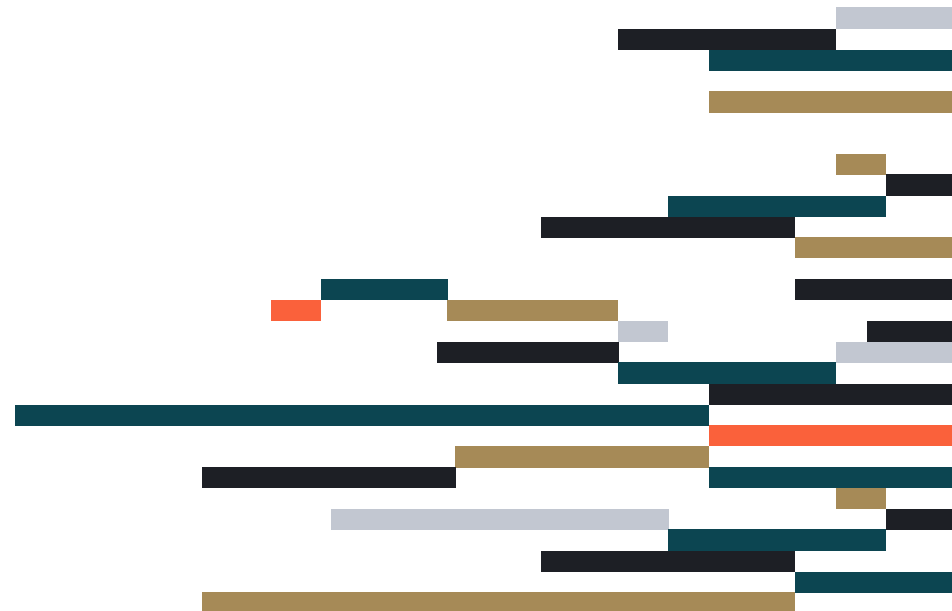


# Future Super Fund

**Member Outcomes Assessment**  
For the year ended 30 June 2022

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 the Future Super Fund (the 'Fund'). The Fund comprises of 'Future Super' (including an Accumulation and Pension product) and sub-plan 'Verve Super' (Accumulation only product). The Member Outcomes Assessment analyses how Future Super Fund'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 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 Determination

The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its products on the basis that:

- The Balanced Growth Pension and Balanced Index investment options performed in line with the peer median over longer periods and total fees were less than the peer fund median for all comparative balances;
- Although the investment returns and investment risk for the other options generally underperformed the peer fund median over the short-term, the Trustee notes that the Fund is invested in accordance with ESG investment strategies which narrows the investable universe and incurs screening costs. Members accept this to ensure alignment with their ethical standards; and
- The objective assessment factors, being the options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and the basis for setting fees, are considered appropriate for members and do not inappropriately erode their retirement balances.

However, the Trustee does note that:

- Total fees (which includes both administration and investment fees) are higher than the peer fund median across all modelled balance points for 3 of the 4 Accumulation investment options. It is noted that the fees and costs comparison is based on a broad market of peer superannuation funds and the Fund's members value the positive and negative screening for the ESG and gender equality concerns, which can come at a premium. However, the Fund does intend reducing fees over the next 3 years with the goal of being at median when compared to peers.



# Choice Overview

# Future Super Fund Overview

The Fund was launched in 2014 and focuses on responsible and sustainable investing that makes an impact. Future Super Fund comprises of 'Future Super' (including an Accumulation and Pension product) and sub-plan 'Verve Super' (Accumulation only product).

Future Super builds funds with zero exposure to fossil fuels, negative carbon footprints and direct investments in clean energy projects.

Verve Super was launched in late 2018 and is Australia's first ethical super fund that is led by women and tailored for women.

Future Super offers four investment options (one of which is a pension option), and Verve Super offers one investment option, all consistent with their respective ESG criteria:

## Future Super

### Balanced Impact

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced growth' investment strategy

### Balanced Index

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced' investment strategy

### Renewables Plus Growth

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'growth' investment strategy

### Balanced Growth Pension

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced growth' investment strategy

## Verve Super

### Balanced Strategy

The option aims to invest in a diverse mix of assets with the majority in the growth assets such as shares, and to be consistent with a 'balanced' investment strategy





# Choice Assessment

# Fees & Costs Comparison

## Future Super

Future Super's **Total Fees** (administration plus investment fees) and **Administration Fees** are compared to peer fund median fees in the following slides. For its **Renewables Plus Growth** and **Balanced Impact** options, Future Super's total fees are slightly higher than the peer fund median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances. However for its **Pension Balanced Growth** and **Balanced Index** options, Future Super's total fees are lower than the peer fund median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances. Future Super focus on ESG investments, increases investment fees relative to peers for all strategies.

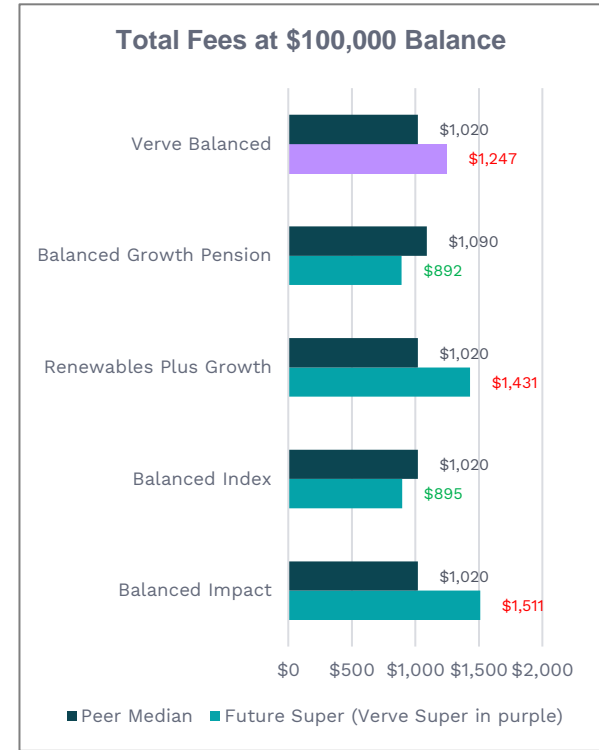
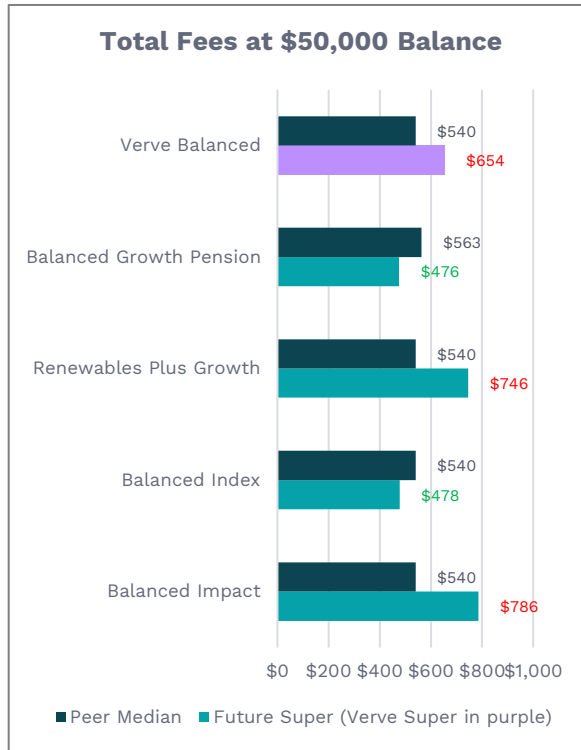
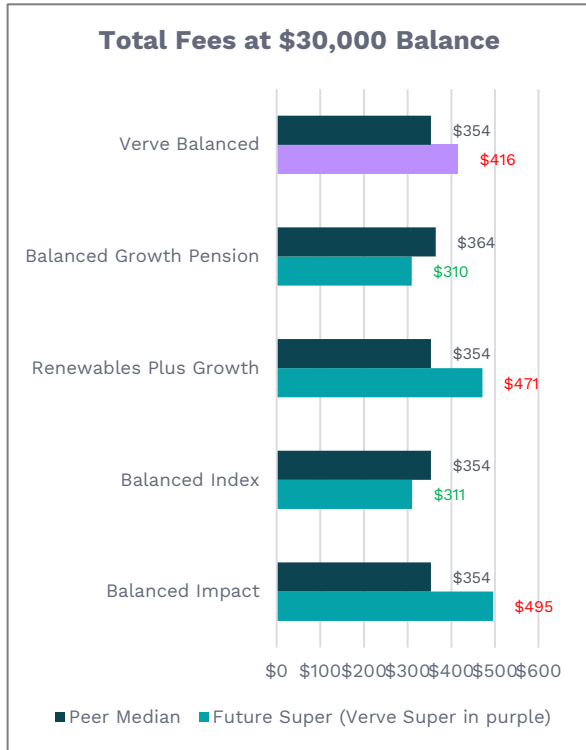
## Verve Super

Verve Super's **Total Fees** (administration plus investment fees) and **Administration Fees** are compared to peer fund median fees in the following slides. Verve Super's total fees are slightly higher than the peer fund median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances. Verve Super's focus on ESG investments and additional screening for gender equality, increases investment fees relative to peers.

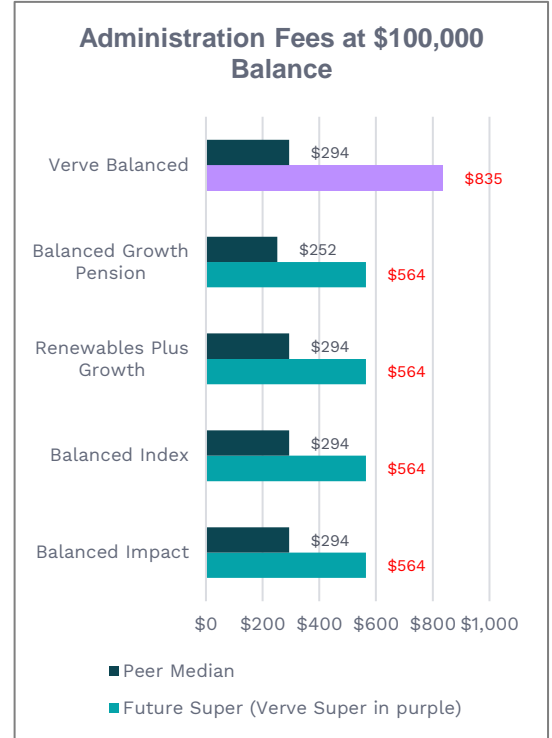
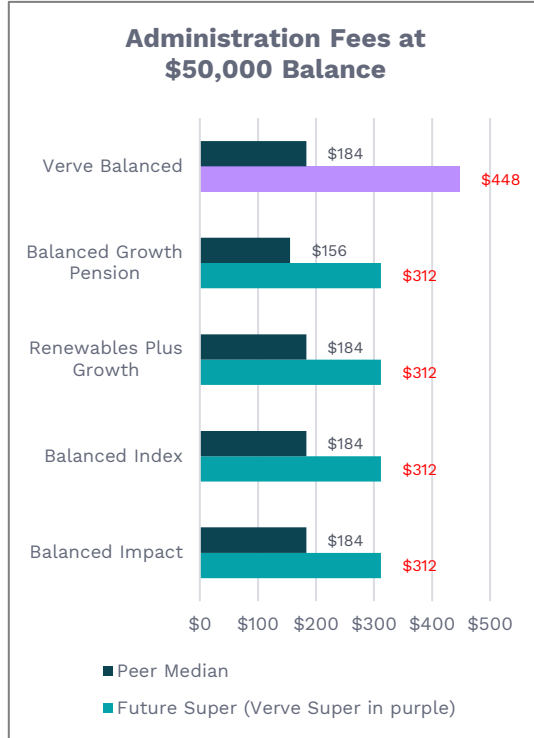
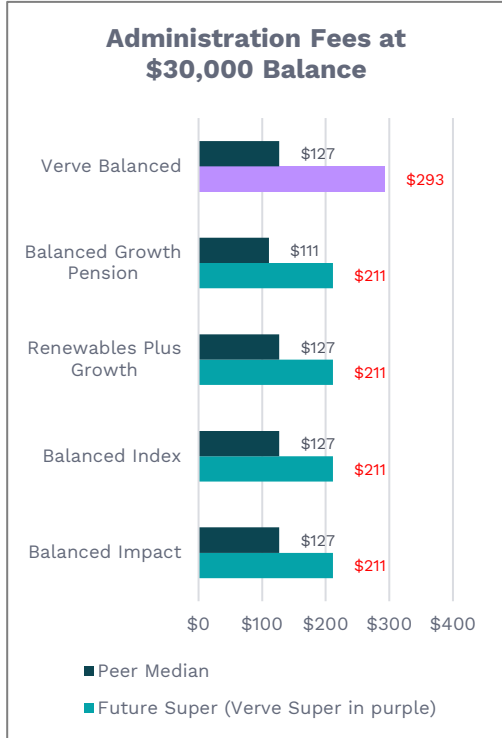
For fees and costs, the Trustee has determined that, on balance, it is not promoting the financial interests of the beneficiaries as the majority of **Total Fees** and **Administration Fees** for Future Super Fund are higher than the peer fund median.

The Trustee does note that the Fund has been on a consistent fee reduction strategy over the past 4 years which has seen significant savings passed to members. The Fund has a strategy to continue to reduce fees over the next 3 years with the goal of being at median when compared to peers. It is also noted that the fees and costs comparison is based on a broad market of peer superannuation funds and the Funds members value the positive and negative screening for the ESG and gender equality concerns, which can come at a premium.

# Fees & Costs Comparison- Total Fees



# Fees & Costs Comparison- Administration Fees



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Balanced (60-76) for all investment options)

# Investment Return Comparison

## **Future Super & Verve Super**

Future Super and Verve Super's net investment returns have generally underperformed the peer fund median over the one and three year periods.

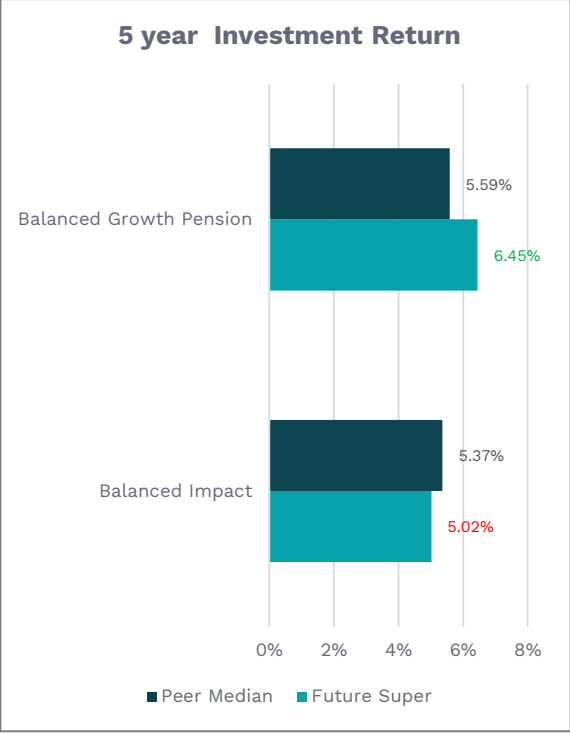
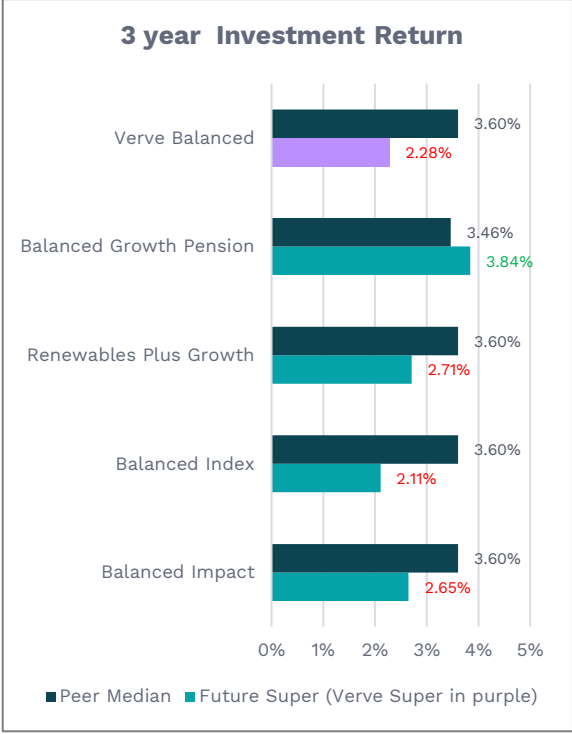
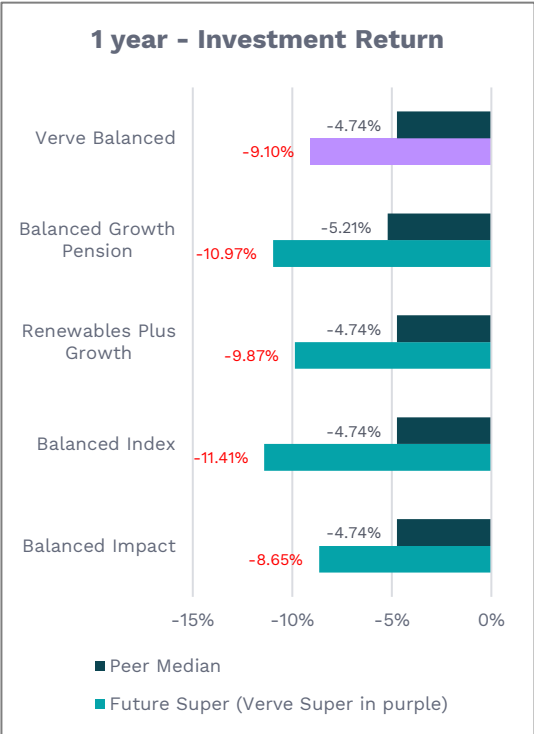
Differences in short term returns compared to the peer group were characterized by significant increases in value of fossil fuel related companies whose values benefited from higher energy prices resulting primarily from the Russia-Ukraine war; and strong relative returns of certain Australian banks who materially finance fossil fuel related companies. As the Future Super and Verve Super options exclude companies with direct and material indirect fossil fuel exposure, these have experienced underperformance.

As most of the accumulation options do not yet have the longer-term return history that surpass the expected minimum investment timeframe, we have excluded the short term returns from consideration in this assessment. We believe that over the longer term, the Future Super accumulation options will deliver better financial outcomes for our members.

The Balanced Growth Pension and Balanced Impact investment options do have five year returns, and have performed in line with the peer fund median over this period.

The Trustee has determined that, on balance, it is promoting the financial interests of the beneficiaries. Although the majority of investment options have underperformed the median peer performance over the short term, the Trustee notes that Future Super and Verve Super investments focus on Environmental, Social, and Governance ('ESG') strategies which have resulted in short term underperformance against industry medians given the screening criteria which can eliminate large companies in the well performing financial and resource sectors. Members are willing to accept this to ensure alignment with their ethical standards.

# Investment Return Comparison



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Balanced (60-76) for all investment options)

# Investment Risk Comparison

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

## **Future Super & Verve Super**

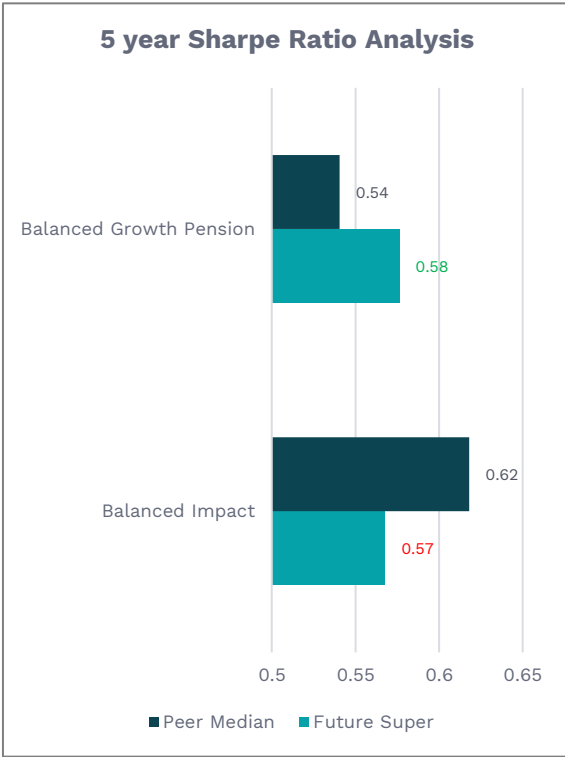
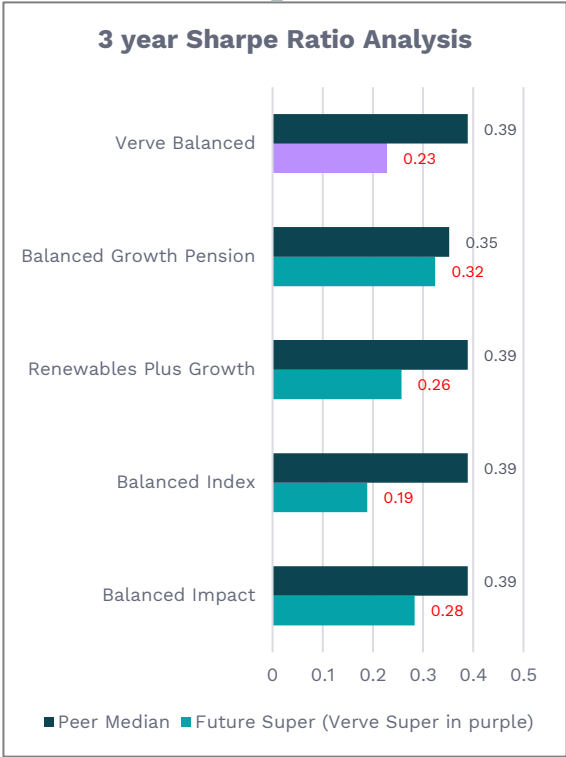
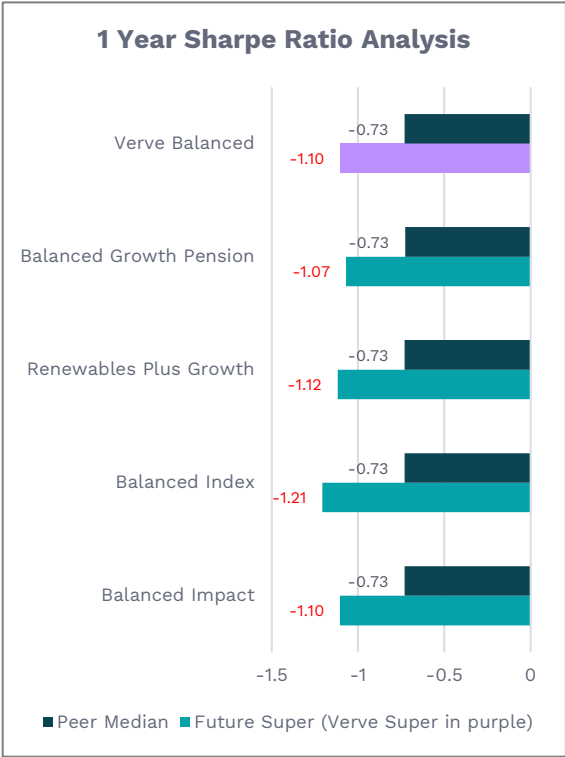
Future Super and Verve Super's Sharpe ratio for all investment options are lower than the peer fund median over one year, three year and five year periods, with the exception of the Balanced Growth Pension option over the five years. Differences in the Sharpe ratio are closely related to differences in net investment returns. Differences in short term returns of Future Super and Verve Super options compared to the peer group were characterized by significant increases in value of fossil fuel related companies whose values benefited from higher energy prices resulting primarily from the Russia-Ukraine war; and strong relative returns of certain Australian banks who materially finance fossil fuel related companies. As the Future Super and Verve Super options exclude companies with direct and material indirect fossil fuel exposure, the options have experienced underperformance.

As these options do not yet have the longer-term return history that surpass the expected minimum investment timeframe, we have excluded the short term Sharpe Ratios from consideration in this assessment. We believe that over the longer term, the Future Super and Verve investment options will deliver better financial outcomes for our members.

The Balanced Growth Pension and Balanced Impact investment options do have five year returns and have performed in line with the peer fund median over this period.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries. Although the Sharpe ratio over the measured periods are lower than the peer fund median for most investment options, the Trustee notes as part of their screening process both Future Super and Verve Super screen out companies in sectors that outperformed the peer median including both financial and resource sectors.

# Investment Risk Comparison



Source: Peer median is derived from SuperRatings median data for the relevant asset class (Balanced (60-76) for all investment options)



## OPTIONS, FACILITIES & BENEFITS

Future Super and Verve Super offer 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.

Future Super and Verve Super offer:

- Flexible insurance options: opt-in death, disablement, and income protection insurance cover.
- Member portal: giving members the ability to monitor their balance and transaction history and make changes to their account.
- In-house customer service: with the option to interact via phone, email, and online chat (Verve only).
- Baby bump program: new parents can apply for a rebate of the dollar-based admin fee.
- Kiwisaver friendly: the fund participates in the Trans-Tasman Portability Scheme, which means it can accept retirement savings transferred from New Zealanders moving to Australia, and can transfer super accounts to New Zealand for Australians moving there permanently.
- 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

Future Super focuses on Environmental, Social, and Governance ('ESG') investment strategies. They employ negative screening to ensure no investments in assets:

- that are harmful to society or the environment;
- engage in exploitative or predatory practices;
- create harmful or addictive goods and services.

Additionally there is also positive screening for investments which:

- support a transition to a sustainable economy and environment;
- promote equitable healthcare, education and society.

Verve Super have additional negative and positive screen for women in leadership and women's rights issues.

The last review of the investment strategy was completed in December 2022. The outcomes of this review are as follows:

- There were no changes made to the investment objectives but the risk objectives were changed from 7 – Very High to 6 – High for all investment options
- Future Super investment options: changes were made to the asset allocations of these options, which broadly included a reduction in exposure to Australian fixed interest and Australian shares and an increase to international shares and international fixed interest.
- Verve Super investment option: changes were made to the asset allocations of the option, including a reduction in exposure to Australian fixed interest and an increase to international fixed interest along with an increase to growth alternatives.

The Fund's investment strategy focuses on ESG issues and does not look to target members based on factors such as age. Therefore their investment strategies are balanced to cater for broad level risk appetite across the membership base.

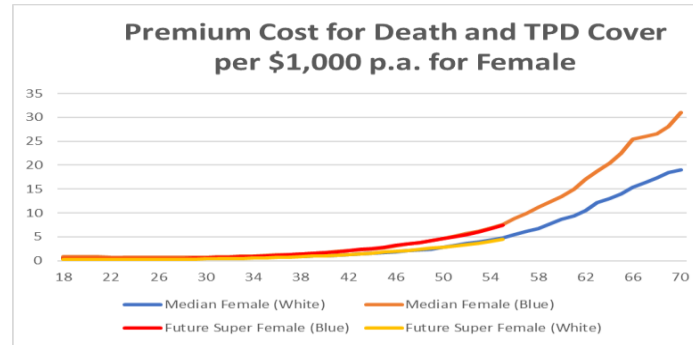
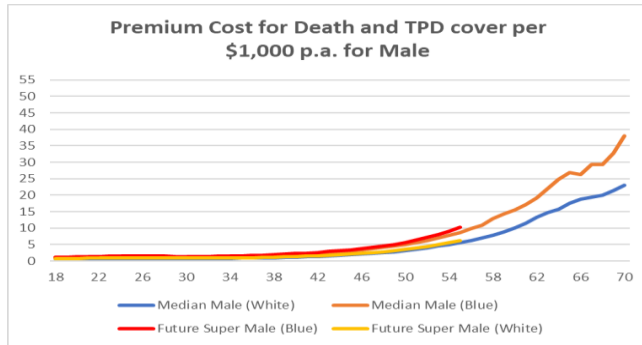
## INSURANCE STRATEGY & FEES

The Fund provides insurance for members through AIA Australia. Cover for Death Only, Death & TPD and Income Protection is provided. Members are able to opt-in for standard Death Only or Death & TPD cover on joining and can apply for additional voluntary cover or underwritten cover, as required. Members may also transfer cover from another superannuation fund, or another insurance policy, subject to terms and conditions. It is important to note cover over the age of 55 is for death cover only.

The Fund has created an easy opt-in process that new members can use to opt-in online for Death and TPD cover. As cover is voluntary, there has not been a high level of uptake in the Fund. However, it is noted that offering insurance makes it more attractive for members to consolidate their entire super balances into the Fund, thereby improving the scale of the Fund and potentially improving member outcomes by avoiding the need for members to have multiple accounts.

As members opt-in to Standard or Voluntary insurance cover, 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 Future Super Fund's premiums\* for Automatic Death and Total and Permanent Disability insurance cover compared to the industry median. Generally speaking, as members become older, the premiums increase to reflect the rise in health risk. As shown below, we consider the insurance premiums to be competitive relative to the median when taking into account the age demographics of Future Super's members (the large concentration of members aged between 30-40).



Based on our analysis and, considering that members are offered standard cover on an opt-in basis, the Trustee has determined that the insurance strategy for the product is appropriate for the Fund's members.

## SCALE

Future Super Fund including Verve Super had 43,789 members with approximately \$1.441 billion in funds under management as at 30 June 2022.

While these figures are indicative of Future Super Fund's relatively small size in the industry, it is anticipated that Future Super Fund will steadily grow and achieve greater scale benefits based on its growth during FY22:

- Funds Under Management ('FUM') grew by 15.64%, compared to the industry median of -4.12%
- Net members' benefits flows of \$336.9M, compared to the industry median of -\$23.8M
- Number of member accounts grew by 24.76%, compared to the industry median of -0.084%
- Net rollovers into Future Super of \$179.8M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 17.60%, compared to the industry median of 91.4%

A breakdown of these figures is shown in the table on the right.

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

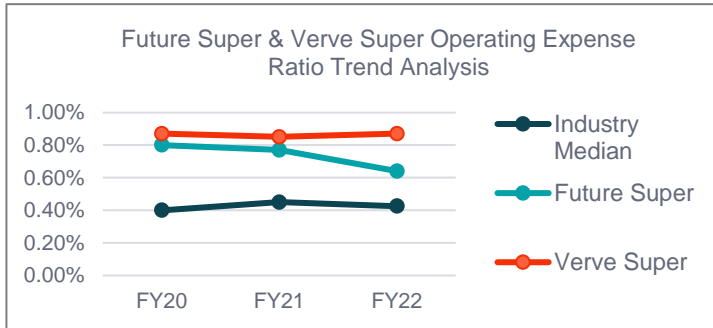
In addition, there is an ongoing ability to access resources at scale as a result of Future Super Fund's operating model leveraging an outsourced administrator and an outsourced trustee.

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

	Future Super	Verve Super	Total
<b>Members</b>	38,471	5,318	43,789
<b>FUM</b>	\$1,244.9M	\$196.5M	\$1,441M
<b>FUM % growth</b>	14.24%	23.38%	15.64%
<b>Net member benefit flows</b>	\$273.9M	\$63.0M	\$336.9M
<b>Number of member accounts % growth</b>	23.48%	34.87%	24.76%
<b>Net rollovers</b>	\$138.2M	\$41.6M	\$179.8M
<b>Net members' benefit outflow ratio</b>	18.46%	13.69%	17.60%

## OPERATING COSTS

Future Super Fund'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 both Future Super and Verve Super's operating expense ratios are significantly higher than that of the median fund in FY22. Future Super reduced by 16% over the FY22, whereas Verve Super increased by 0.02%. The median fund operating expense ratio has decreased by 0.02% since FY21.



Noting the smaller size of the Fund and the specialist investment allocation, the operating costs are considered appropriate for Future Super Fund's members and do not inappropriately erode their retirement balances. However, the Trustee notes that there is an opportunity to improve these ratios in the future.

## 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, for both Future Super and Verve Super) and a basis points fee. For balances under \$6,000 the flat dollar fee is waived (\$5,000 for Verve Super) and total fees are capped at 3%, which means it will not erode the retirement balances of lower account balance members and 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.

During FY22 Future Super reduced the percentage based administration fee for Balanced Impact, Balanced Index, Renewables Plus Growth and Balanced Growth Pension investment options from 0.554% p.a. to 0.504% p.a.. In addition, the asset based investment fee for Renewables Plus Growth reduced from 0.804% p.a. to 0.724% p.a.

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



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