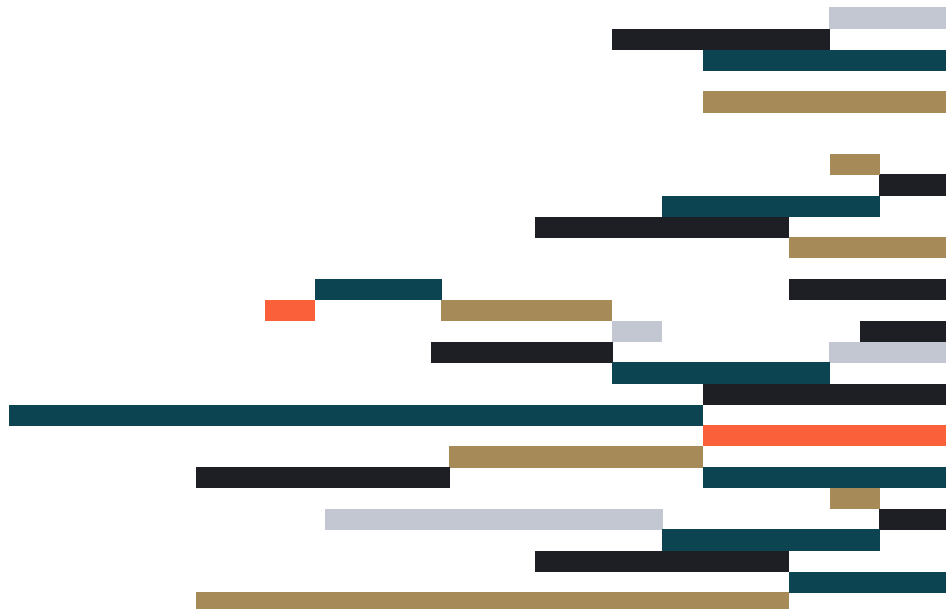


# Simple Choice Super

Member Outcomes Assessment  
For the year ended 30 June 2021

28 February 2022



# Table of contents

Item	
Introduction	3
Executive summary	5
Choice overview	7
Choice assessment	9
Product appropriateness assessment	16



# Introduction

# Introduction

## What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Simple Choice Super. It analyses how Simple Choice 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.

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 Accumulation product on the basis that:

- Total fees (which includes both administration and investment fees) are in line with the peer fund median across all modelled balance points;
- Simple Choice Super's lifestage investment options were only introduced during FY21 and therefore do not yet have investment performance and investment risk data available to consider; and
- The objective assessment factors, being Simple Choice 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 Simple Choice Super's members and do not inappropriately erode their retirement balances.

However, the Trustee does note that:

- Administration fees are significantly higher cost than the peer fund median across all investment options; and
- Investment returns and risk-adjusted returns for the Balanced Growth investment option are lower than peer fund medians for the one and three year periods available. However, this investment option is closed to new members.

The Promoter has been actively pursuing strategies which look to reduce associated costs of running the Fund, to ensure sustainability to meet and improve member outcomes.



# Choice Overview

# Simple Choice Super Overview

Simple Choice Super offers investors the opportunity to invest in socially responsible diversified products. Simple Choice Super offers four diversified investment options under a lifestage investment structure which was launched during FY21. Each investment option has a varying growth asset allocation to suit an individual's circumstance. There is also a diversified Balanced Growth investment option, however this option is closed to new members effective from 1 July 2020.

Simple Choice Super's investment options focus on ensuring members are not invested in assets involved in:

- Fossil Fuels;
- Weapons and armaments;
- Tobacco;
- Gambling; and
- Violations of human rights.

In this report, investment performance and investment risk analysis has not been undertaken on the lifestage investment options as, due to launching during FY21, they do not yet have data available to consider.







# Choice Assessment

# Fees & Costs Comparison: Lifestage Investment Options

## **Total Fees**

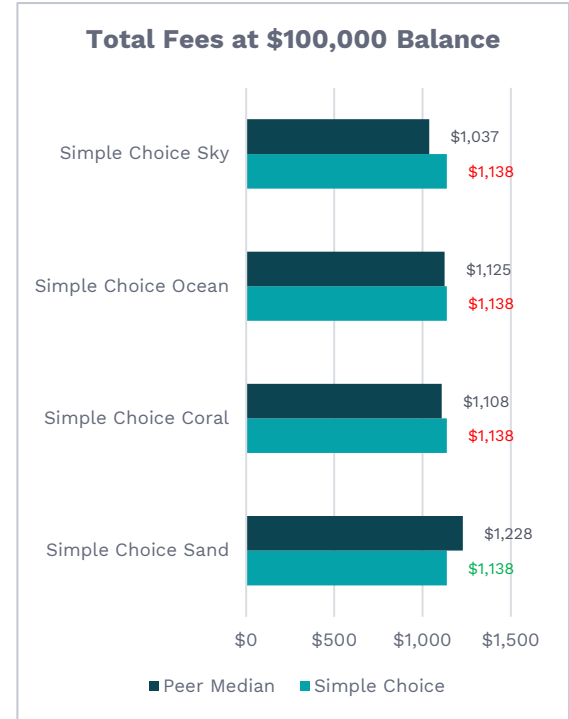
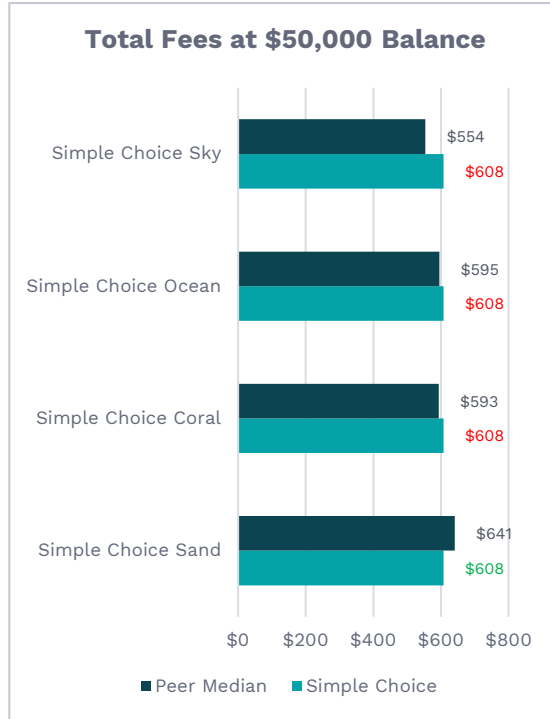
Simple Choice Super's total fees (administration fee plus investment fees) for its lifestage investment options are compared to peer fund median fees in the charts on the following page. On balance, Simple Choice Super's lifestage investment options are in line with the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. The Sky investment option's total fee is higher than the peer median, but the Sand investment option's total fee is lower.

## **Administration Fees**

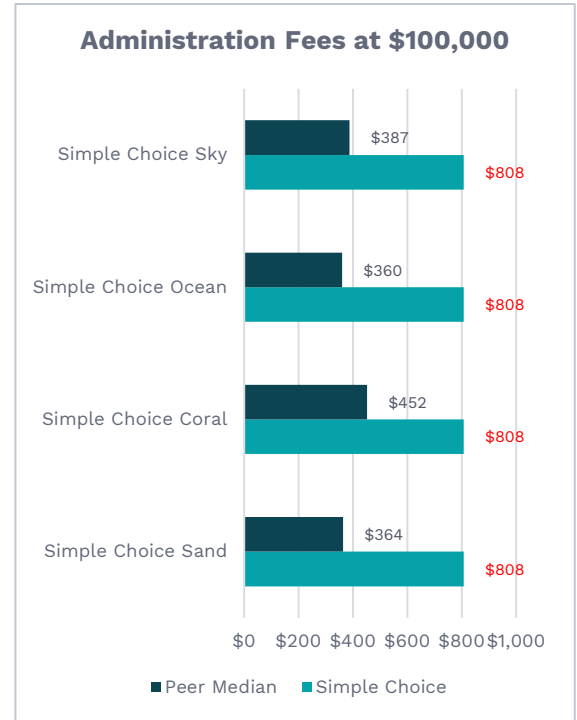
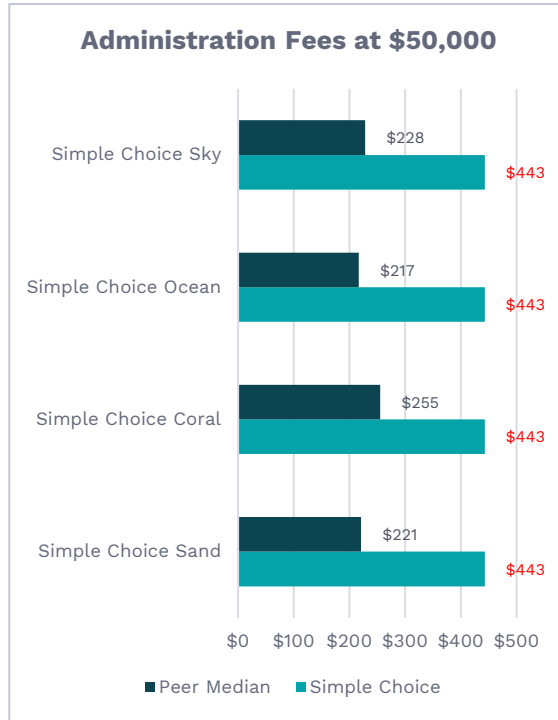
On page 12, Simple Choice Super's administration fees for its lifestage investment options are compared to peer fund median administration fees. Simple Choice Super is significantly higher cost than the median across all investment options when calculated on \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its lifestage product as the total fees for Simple Choice Super at a product level is in line with 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



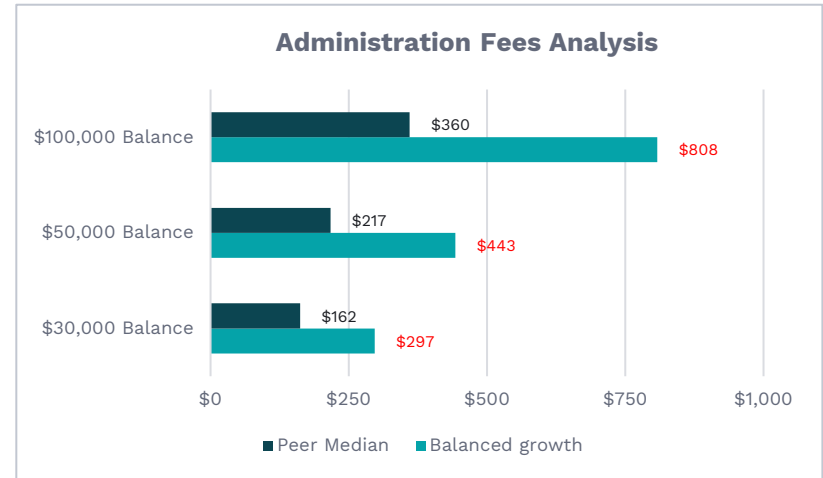
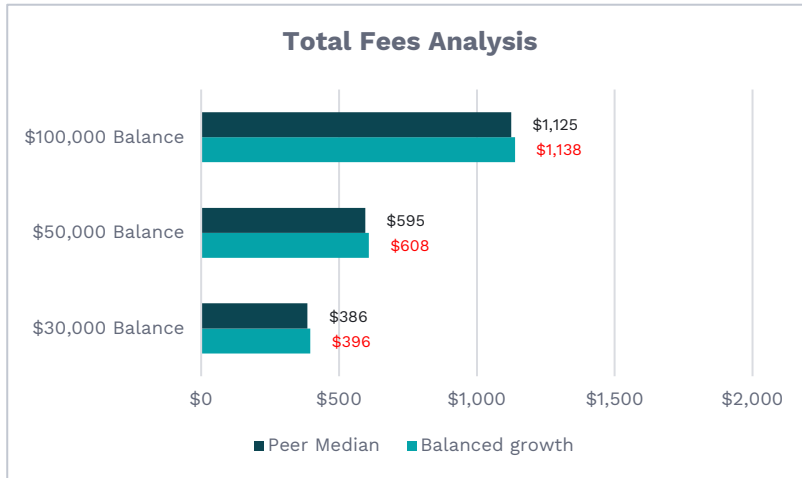
# Fees & Costs Comparison



# Fees & Costs Comparison: Balanced Growth Option

Simple Choice Super's total fees (administration fees plus investment fees), as well as its administration only fees, for its Balanced Growth investment option are compared to the peer fund median fee in the charts below. Simple Choice Super's Balanced Growth option is in line with the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. However, Simple Choice Super's administration fees are more expensive than the peer fund median across all modelled balance points.

For fees and costs, the Trustee has determined that, on balance, it is promoting the financial interests of the beneficiaries as the total fees for Simple Choice Super at a product level are in line with the peer fund median. The Trustee notes that improvement on administration fees is also needed in order to be more competitive with peers and that this option is closed to new members.

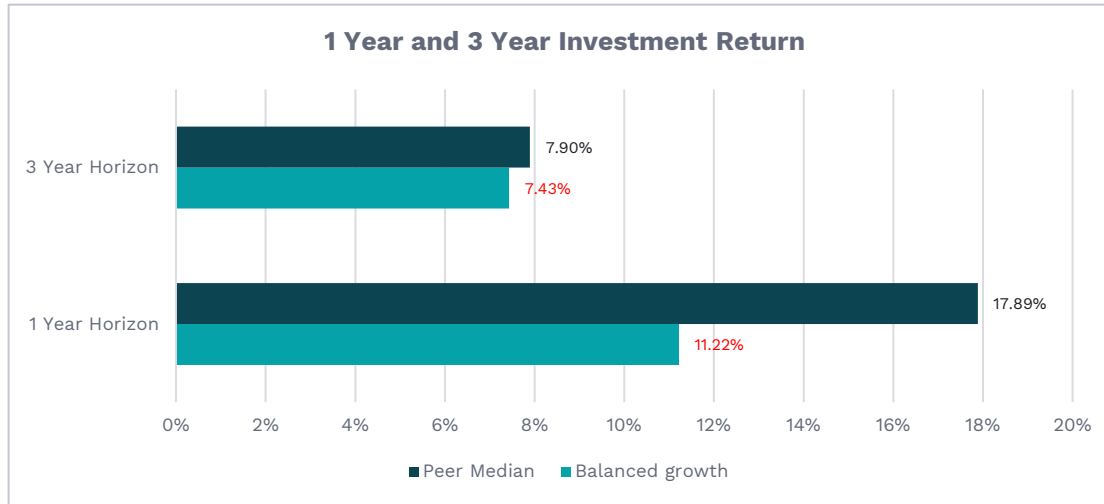


# Investment Return Comparison: Balanced Growth

The graph below illustrates Simple Choice Super's investment performance for its Balanced Growth investment option compared to the relevant peer fund median. Simple Choice Super's net investment returns over one and three years to 30 June 2021 has underperformed the peer fund median.

Investment performance is not available for any of the lifestage investment options as they were only launched during FY21 so there is not yet any data available to consider.

The Trustee has determined it is not promoting the financial interests of the beneficiaries as both short and long term performance are significantly below peers.

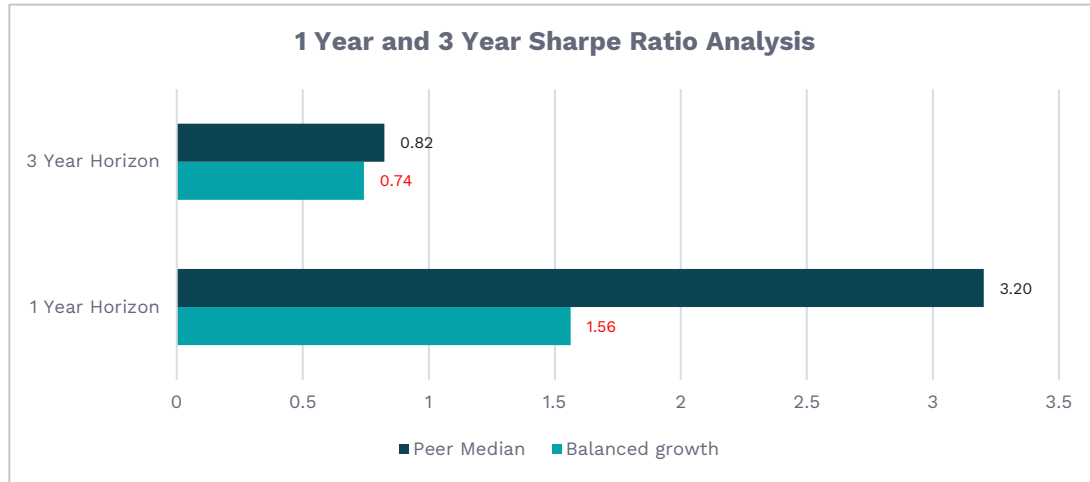


# Investment Risk Comparison: Balanced Growth

In the following graph, we measure the performance of Simple Choice 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.

Simple Choice Super's Sharpe ratio for the Balanced Growth investment option is significantly lower than the peer median over the one and three year timeframes. Risk-adjusted returns are not available for any of the lifestage investment options as they were only launched during FY21 so there is not yet any data available to consider.

The Trustee has determined the financial interests of the members are not being promoted as risk-adjusted returns are lower than the peer fund median.





# Product Appropriateness Assessment



## OPTIONS, FACILITIES & BENEFITS

Simple Choice Super members have access to a mobile app available in both the Google Play and Apple App Store. Designed with usability and function at its core, the app's features include:

- Financial calculator and retirement planning tools with a focus on visual engagement
- Provides smart prompts and alerts to help members stay on track, with alerts for when a super contribution is made, missed or late
- Balance and transactions history
- Assistance with member information to assist when job changes occur

Members also have access to a blog with posts on super education and financial literacy. Topics and titles have included:

- Five simple ways to improve your personal finances in lockdown
- What's changing for super in the 2021 budget
- Want to save for a house deposit faster? Here's how

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

## INVESTMENT STRATEGY

Simple Choice Super offers a lifestage diversified investment options with a shifting growth asset allocation. These lifestage investment options were introduced during FY21. Simple Choice Super's products move from an all growth asset allocation to a majority defensive asset allocation.

Simple Choice Super offers a product for investors who are seeking an Environmental, Social and Governance ('ESG') product with negative screening elements. The negative screening excludes fossil fuels, environmental destruction, weapons and armaments, tobacco, gambling and human rights violations.

Simple Choice Super's lifestage investment strategy takes into consideration age, gender and account balance to determine risk profile and growth allocation.

It is also noted Simple Choice Super's single strategy Balanced Growth option is closed to new members. As an investment option it caters to a wide risk appetite pool suitable for a variety of investors seeking an ESG strategy.

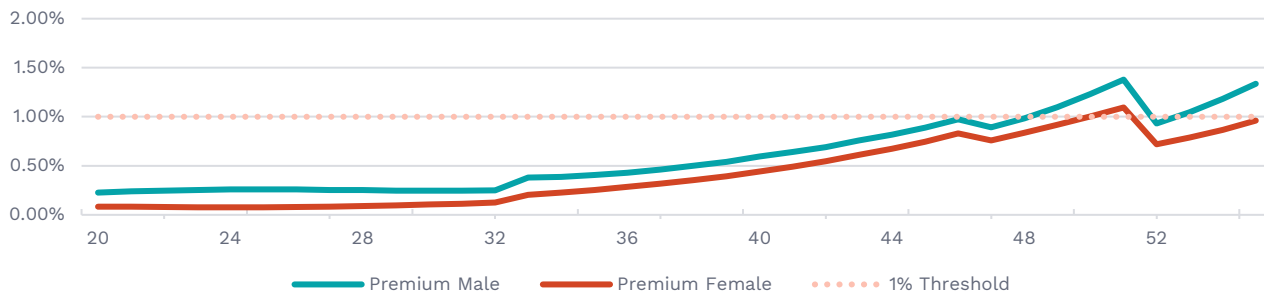
The investment strategy was last reviewed in August 2021. There were no changes to the investment objectives or strategic asset allocations as a result of this review.

Simple Choice Super's focus on ESG investing with a simple investment menu is appropriate as the strategy caters for a wide risk appetites.

## INSURANCE STRATEGY & FEES

Simple Choice Super provides insurance for members through AIA Australia. As members must opt-in to standard insurance cover when they first join, after considering their personal situation and needs, the Trustee has determined that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.

The following graph shows how Simple Choice Super's premiums\* for Death and TPD insurance cover compares to a 1% of salary\*\* threshold from ages 20 to 55. Whilst Simple Choice Super has not opted into the Insurance in Superannuation Voluntary Code of Practice, the recommended benchmark of 1% of annual salary is still considered. 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, with an exception at age 51 for females and from age 48 onwards, except for age 52, for males. At age 51 the level of default cover remains at \$250k and falls to \$150K the following year of age, resulting in a sharp change in risk premium.



Based on our analysis, the Trustee has determined that that the insurance strategy for the product is appropriate for Simple Choice Super'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 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

Simple Choice Super had 25,831 members with approximately \$82 million in funds under management as at 30 June 2021.

While these figures are indicative of Simple Choice Super's relatively small size in the industry, it is anticipated that Simple Choice Super will steadily grow and achieve greater scale benefits based on its growth during FY21:

- Funds Under Management ('FUM') grew by 63%, compared to the industry median of 15%
- Net members' benefits flows of \$26M, compared to the industry median of -\$4M
- Number of member accounts grew by 101%, compared to the industry median of -3%
- Net rollovers into Simple Choice Super of \$17M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 30%, compared to the industry median of 107%

From the above, it is clear that Simple Choice Super's growth rate is positive and higher than the industry median. This puts Simple Choice Super in an increasingly competitive position and will help drive down various costs as more members join the fund.

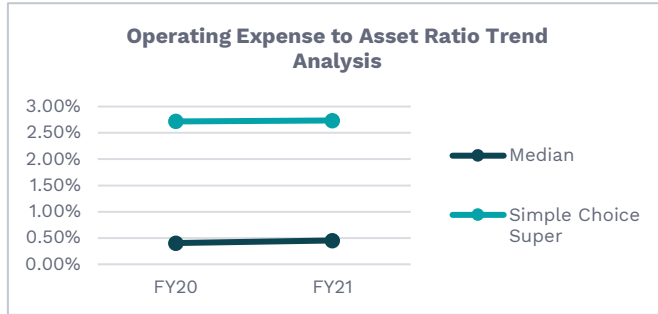
Although outside the relevant period of assessment, the Trustee notes that total FUM in Simple Choice Super has doubled since July 2021.

In addition, there is an ongoing ability to access resources at scale as a result of Simple Choice Super's operating model leveraging outsourced administration 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

Simple Choice Super's operating expense ratio for FY20 and FY21 is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Simple Choice Super's operating expense ratio is significantly higher than that of the median fund and but has remained relatively flat between FY20 to FY21.



Noting the smaller size of the Fund, the operating costs are considered appropriate for Simple Choice Super'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 - although Simple Choice Super's operating costs have remained flat, they remain higher than industry median and should be closely monitored in the future.

## BASIS FOR SETTING FEES

The basis for setting fees is considered appropriate for a product with investments into very restricted asset selection with negative screening costs. There is a premium reflected in the total fee for a product that aligns to specific moral standards.

The administration fee is comprised of the combination of a flat dollar-based fee (\$78 per annum) and a percentage fee of 0.73% per annum. The combination of flat and percentage administration fee structure will not erode the retirement balances of lower account balance members but ensures services available to all members are appropriately shared across the fund membership base.

Fees are charged to members on a monthly basis, therefore ensuring 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.

The basis for setting fees is considered appropriate for Simple Choice Super's members and does not inappropriately erode their retirement balances.



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

# Disclaimer

- The material included in this presentation (Material) is produced by Diversa. 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.