

# Member Outcomes Assessment

Income Stream  
Options

28 February 2024

# Member Outcomes Income Stream Options

Financial Year ended  
30 June 2023

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# Trustee Determination

## Determination for the Income Stream Products as of 30 June 2023:

The Trustee has made the following determinations based primarily on considerations of the net performance of the Choice Accumulation and Pension products. AvSuper has determined that all products promoted the financial interests of members during the financial year ended 30 June 2022.

- The Trustee has concluded that the “best financial interests” of Fund beneficiaries are being promoted through these nine accumulation products and nine income stream products.
- Returns (after fees and costs) ranked in line with median returns for the 10-year period and above the investment objectives set by the Board.
- Fees and costs of the products remain appropriate for the underlying member composition and the basis for setting fees is appropriate for members.
- The investment strategy applicable to members in AvSuper products remains appropriate for those members as of 30 June 2023.
- The insurance strategy applicable to members in the AvSuper products remains appropriate for those members (Accumulation only)
- Insurance fees charged to members in the product do not inappropriately erode the retirement income of those beneficiaries. (Accumulation only)
- 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 – Income Stream Options

Assessment Category	Rating	Commentary
Investment Performance	→→→→→→→→	The AvSuper Income Stream Options have outperformed their investment objectives over the longer term and produced competitive returns as compared to the market. Some have ranked below benchmark median returns and other have outperformed.
Fees and Costs	→→→→→→→→	AvSuper's Income Stream 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 members.
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 2023. *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) Comparative returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023.



# 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

## Members<sup>1</sup> 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).



# Income Stream Products

AvSuper has nine accumulation products (including its MySuper product, which is the Growth option), nine income stream products and one Defined Benefit product across the three divisions of the Fund. The options are designed with different levels of investment risk to cater for the risk appetite of members in both the accumulation and income stream phases. The designated options have suggested timeframes for members to invest. Members can choose multiple options which suit their individual circumstances.

	Current return objective (Accumulation)	Current return objective (Pension)	Frequency of Negative Return (X in 20 years)	Risk label <sup>1</sup>	Suggested Minimum Investment Timeframe (years)
<b>Premixed Options</b>					
<b>Growth (MySuper)</b>	CPI + 3.0%	CPI + 3.5%	4 to < 6	High	5+
<b>High Growth</b>	CPI + 3.5%	CPI + 4.0%	4 to < 6	High	7+
<b>Balanced Growth</b>	CPI + 2.5%	CPI + 3.0%	3 to < 4	Medium to High	4-6
<b>Stable Growth</b>	CPI + 1.5%	CPI + 2.0%	2 to < 3	Medium	3-4
<b>Conservative Growth</b>	CPI + 0.5%	CPI + 1.0%	1 to < 2	Low to Medium	2-4
<b>Diversified Index Option</b>	CPI + 2.5%	CPI + 3.0%	4 to < 6	High	7+
<b>Single sector options</b>					
<b>Australian Shares</b>	S&P/ASX 300 Index	S&P/ASX 300 Index	6 or >	Very High	7+
<b>International Shares</b>	MSCI ACWI (ex Aust) 33H/67UnH	MSCI ACWI (ex Aust) 33H/67UnH	6 or >	Very High	7+
<b>Cash</b>	Bloomberg Bank Bill	Bloomberg Bank Bill	< 0.5	Very Low	0-3

Notes – 1) Risk label per APRA's Standard Risk Measure as disclosed in the PDS;





# Conservative Growth Option

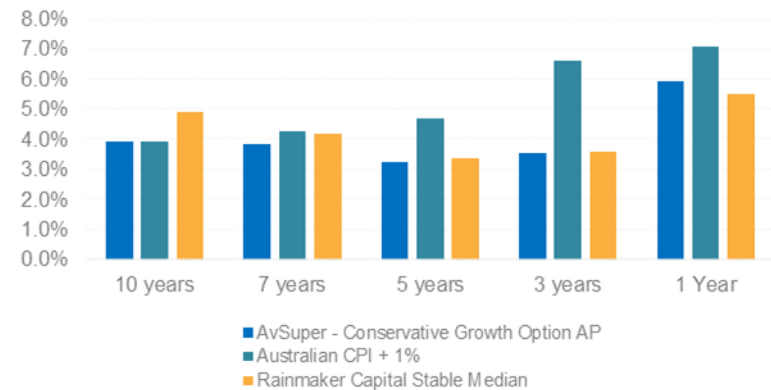
The Conservative Growth option has 30% growth assets and has low to medium levels of investment risk.

This option has performed relatively poorly against other Rainmaker Capital Stable Index products and has consistently been below median performance. It is important to note that this option is measured in the same peer category (Capital Stable Index) as the Stable Growth option.

Members in this option are generally risk averse or wanting short term access to their money but want some growth potential.

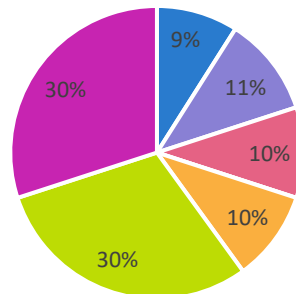
The option has achieved its objective over ten years but lags in all periods from one to seven.

AvSuper Conservative Growth Income Stream  
Option Net Performance as at 30/06/23



Conservative Growth SAA

- Australian shares
- International shares
- Real assets
- Private markets
- Alternatives
- Diversified fixed income



Cost per product for representative member<sup>3</sup>

\$376.00

Outcomes Assessment <sup>4</sup>



The Trustee has determined that the Conservative Growth option meets most but may underperform some industry peers and relevant benchmarks and therefore has a 3-plane rating<sup>4</sup>.

Notes – 1) Rainmaker Capital Stable Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5



# Stable Growth Option ■

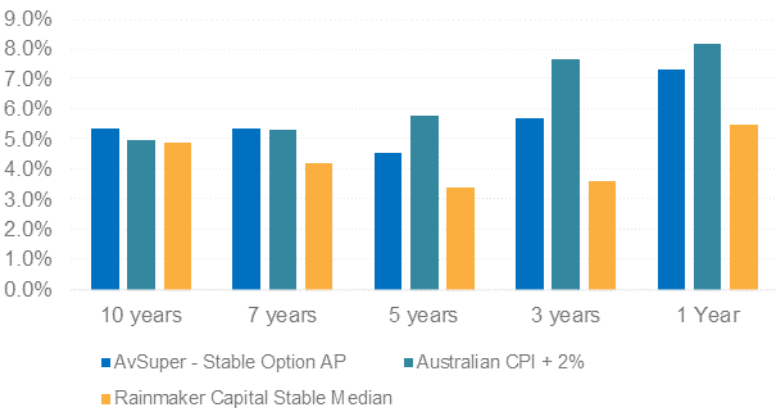
The Stable Growth option has approximately 54% growth assets on 30 June 2023 and has medium levels of investment risk.

This option has performed strongly against other Rainmaker Capital Stable Index products and has consistently been in the first and second quartile of funds over all time periods in the Rainmaker Performance survey.

Members in this option generally want a diverse investment portfolio to obtain steady returns over time.

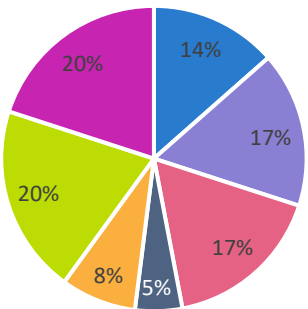
The Stable Growth option has outperformed the capital stable median return in all time periods and has met its CPI + 2.0% objective for seven and ten year periods. Shorter timeframes are impacted by the recent inflation surge.

AvSuper Stable Growth Income Stream Option Net Performance as at 30/06/23



Stable Growth SAA

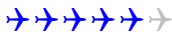
- Australian shares
- International shares
- Real assets
- Private markets
- Alternatives
- Diversified fixed income
- Cash



Cost per product for representative member<sup>3</sup>

\$556.00

Outcomes Assessment<sup>4</sup>



The Trustee has determined that the Stable Growth option exceeds the majority of industry peers and relevant benchmarks and therefore has a 5-plane rating<sup>4</sup>.

Notes – 1) Rainmaker Capital Stable Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5



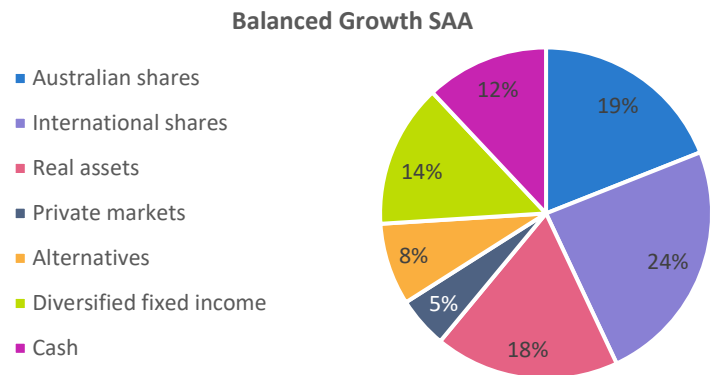
# Balanced Growth Option ■

The Balanced Growth option has approximately 66% of growth assets in its strategic asset allocation on 30 June 2023 and has medium to high levels of investment risk.

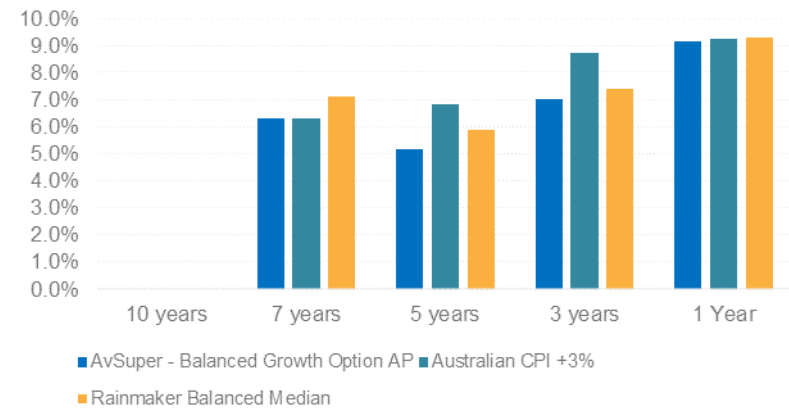
This option has performed poorly against other Rainmaker Balanced Index products since its inception in July 2015 and is in the fourth quartile for longer term performance. Investment performance has improved more recently exceeding the Rainmaker Balanced Option median return<sup>1</sup> in 2023.

This Option makes up the Default Option allocation for the Income Stream division (77% Balanced Growth and 23% in Cash).

The Balanced Growth option has only achieved its objective of CPI + 3.0% once since the option was implemented in the 2015 financial year.



AvSuper Balanced Growth Income Stream Option Net Performance as at 30/06/23



Cost per product for representative member<sup>3</sup>

\$591.00

Outcomes Assessment<sup>4</sup>



The Trustee has determined that the Balanced Growth option meets most but may underperform some industry peers and relevant benchmarks and therefore has a 3-plane rating<sup>4</sup>.

Notes – 1) Rainmaker Balanced Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5



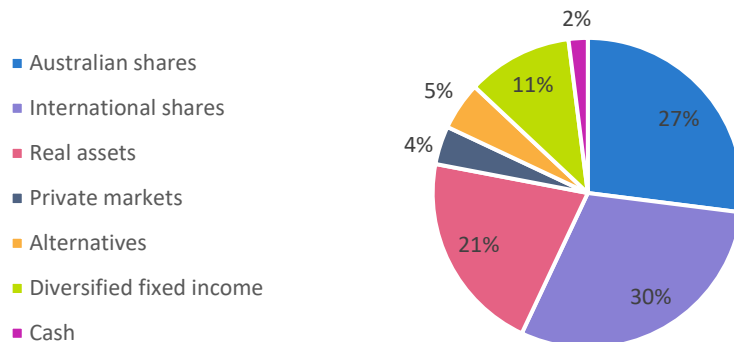
# Growth Option

The Growth option has a high level of investment risk and 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

This option has outperformed the Rainmaker Balanced median return over all time periods. It was either above or at the Rainmaker MySuper median in comparison to peers in all time periods.

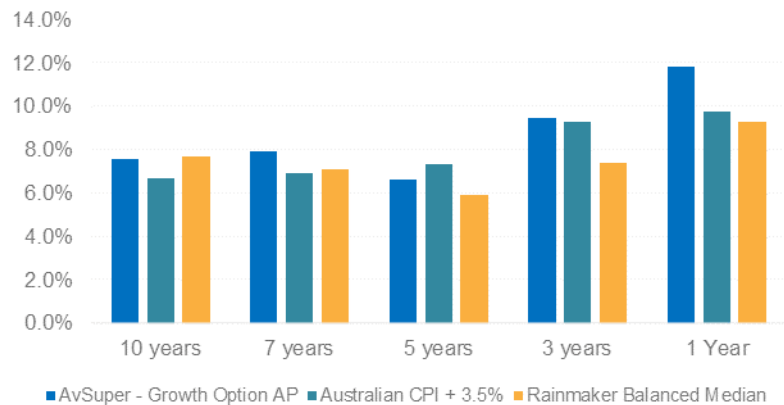
The option has achieved its objective of CPI + 3.5% over longer time periods but has lagged over one, three and five years due to the recent spikes in inflation.

Growth SAA



- Australian shares
- International shares
- Real assets
- Private markets
- Alternatives
- Diversified fixed income
- Cash

AvSuper Growth Income Stream Option Net Performance as at 30/06/23



Cost per product for representative member<sup>3</sup>

\$626.00

Outcomes Assessment<sup>4</sup>



The Trustee has determined that the Growth option meets or exceeds the majority of industry peers and relevant benchmarks and therefore has a 4-plane rating<sup>4</sup>.

Notes – 1) Rainmaker Balanced Option and MySuper median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5



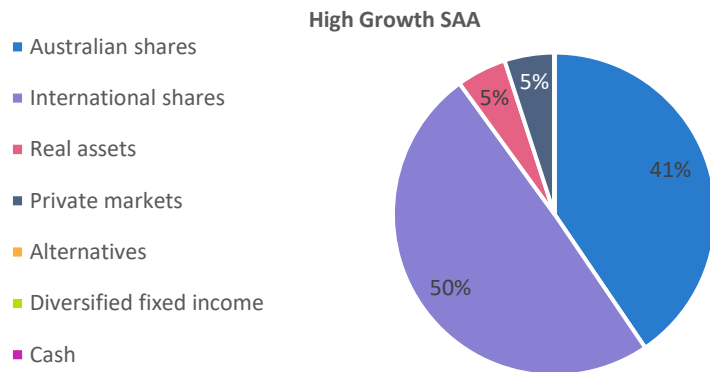
# High Growth Option

The High Growth option has 100% growth assets and has high levels of investment risk.

Performance for the option improved over the last year, primarily due to volatile markets particularly in international equities. The option has been pushed to 1<sup>st</sup> quartiles for periods of five years or less. Longer term performance remains above median.

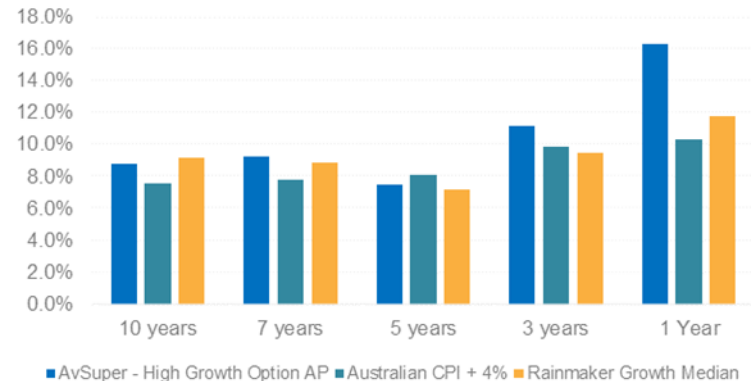
Members in this option accept higher levels of investment risk and short-term volatility through equities, real assets, and private markets for greater long-term returns.

The product has met its objective of CPI + 4.0% over most time periods.



Notes – 1) Rainmaker Growth Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5

**AvSuper High Growth Income Stream Option  
Net Performance as at 30/06/23**



Cost per product for representative member<sup>3</sup>

\$576.00

Outcomes Assessment <sup>4</sup>



The Trustee has determined that the High Growth option meets most but may underperform some industry peers and relevant benchmarks and therefore has a 3-plane rating<sup>4</sup>.



# Diversified Index Option

The Diversified Indexed option was developed as a low-cost balanced index option and was established following member feedback.

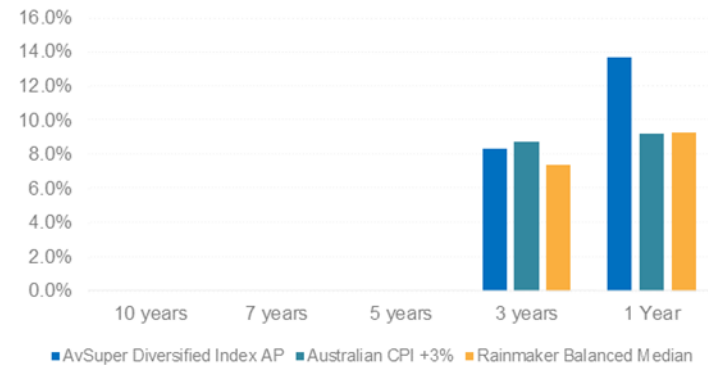
The option was launched in July 2019. The option exceeded expectations in returns for 2023 after it underperformed last year.

It has outperformed its objective since inception (CPI + 3.0%) due to the increase in interest rates in the last eighteen months.

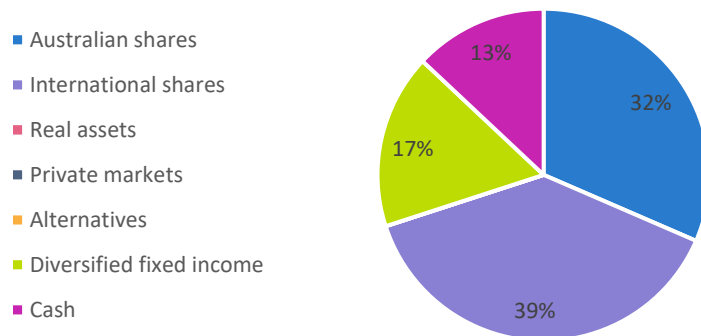
Returns in this option will be more volatile in line with market returns over the longer term.

This product has very low investment fees and is performing as intended.

AvSuper Diversified Index Income Stream  
Option Net Performance as at 30/06/23



Diversified Index option SAA



Cost per product for representative member<sup>3</sup>

\$186.00

Outcomes Assessment<sup>4</sup>



The Trustee has determined that the Diversified Index option exceeds the majority of industry peers and relevant benchmarks and therefore has a 5-plane rating<sup>4</sup>.

Notes – 1) Rainmaker Balanced Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5



# Australian Shares Option ■

The Australian Shares option has 100% Australian Shares (growth assets) and thus has very high levels of investment risk.

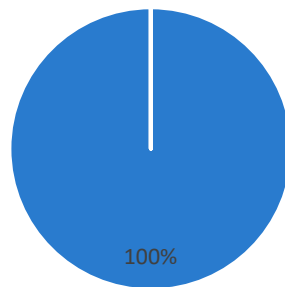
This option has been volatile with performance moving regularly between the quartiles when ranked against other Rainmaker Australian Equity Index products.

Australian Shares have two years that have provided significant positive this year after negative returns in 2022. This highlights the high levels of investment volatility in this option.

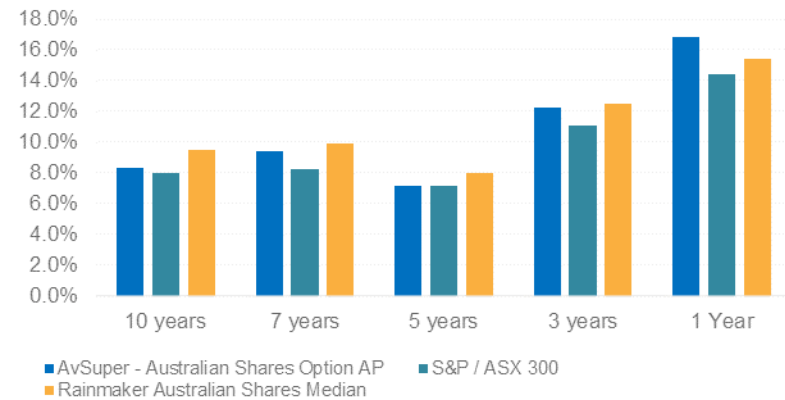
The four investment managers held in this sector have enough diversity to hold the sector in uniformity from a risk perspective. This is anticipated to keep performance in line or above the index.

Australian Shares option SAA

- Australian shares
- International shares
- Real assets
- Private markets
- Alternatives
- Diversified fixed income
- Cash



AvSuper Australian Shares Income Stream  
Option Net Performance as at 30/06/23



Cost per product for representative member<sup>3</sup>

\$416.00

Outcomes Assessment<sup>4</sup>



The Trustee has determined that the Australian Shares option meets most but may underperform some industry peers and relevant benchmarks and therefore has a 3-plane rating<sup>4</sup>.

Notes – 1) Rainmaker Australian Shares Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5



# International Shares Option ■

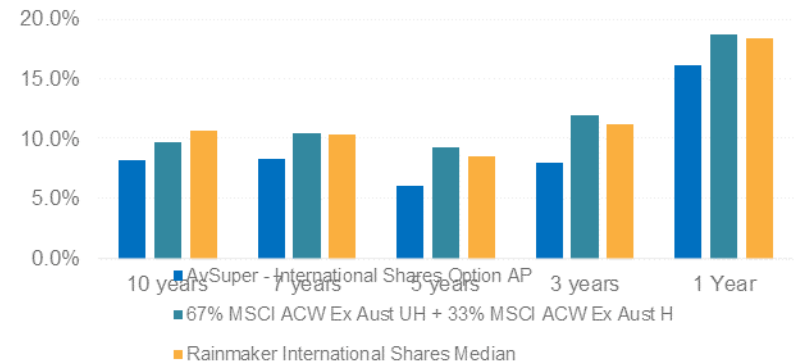
The International Shares option has 100% International equities (growth assets) and thus has high levels of investment risk.

This option has lagged in the fourth quartile within the Rainmaker International Equities Index up to seven years, noting that this index varies substantially with the impact of hedging and unhedged options.

The product has underperformed its investment objective for periods to seven years, but exceeds its investment objective over ten years.

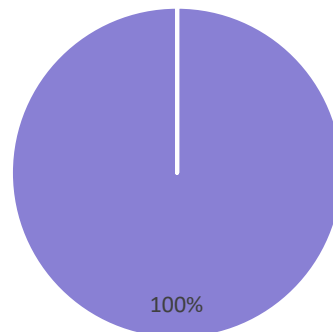
The Trustee has changed several managers within this option over the last two outcomes periods and introduced a passive manager in December 2022.

AvSuper International Shares Income Stream  
Option Net Performance as at 30/06/23



International Shares option SAA

- Australian shares
- International shares
- Real assets
- Private markets
- Alternatives
- Diversified fixed income
- Cash



Cost per product for representative member<sup>3</sup>

\$481.00

Outcomes Assessment <sup>4</sup>



The Trustee has determined that the International Shares option meets some but underperforms the majority of industry peers and relevant benchmarks and therefore has a 2-plane rating<sup>4</sup>.

Notes – 1) Rainmaker International Shares Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting;  
3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes assessment scale see legend on slide 5





# Cash Option ■

The Cash option is 100% defensive in nature and has performed strongly against other Rainmaker Cash index products over all time periods and has consistently been in the first quartile ranking.

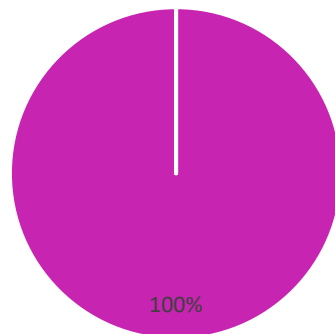
Members in the Cash option will generally have a short investment horizon for some or all their investment with minimal chance of capital loss.

The Investment Risk in this option is defined as very low with only vanilla cash and term deposits held in the portfolio.

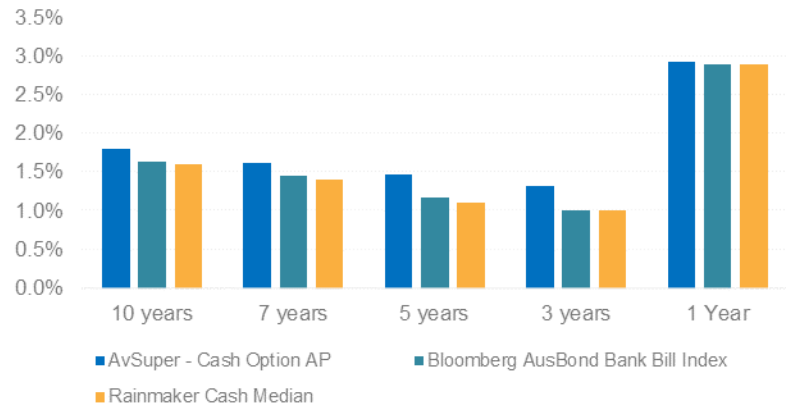
The Cash option has outperformed its objective net of fees and taxes for every time series.

Just over 7% of the membership have their superannuation in the cash option.

- Cash option SAA**
- Australian shares
  - International shares
  - Real assets
  - Private markets
  - Alternatives
  - Diversified fixed income
  - Cash



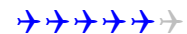
AvSuper Cash Income Stream Option Net  
Performance as at 30/06/23



Cost per product for representative member<sup>3</sup>

\$141.00

Outcomes Assessment<sup>4</sup>



The Trustee has determined that the Cash option exceeds the majority of industry peers and relevant benchmarks and therefore has a 5-plane<sup>4</sup> rating.

Notes – 1) Rainmaker Cash Option median returns sourced from Rainmaker Retirement Products Performance Tables: 30 June 2023) AvSuper performance sourced from BNP monthly performance reporting; 3) All performance figures are net of fees and tax on a member representative balance of \$50,000; 4) For an explanation of the Outcomes Assessment scale see legend on slide 5



# Fees and Costs

AvSuper fees for Income Stream options at 30 June 2023 for a representative member with a balance of \$50,000 are listed in the following table.

Fees and Costs	Administration fees disclosed <sup>1</sup>	Total fees disclosed <sup>2</sup>	\$ Amount <sup>2</sup>
<b>Growth</b>	<b>0.22%</b>	<b>1.25%</b>	<b>\$626</b>
<b>High Growth</b>	<b>0.22%</b>	<b>1.15%</b>	<b>\$576</b>
<b>Balanced Growth</b>	<b>0.22%</b>	<b>1.18%</b>	<b>\$591</b>
<b>Stable Growth</b>	<b>0.22%</b>	<b>1.11%</b>	<b>\$556</b>
<b>Conservative Growth</b>	<b>0.22%</b>	<b>0.75%</b>	<b>\$376</b>
<b>Diversified Index Option</b>	<b>0.22%</b>	<b>0.29%</b>	<b>\$146</b>
<b>Australian Shares</b>	<b>0.22%</b>	<b>0.83%</b>	<b>\$416</b>
<b>International Shares</b>	<b>0.22%</b>	<b>0.96%</b>	<b>\$481</b>
<b>Cash</b>	<b>0.22%</b>	<b>0.28%</b>	<b>\$141</b>

Income Stream 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 Administration fee is used to cover the operating cost of running the Fund. AvSuper's Accumulation Administration fees rank 39<sup>th</sup> most expensive when comparing against all funds (69) MySuper products in the APRA heatmap<sup>3</sup>. The Income Stream Admin fee of 0.29% on a \$50,000 balance is determined to be appropriate for members given the size of AvSuper and level of service provided, and compares well against a sample of larger fund pension fees, where a number charge higher administration fees to pension members than to accumulation.

In May 2023 the Trustee determined to release some (0.12%) of its excess Operational Risk Financial Reserve (ORFR) to bring the reserve to its 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 an income stream at 30 June 23 was 0.10%.

## Actions

For the 2023/24 financial year the Trustee has considered the fee options available to it and has determined that fees will remain stable until the impending merger between AvSuper and ART finalises. The Trustee continues to seek to identify opportunities to further reduce fees and costs where possible.

Notes – 1) Overall % based Administration fee of \$1.15 per week plus 0.17% of account balance based on a member representative balance of \$50,000; 2) Overall cost for a member representative balance of \$50,000 of Administration fee plus investment fees and costs for the Income Stream option; 3) Information is sourced from APRA MySuper Product Heatmap for 30 June 2023.;



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

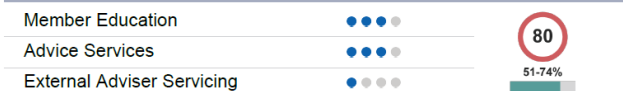
## Independent benchmarking

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 Benchmark<sup>1</sup> in its 30 September 2023 published ratings.

## Member Servicing



Notes; 1) SuperRatings Fundamentals report - 30 September 2023 for AvSuper Retirement Income Stream



# Operating Costs

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.

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

Fee Revenue was \$4.9m (\$5.1m in 2022) with the reduction reflecting the decline in membership and an increase in the impact of the fee cap as individual member balances increase and they move from the defined benefits division to accumulation or into an income stream. Operating expenditure was in line with budget but was reduced by \$0.4m from the \$5.8m in 2022 when significant project work on the fee cap and the failure of the performance test and development of an expression of interest document were incurred. Fee revenue collected remained above operating expenditure after tax ensuring the fund continues to be sustainable in the short term.

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.



# Sustainability and Scale

As of 30 June 2023, the short-term challenges faced in respect of the organic growth of the Fund and increased pressure on the Trustee's strategy of retention occurring as a result of:

- An ageing membership base.
- The changing demographic of the aviation industry.
- 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 major employer during 2021 and 2022.
- The excess surplus repatriation paid to the employer during 2023.

Apart from these factors reducing retention, there were some additional impacts which hampered new membership growth in 2023. The volume of new default members was considerably lower due to decreased new employee growth at Airservices for the period as well as the introduction of member stapling in November 2021. The failure of the 2021 performance assessment also meant a prohibition on promoting the Growth (MySuper) option, which was closely monitored by ASIC. This prohibition has been lifted after passing the 2022 performance assessment in August 2022.

Given all of the above impacts and the substantial short term reputational damage caused by the 2021 performance test result, the net decrease in membership for the 2022 financial year was lower than otherwise would have been anticipated and indicates that for a core of the membership overall sentiment remains positive.

The Trustee enacted its contingency plan below during the financial year 2022 resulting in an expression of interest which led to the signing of a memorandum of understanding (MoU) with CSC executed in May 2022 which has subsequently been cancelled in February 2023. A new MoU has been executed on 14 February 2023 with Australian Retirement Trust for a potential merger in 2024.

Overall, as at 30 June 2023, the Trustee assessed that AvSuper's scale was appropriate for the underlying member base at that time, and in taking account of the intention to transition to a larger fund in 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 progression of a potential merger with Australian Retirement Trust



[avsuper.com.au](http://avsuper.com.au)