

Member Outcomes Assessment

Growth (MySuper)
Option

28 February 2024

Member Outcomes Growth (MySuper) Option

Financial Year ended
30 June 2023

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Trustee Determination

Determination for the Growth (MySuper) Product as of 30 June 2023:

The Trustee has made the following determinations based primarily on considerations of the net performance of the Growth MySuper product and according to the YFYS explanatory memorandum. AvSuper has determined that all products promoted the financial interests of members during the financial year ended 30 June 2023.

- The Trustee has concluded that the “best financial interests” of Fund beneficiaries are being promoted over the investment objective period of ten years.
- Returns (after fees and costs) ranked in line with the Rainmaker MySuper median for the 10-year period and above the investment objective set by the Board.
- Fees and costs of the product remain appropriate for the underlying member composition and the basis for setting fees is appropriate for members.
- The investment strategy applicable to members in the AvSuper MySuper product was appropriate for those members as of 30 June 2023.
- The insurance strategy applicable to members in the AvSuper MySuper product remains appropriate for those members
- Insurance fees charged to members in the product do not inappropriately erode the retirement income of those beneficiaries.
- The operating costs of AvSuper are appropriate at this time
- Scale of the fund did not disadvantage members as of 30 June 2023. *The Trustee has determined its strategy of seeking a merger partner. A memorandum of understanding (MoU) to explore a potential merger with Australian Retirement Trust was executed on 14 February 2023.

The Trustee continues to seek opportunities to enhance investment returns and reduce fees and costs where possible. These determinations have been derived from evidence within the entire Member Outcomes Assessment document.

The above determinations have been approved by the Trustee on **28 February 2024**.



Assessment Methodology

Consistent with the requirements of Prudential Standard SPS 515, the Trustee has detailed the methodology used to undertake the outcomes assessment and how this methodology will continue to apply in future assessments.

- The assessment covers all Investment Options within the AvSuper pool of investments and includes assessment of performance, fees and costs, investment strategy, investment risk and objectives, insurance strategy and insurance fees and any other relevant matters.
- Considers APRA reporting standards SRS700 and SRS702 investment performance.
- The assessment is covered on a twelve-month period based on the previous financial year.
- Management prepares the assessment with approval of the CEO
- The assessment is considered and approved by the Trustee
- This assessment is prepared annually in Quarter 4 of the calendar year and is reassessed after the APRA product heatmap is released.
- Metrics used are derived from publicly available information from the Australian Prudential Regulation Authority (APRA) heat map data for the MySuper product and other products have been derived from Rainmaker Information Pty Ltd and data as sourced from BNP Paribas and Frontier Advisors as required.
- The comparisons for the Growth (MySuper) product have been undertaken against all other single strategy MySuper products within the APRA product heatmap data.
- The comparative analysis for choice products has been undertaken using Rainmaker survey's selected based on each products asset allocation, investment strategy and risk profile.
- Insurance metrics have been sourced using SuperRatings published information and other public data
- Assessment is based on quantitative factors in the first instance, then qualitative factors to determine appropriateness for the AvSuper member offer.
- The Trustee has balanced all the factors above to make its determination by weighing in all factors for the MySuper product and giving it an assessment rating of 4/6 according to its peer rating and against relevant benchmarks. The choice options have been determined using the same methodology. (See legend below Outcomes Assessment).

The selection of cohorts is undertaken on a product basis for individual metrics based on the type of product, metric, and the available data. The selection of cohorts is reviewed on a periodic basis to ensure an appropriate depth of insight is being achieved through the cohort analysis. When setting and reviewing cohorts, the Trustee considers the following principles:

1. All members are covered by at least one cohort - this is achieved primarily through consideration of investment returns for each investment option.
2. Each investment option or product is a cohort unless analysis suggests that members within the product have a different experience because of a demographic or other factor.
3. Possible cohorts within products are informed by age, account balance etc.



Outcomes Summary – Growth (MySuper)

Assessment Category	Rating	Commentary
Investment Performance	→→→→→→→	The AvSuper Growth MySuper Option outperformed its 10-year investment objective and performed in line with Rainmaker MySuper median fund returns ¹ for the 10-year period. The product was ranked in line with the Rainmaker MySuper median fund returns ¹ over 7 years and was classified as performing over the 9-year Performance Assessment for that period.
Fees and Costs	→→→→→→→	AvSuper's Growth MySuper Option fees and costs are above the industry median but are consistent with members requirements and its investment strategy including its active investment manager approach. The basis for setting fees is appropriate for member.
Insurance	→→→→→→→	AvSuper insurance offering is tailored to the aviation industry and provides cover for occupations that can be excluded from many multi industry funds' insurance offer. Insurance premiums do not unnecessarily erode members super balances and are protecting members that cannot be insured elsewhere.
Options, benefits and services	→→→→→→→	AvSuper has historically been awarded for excellence in personalised member services to help support members in every stage of their retirement.
Operating costs	→→→→→→→	AvSuper is delivering equitable operating cost outcomes for members based on its current scale and services delivered for members.
Scale	→→→→→→→	AvSuper's scale did not disadvantage members as of 30 June 2022. *AvSuper adopted a strategy in Oct 2021 to pursue a merger with another fund. A memorandum of understanding for a potential merger with CSC was executed in May 2022 however cancelled in February 2023. A new MoU has been executed on 14 February 2023 with Australian Retirement Trust.

Legend	
→→→→→→→	Market leading exceeds industry peers and relevant benchmarks
→→→→→→→	Exceeds the majority of industry peers and relevant benchmarks
→→→→→→→	Meets or exceeds the majority of industry peers and relevant benchmarks
→→→→→→→	Meets most, but may underperform some industry peers and relevant benchmarks
→→→→→→→	Meets some but underperforms the majority of industry peers and relevant benchmarks
→→→→→→→	Lags industry peers and benchmarks

Notes – 1) Rainmaker MySuper Option median sourced from Rainmaker Customised Performance Report to 30 June 2023 for AvSuper.



AvSuper Overview

AvSuper is a profit-for-members superannuation fund with approximately 5,200 members and just over \$2.3 billion in funds under management. It offers superannuation products for members in a Corporate Accumulation Division, a Defined Benefits Division, a Public Offer Division and an Income Stream Division. This report outlines the Trustee's assessment of the extent to which AvSuper is satisfying member outcomes in offering members performing products with competitive fees, appropriate affordable insurance and services with sufficient scale and within budget. Overall, this assessment concludes AvSuper is working in the best financial interests of members.

The Trustee offers nine investment options in both accumulation and pension phase products to cater for all levels of investment risk, as well as the defined benefit option. All these products have been assessed separately. The “*Your Future Your Super*” performance assessment for default options was introduced in late June 2021. The default option has been assessed as **performing** over the nine years to June 2023, noting the annual performance assessment is just one aspect for consideration as part of this member outcomes assessment. In addition to the default product, performance assessments for all Trustee directed options were introduced in the current year of assessment. Pleasingly, all nine Trustee Directed Options were assessed as **performing** over the nine years to June 2023. On this basis and subject to other metrics included in this report, the Trustee has made the assessment that “Consistent with Section 52(9)(a) of the Superannuation Industry Supervision Act (SIS Act):

The Best Financial Interests for its MySuper, Choice and Pension Products have been met”.

The previous determination was made by the AvSuper Trustee on **28 February 2023**.



AvSuper Snapshot at 30 June 2023

AvSuper is made up of three divisions totalling \$2.3bn in Funds under Management (FUM)

Corporate Division

\$1.1 billion

2,749 accounts including;

Corporate
Accumulation

Defined Benefit

478 members with average
balances > \$756,000 @ 30 June

Public Offer Accumulation

\$0.8 billion

2,276 accounts

Public Offer Income Stream

\$0.4 billion

691 accounts

\$355,600

Average account balance

22% of Members are Female

- average balance of \$345,000
- > 50% are aged over 50 years



78% of Members are Male

- average balance of \$474,000
- Approx 55% aged over 50 years

Members¹ by State/Territory

QLD – 1,586

NSW – 834

WA – 413

TAS – 119

Other – 100

VIC – 1,244

ACT – 582

SA – 237

NT – 73

Notes; 1) Member numbers will differ from accounts as some members may hold more than one account (for example a member may have a Defined Benefit account as well as a Corporate Accumulation account).



AvSuper's MySuper Product

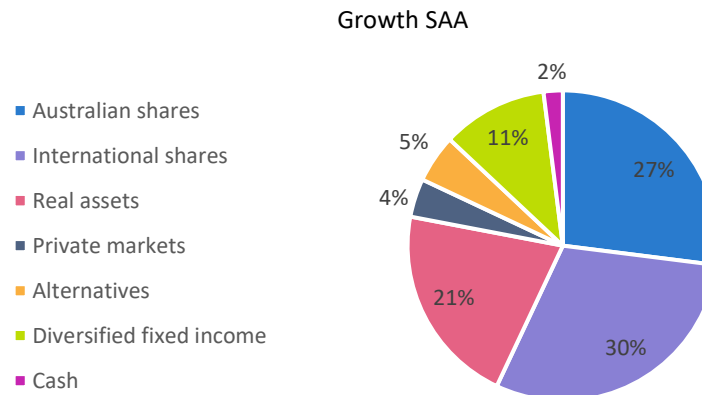
The Trustee's 2023 assessment of the Growth (MySuper) product included a review of the Investment returns after investment fees, transaction costs, performance fees, administration fees and taxes over all time periods.

AvSuper's MySuper performance in the APRA performance test metrics over a **nine-year** performance period that the product PASSED and performed at +0.15% **above** the applied benchmark. This is a substantial improvement from the equivalent seven-year performance test metric in 2021, which was negative 0.78%, and reflects that AvSuper has exceeded the performance test benchmark in the subsequent two years as well as over the full nine-year period.

The Trustee in conjunction with its Investment Advisor, has also assessed its investment strategy, objectives, and level of investment risk on the default product (and other products).

Risk Profile and Comparison to Other MySuper Products

The majority of MySuper products, as defined by APRA risk ratings, offer a medium to high-risk rated, single-strategy investment solution. The Trustee has maintained the default option with a High-risk rating that is designed for members with a medium to long term investment horizon who are seeking higher levels of return and can tolerate moderate to high levels of volatility in the short term. The option is skewed to produce mostly capital returns rather than income, through exposure to equities and other growth assets with a lesser exposure to defensive assets.





MySuper Investment Performance

The Trustee has assessed the product's investment performance against its investment objective and against the median returns of MySuper Options in the Rainmaker MySuper benchmarking survey¹. This shows that the AvSuper Growth Option was above the median in comparison to peers and is above the APRA average returns. Performance is above the APRA MySuper median returns² for the MySuper options.

The Growth Option passed the 2023 YFYS Annual Performance assessment.

Investment performance ^{3,4}	10 years	7 years	5 years	3 years	1 year
AvSuper - Growth Option – Actual performance	7.5	7.2	6.1	9.0	11.4
Investment Objective - Australian CPI + 3.5%	6.4	6.1	6.2	6.7	9.5
	✓	✓	✗	✓	✓
Rainmaker MySuper Option Median fund return¹	7.3	6.9	5.8	7.6	9.1
	✓	✓	✓	✓	✓
Median APRA Representative member invest. perf.²	6.7	N/A	5.3	N/a	8.5
APRA MySuper Rank²	22/43 (9Yrs)		15/43	4/43	2/43
			✓	✓	✓

Cost per product for representative member \$577.00

APRA Annual Performance Assessment **PASS**

Outcomes Assessment

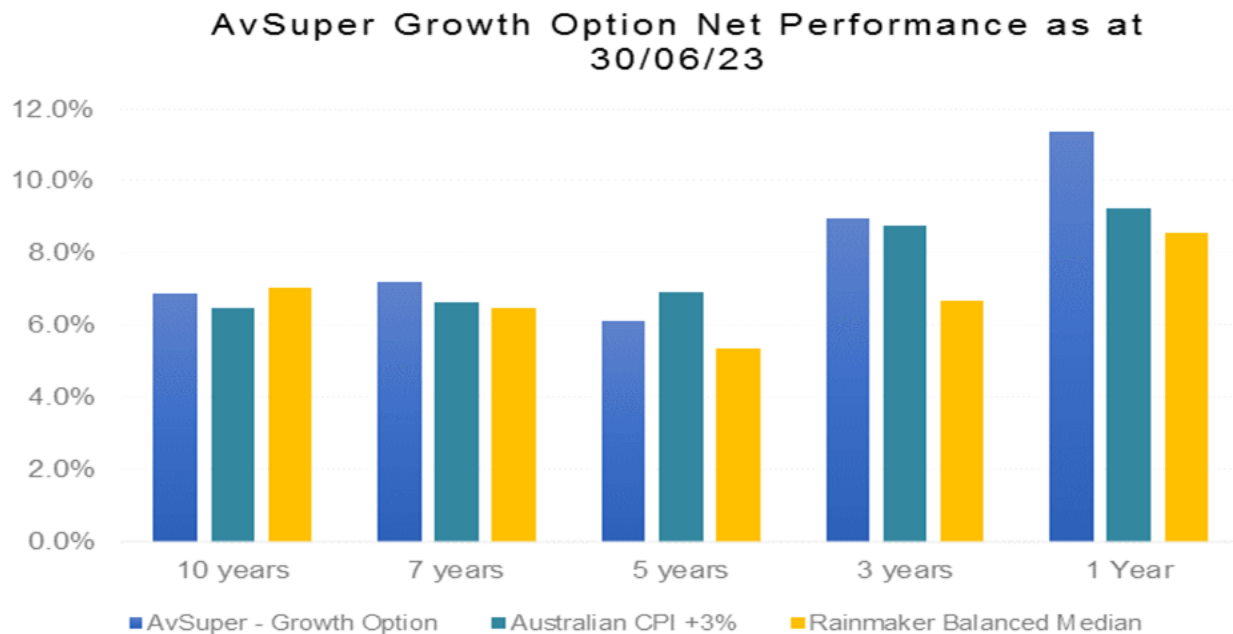
→→→→→→

The product has been rated as 4 planes which reflects the improved performance from previous years. Still noted the higher-than-average fee component, an excellent insurance offer and AvSuper's scale assessment going forward.

Notes – 1) Rainmaker MySuper Option median sourced from Rainmaker Customised Performance Report to 30 June 2022 for AvSuper; 2) APRA Representative member investment performance sourced from APRA Quarterly MySuper statics for 30 June 2022; 3) AvSuper performance sourced from BNP monthly performance reporting; 4) All performance figures are net of fees and tax on a member representative balance of \$50,000.



MySuper Investment Performance



The Growth (MySuper) Option is above median Selecting super funds over all time periods. Inflation (Green, CPI + 3.5%) is shown as increasing over medium time periods.

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Fees and Costs

AvSuper fees for the Growth My Super Product at 30 June 2023 were 1.27% per annum (1.32% in 2022) for a representative member with a balance of \$50,000. This ranks as the 38th most expensive product of 40 single strategy products¹ in the 2022 APRA heat map. The Trustee has reviewed this difference which is driven by investment fees and costs, which rank 37 of 40 products on the same measure, reflecting a high proportion of active management in AvSuper's portfolio.

The Administration fee is used to cover the operating cost of running the Fund. AvSuper's Administration fees rank 23rd most expensive when comparing against the 40 single investment strategy products, and 39th against all funds (69) in the APRA heatmap. This is determined to be appropriate for members given this size of AvSuper and level of service provided.

Fees and Costs	Administration fees disclosed (% on \$50,000 account balance)	Total fees disclosed (% on \$50,000 account balance)	\$ Amount
AvSuper Fees	0.12%	1.15%	\$577
APRA Heatmap Single Investment Strategy Median²	0.29%	0.98%	\$490
APRA Heatmap rank amongst MySuper Single Investment Strategy ²	23/40	38/40	38/40
APRA Heatmap rank amongst MySuper products	39/69		

In May 2023 the Trustee determined to release some (0.12%) of its excess Operational Risk Financial Reserve (ORFR) to bring the reserve down to a 0.25% target. This was applied as a rebate against its asset based Administration fee consistent with the manner in which it was originally funded. This meant the actual Administration fee applied to a member in the Fund at 30 June 23 was 0.12%.

Actions taken

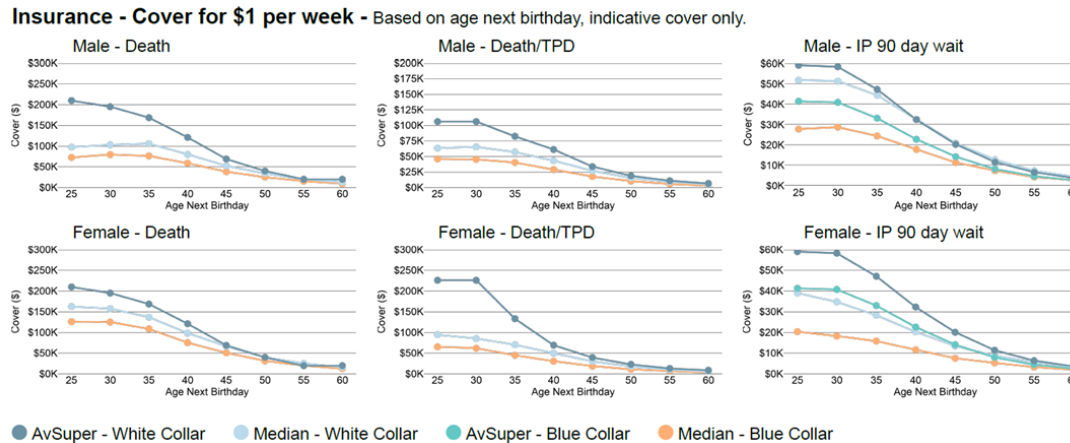
For the 2023/24 financial year and noting the imminent merger with ART, the reduction to the weekly administration fee in the current year and the fee cap that was introduced in the previous year, the Trustee has considered that the fee option remains appropriate and has determined to keep the fees at the current levels. Despite the proposed merger, the Trustee continues to seek to identify opportunities to reduce fees and costs where possible.

Notes – 1) Information is sourced from APRA MySuper Product Heatmap for 30 June 2023.; 2) Total fee data has been limited to single investment strategy funds given the difficulty in comparing the investment fees and costs of different life stages in life cycle products



Insurance

The Trustee's Insurance arrangements enable cover for air traffic controllers and firefighters, which are core employment categories amongst the Fund's membership. These are often excluded occupations in large multi-industry superannuation funds, and such as provide a substantial benefit to this cohort of members. SuperRatings published insurance benchmarking¹ for AvSuper Corporate Insurance compares to the median benefit cover per \$1 per week below:



The Fund changed insurer from Hannover to AIA in the previous year and saw a general increase in premiums of approximately 15%. This was the first increase in premiums for a number of years, however it captured industry wide increases that had been seen following the Protecting Your Super (PYS) and Putting Members Interest First (PMIF) legislative changes. This increase in premiums is included in the above benchmarking which indicates that the insurance offer provides value to member on generic industry basis. Furthermore, the coverage of occupations that are excluded under other fund offerings, such as air traffic controllers and firefighters provide specific value to AvSuper's core industry and membership. Since taking over the insurance contract, AvSuper's claims acceptance rate for Group Life has been 95% and 100% for Income Protection, a marginal improvement on previous rates.

. The Trustee has assessed that its insurance offering is meeting its member outcomes by:

- Providing coverage to members in occupations that might otherwise be excluded.
- Providing good default coverage for both Corporate and Non-Corporate members across most age demographics and the flexibility for members to increase coverage for their personal requirements.
- Not unduly eroding member account balances.
- Offering competitive premiums against comparable funds; and
- Ensuring reasonable claims acceptance rates and processing times.

Notes; 1) Insurance - Cover for \$1 per week comparison sourced from SuperRatings Fundamentals report - 30 September 2023 for AvSuper Corporate



Member Benefits and Services

AvSuper provides members a highly interactive, personalised service model, which reflects the higher level of member engagement within the Fund. Members are supported through, an internal member contact team, internally provided intra-fund advice, worksite visits, information sessions and a variety of webinars.

Summary of Services

Services Provided	Description
Contact Centre	<ul style="list-style-type: none">• Internally located, staffed and managed• Phone, email, webchat• Well resourced, small call wait times
Corporate and member services	<ul style="list-style-type: none">• Regular worksite visits and information sessions• Regular digital communications• Member webinars
Financial advice	<ul style="list-style-type: none">• Two full time internal advisers• Intra-fund advice



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Financial advice	<ul style="list-style-type: none">Two full time internal advisersIntra-fund advice

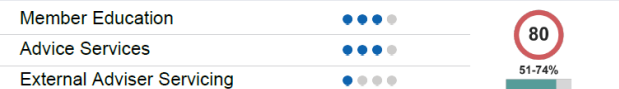
Independent benchmarking

AvSuper achieved a AAA Quality Rating from Selecting Super for our 2023 Public Offer, Corporate and Income Stream accounts.



SuperRatings has rated AvSuper's Member Servicing as Above Benchmark¹ in its 30 September 2023 published ratings.

Member Servicing



Notes; 1) SuperRatings Fundamentals report - 30 September 2023 for AvSuper Corporate



Operating Costs

Despite being a smaller Fund, AvSuper has maintained a competitive expenditure to Funds Under Management ratio¹. This ratio was 0.28% in 2023 (0.27% in 2022) and was comparable to substantially larger funds, based on APRA Fund level statistics for the year ended 30 June 2023, published 15 December 2023 and remains lower than the median of the 97 funds in the data.

	Administration and Operating Costs as % of Net Assets
AvSuper	0.28%
APRA Fund level statistics 30 June 2023 – Median	0.33%
	✓

AvSuper maintained an expenditure to Funds Under Management ratio of 0.28% (0.28% in 2022) despite incurring costs in respect of the payment of the defined benefit surplus back to the Principal Employer and incurring costs in respect of the Successor Fund Transfer with the Australian Retirement Trust. Operating costs per member increased to \$1,264 per member (\$1,212 in 2022) as membership reduced by almost 200 throughout the year.

On the basis described above the Trustee believes that operating costs are appropriate and competitive, and do not inappropriately erode the retirement outcomes of members.

Notes; 1) APRA Fund level statistics for the year ended 30 June 2023



Sustainability and Scale

As of 30 June 2023, the challenges faced by the Trustee in respect of the organic growth of the Fund and the historical retention strategy remained as a result of:

- An ageing membership base.
- The changing demographic of the aviation industry.
- Stapling and the impact on attracting new members
- SuperStream activity in respect of the consolidation of multiple accounts; and
- The response to the underperformance against the performance assessment in 2021.
- The Retirement Incentive Scheme offered by the Principal Employer during 2021 and 2022.

Given the above impacts and the substantial short term reputational damage caused by the 2021 performance test result (a loss of 15% of the membership), the net decrease in membership for the 2023 year was lower than anticipated and thus indicates that the membership remains positive.

The Trustee enacted its contingency plan below during the previous year resulting in a memorandum of understanding (MoU) being signed initially with CSC. The proposed merger was unable to proceed due to concerns around the timing of the transaction and thus an MOU and then Heads of Agreement (HoA) was signed with the Australian Retirement Trust (ART) who had ranked highly in the initial expression of interest. The SFT is expected to occur on 1 May 2024.

Overall, and as at 30 June 2023, the Trustee assessed that AvSuper's scale was appropriate for the member base at that time, noting the proposed SFT that is expected to occur in May 2024.



Resulting Actions

To support the Trustee's determination against *Section 52(9)(a) of the Superannuation Industry Supervision Act (SIS Act)* the Trustee is seeking to deliver similar member outcomes in the next financial year considering the following:

- Recent improvements in performance as reflected in the APRA product heatmap
- Member fee savings from the introduction of a reduced weekly administration fee charge from \$1.15 per week to \$0.50 per week
- Stable operating costs with a likely reduction in Administration project costs and consulting costs
- Options, benefits, and facilities staying similar whereby members deal with one person start to finish
- the Trustee has implemented its Contingency Plan in relation to its scale and sustainability with the progression of a potential merger with Australian Retirement Trust. The SFT is expected to occur on 1 May 2024.



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