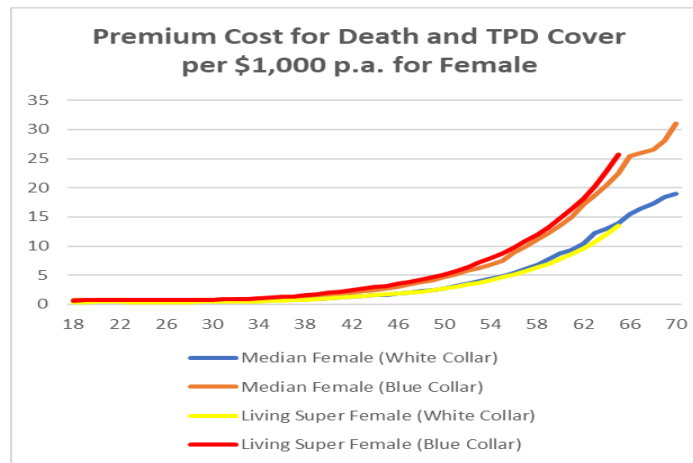
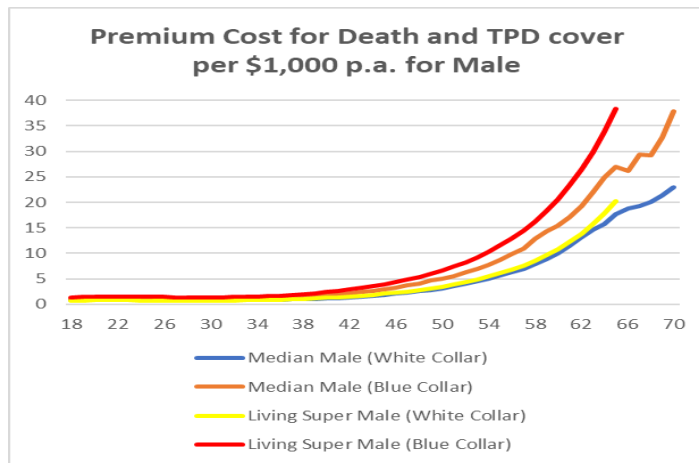
The investment strategy was last reviewed in December 2021. Whilst no changes were recommended to the investment objectives for the 5 multi-asset investment options, changes were recommended (and made) to the risk objectives for the Conservative, Moderate and High Growth investment options.

Living Super considers its investment menu to provide an appropriate mix of options to members, and takes into consideration member feedback when considering any future changes

INSURANCE STRATEGY & FEES

Living Super provides insurance for members through Metlife. Automatic cover for Death and TPD is provided if a member opts in, and members can apply for Tailored Cover if they feel that this is better suited to their needs. Living Super has simplified its insurance offer to allow members to retain their original occupational rating for insurance purposes, even when moving into a higher risk occupation, thereby reducing the cost of insurance to members in these situations.

The following graph shows how Living Super's premiums* for Automatic Death and Total and Permanent Disability insurance cover compare to the peer median. Generally speaking, as members become older, premiums increase to reflect the rise in health risk. As shown below, we consider insurance premiums to be similar to the peer median when taking into account the age demographics of Living Super's members (the large concentration of members aged between 25-45).



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

SCALE

Living Super had 53,589 members with approximately \$2.988 billion in funds under management as at 30 June 2022.

These figures are indicative of Living Super's relatively small size in the industry, with funds under \$10 billion in size generally considered small. Further, it is anticipated that Living Super will slightly decrease in scale based on the following growth metrics during FY22:

- Funds Under Management (FUM) decreased by -5.96%, compared to the industry median of -4.12%
- Net members' benefits flows of +\$8.8m, compared to the industry median of +\$23.8m
- Number of member accounts grew by -4.76%, compared to the industry median of 0.084%
- Net rollovers into Living Super of -\$169.4m, compared to the industry median of -\$28m
- Net members' benefit outflow ratio of 97.27%, compared to the industry median of 91.4%

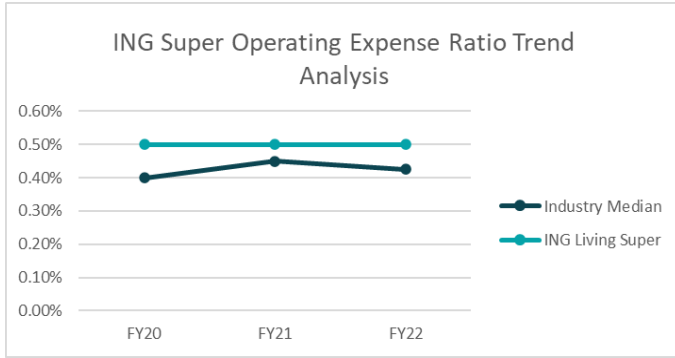
From the above, it is apparent that Living Super's growth rate is lower than the industry median. The Trustee is currently working with the Promoter to address the long-term sustainability of the fund; one of the potential solutions being considered is the merger of Living Super with a fund with a higher growth rate.

It should be noted, however, that there is an ongoing ability to access resources at scale as a result of Living Super's operating model leveraging an outsourced administrator, trustee and promoter.

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

OPERATING COSTS

Living Super'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 Living Super's operating expense ratio has remained stable and continues to be higher than the industry median.



The operating costs are considered appropriate for Living Super's members and do not inappropriately erode their retirement balances.

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 the combination of a flat dollar-based fee (\$60 per annum) and a basis points fee (0.50% per annum of the account balance). Note that the basis points fee does not apply to the Cash option, and the overall administration fee is capped at \$2,500 per annum. Additionally, an investment fee of 0.25% per annum on the account balance applies to all investment options except the Cash option. The basis points fee component and fee cap of the administration fee ensure members are charged reasonably, which means the retirement balances of lower account balance members won't be eroded and ensures 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 spread over the course of a year rather than members incurring a large impact to their balance at once.

The logo icon consists of three horizontal bars of varying lengths, stacked vertically. The top bar is the longest, the middle bar is shorter, and the bottom bar is the shortest. They are all a golden-brown color.

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