

**TWU NOMINEES PTY LTD (ABN 67 002 835 412)**  
**AS TRUSTEE OF THE TWU SUPERANNUATION FUND (ABN 77 343 563 307) (TWUSUPER)**

## **MEMBER OUTCOMES ASSESSMENT FOR THE YEAR ENDED 30 JUNE 2022**

**2 FEBRUARY 2023**

The Trustee determines that it has promoted the financial interests of all accumulation members and pensioners of TWUSUPER for the year ended 30 June 2022 – whether they be invested in the Balanced (MySuper) product, High Growth/Equity Plus product, Cash Plus product, Conservative product, Moderate product or any combination of these. In promoting beneficiaries' financial interests, the Trustee is aware that improvements can be made in areas including net investment returns, fees and costs and Fund sustainability. The Trustee is working on these improvements as discussed below.

The Balanced (MySuper) product is TWUSUPER's main investment option, with over 90% of the Fund's members and pensioners invested in it. In assessing whether the financial interests of these beneficiaries were promoted in the year ended 30 June 2022, the Trustee assessed the Balanced (MySuper) product against other MySuper products as well as relevant external and internal benchmarks, based on the criteria set out below.

For members invested in TWUSUPER's High Growth/Equity Plus<sup>1</sup>, Cash Plus, Conservative and Moderate products, the assessment does not include a comparison against all other APRA-regulated funds as APRA Statistical data is not yet available for that comparison to be made. However, the Trustee compared them with equivalent peer products, using the criteria set out below and relevant industry benchmarking surveys.

### **1. Investment returns (after deduction of fees, costs & taxes)**

Along with its investment strategy, the Trustee regards net investment returns as being of the highest importance for good member outcomes, particularly long-term (10 years) and medium-term (5-7 years) term returns, given the long-term nature of superannuation.

#### **Internal benchmarking**

##### ***Balanced (MySuper) option***

A relevant benchmark is the return objectives that the Trustee has set for the Balanced (MySuper) option, these are as follows.

- Over rolling 10-year periods, an earning rate greater than the change in the consumer price index (CPI) plus 3% p.a.
- Over rolling 3-year periods, a return that exceeds the median balanced manager in the Rainmaker Performance Survey.

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<sup>1</sup> The Equity Plus investment option was renamed High Growth on 27 September 2021 and no other changes were made to this investment option.

The Balanced (MySuper) option's return over ten years to 30 June 2022 was 8.0% pa (after tax and investment fees, before administration fees). This exceeded the option's objective return of 5.3% (2.3% for CPI + 3% pa).

Over three years to 30 June 2022, the option outperformed the Rainmaker median balanced option by 0.9% pa. This has improved from an underperformance of -0.1% pa over the three years to 30 June 2021.

Therefore, the Balanced (MySuper) option achieved both of its return objectives.

### ***High Growth/Equity Plus option***

The return objectives that the Trustee has set for the High Growth/Equity Plus option are as follows:

- Over rolling 10-year periods, an earning rate greater than the change in the consumer price index (CPI) plus 4% p.a.
- Over rolling 3-year periods, a return that exceeds the median growth manager in the Rainmaker Performance Tables.

The High Growth/Equity Plus option's return over ten years was 9.8% pa (after tax and investment fees, before administration fees). This exceeded the option's objective return of 6.3% pa (2.3% for CPI + 4% pa).

Over three years, the option outperformed the Rainmaker median Growth option by 1.7% pa. This has improved from an outperformance of 0.6% pa over the three years to 30 June 2021.

Therefore, the High Growth/Equity Plus option had achieved both its return objectives at 30 June 2022.

### ***Cash Plus option***

The return objective that the Trustee has set for the Cash Plus option is an annual investment return (before tax and after fees) that is greater than the Bloomberg AusBond Bank Bill Index.

The estimated annual return before tax and after investment fees for the Cash Plus option was -0.3%. The annual return of the Bloomberg AusBond Bank Bill Index was 0.1%.

Therefore, the Cash Plus option did not achieve its return objective.

Over three years, the Cash Plus option underperformed the Rainmaker median cash option by -0.1% pa. This has deteriorated from an outperformance of 0.1% pa over three years to 30 June 2021.

### ***Other options***

The Conservative and Moderate options were established on 27 September 2021, so they did not have a full year of performance history at 30 June 2022. Returns since inception were -3.9% and -4.3% for the Conservative and Moderate options respectively.

### **External benchmarking - Rainmaker survey**

The Balanced (MySuper) option ranked in the first quartile of the Rainmaker Balanced funds survey for three years to 30 June 2022, and second quartile for performance over one, five, seven and ten years. Given superannuation's longer-term purpose, this would indicate that the interests of TWUSUPER Balanced (MySuper) members are being met by the net returns achieved by the product over the long term, and members have not been disadvantaged relative to peers.

The Trustee regards the Rainmaker survey as being particularly relevant, as it compares with all participating superannuation products that have a similar risk profile, not just other MySuper products. It also excludes all lifestyle products, which change their risk profile based on a member's age, and has a longer investment history than the APRA statistical survey (discussed below), enabling comparison of long-term returns.

The performance of the Cash Plus option was in the fourth quartile of the Rainmaker survey for equivalent funds over one year, and the third quartile over three, five, seven and ten year periods. Performance has been impaired by low interest rates over the last three years, which has also affected longer term returns. However, performance has improved in both absolute and relative terms since May 2022, when interest rates began to rise.

The Cash Plus option underperformed the median cash option by -0.1% pa over 10 years to 30 June 2022.

The performance of the High Growth/Equity Plus option was in the first quartile of the Rainmaker survey for equivalent funds over three, five, seven and ten years to 30 June 2022, and in the second quartile over one year.

#### **External benchmarking – APRA Quarterly MySuper Survey<sup>2</sup>**

The following table compares the net returns for a \$50,000 account invested in the TWUSUPER Balanced (MySuper) option with the median of MySuper products that have a Medium to High risk rating for periods to 30 June 2022. The comparison set includes both single strategy and lifecycle products.

	<b>1 year (%)</b>	<b>3 years (% pa)</b>	<b>5 years (% pa)</b>
TWUSUPER MySuper	-3.1	4.4	5.3
MySuper (Medium to High Risk) Median	-3.8	3.5	5.3
<b>Difference</b>	<b>0.7</b>	<b>0.9</b>	<b>0.0</b>

Performance relative to peers has improved significantly since 2019, with the 1-year return to 30 June 2022 returning 0.7% higher than the median of all Medium to High risk MySuper products (-3.1%, compared with -3.8%). The Balanced (MySuper) option outperformed its Medium to High risk peers over three years, and performed in line with its peers over five years.

Although the comparisons above relate to accumulation members, the findings are equally valid for the equivalent Pension option, given the near similarity in net return levels.

#### **APRA Heatmap**

The APRA heatmap compares MySuper Fund performance in two ways:

1. against a benchmark comprised of market indices adjusted for investment fees and taxes weighted by an option's strategic asset allocation.
2. against a simple reference portfolio comprised of a mix of growth and defensive assets that is weighted by the ratio of growth and defensive assets in the option's strategic asset allocation.

<sup>2</sup> APRA Quarterly Statistics, June 2022. This survey calculates the return net of all fees and tax for a representative member that has a \$50,000 balance.

The 2022 APRA Heatmap revealed the following results for the Balanced (MySuper).

TWUSUPER Option	8-year relative performance		5-year relative performance		3-year relative performance	
	SAA (%pa)	Simple (% pa)	SAA (%pa)	Simple (% pa)	SAA (%pa)	Simple (% pa)
Balanced (MySuper)	-0.09	0.44	-0.36	0.02	0.80	1.33

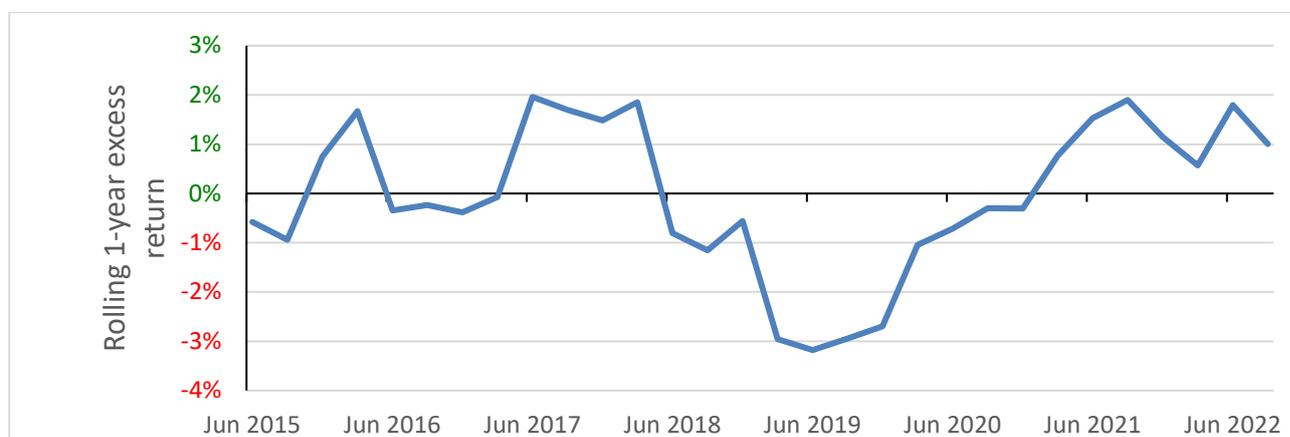
No results were published for the Cash Plus option or High Growth options in 2022.

The table below compares The Balanced (MySuper) option results over the last four years.

TWUSUPER Balanced (MySuper Option)	8-year relative performance		7-year relative performance		6-year relative performance		5-year relative performance		3-year relative performance	
	SAA (%pa)	Simple (% pa)								
FY2022	-0.09	0.44					-0.36	0.02	0.80	1.33
FY2021			-0.34	-0.23			-0.30	-0.75	-1.51	-0.89
FY2020					-0.36	-0.16	-0.40	-0.36	-1.41	-1.54
FY2019							-0.82	-0.41	-0.84	-1.55

The Heatmap indicated underperformance relative to benchmarks over all measured periods for the Balanced (MySuper) option. Analysis of choice options were not published in the 2022 edition of APRA's Heatmap.

The chart below depicts the difference between the annual return and the option benchmark over time. It shows that the Balanced option suffered significant underperformance relative to its benchmark in 2019, but was performing well in previous years. Performance has improved significantly since March 2020, and is on an improving trend.



The option outperformed its simple reference portfolio by 0.44% pa over eight years, 0.02% pa over five years and 1.33% over three years. The 2022 simple reference performance outcomes are significantly improved over prior Heatmap results and reflect a significant turnaround in performance since 2019.

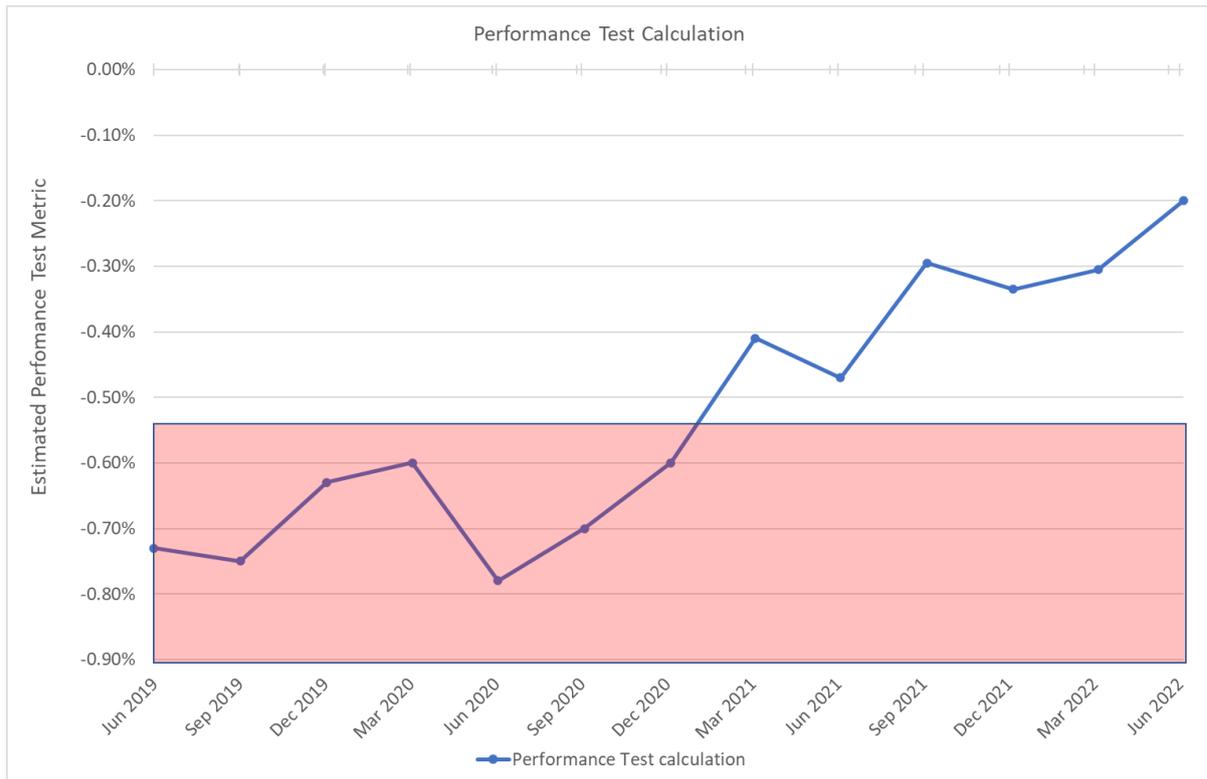
### Performance Test

The Performance Test is a mandated comparison of performance versus an SAA weighted average of asset benchmarks set by regulation. This is similar to the SAA measure under the APRA Heatmap. However, the Performance Test adjusts the net investment return to allow for the difference between an option's administration fee and the industry median administration fee.

The first performance test was applied for the seven years to June 2021 and eight years to June 2022 for the Balanced (MySuper) option. In future years the Performance Test will apply over rolling eight-year periods, and will apply to all diversified superannuation fund options.

APRA published the inaugural Performance Test in December 2021. The Balanced (MySuper) option underperformed by 0.47% pa. An option fails the Performance Test if it underperforms by more than 0.50% pa. The Performance Test result for the eight years to 30 June 2022 was -0.20% pa, an improvement of 0.27% pa.

The chart below depicts the improving trend of performance relative to the Performance Test benchmark since June 2019. The red area indicates the fail zone. The chart highlights an improving trend.



### Implemented and Planned improvements

TWUSUPER has substantially revised its investment strategy since December 2019. The changes are to:

- establish a set of investment beliefs to ground an investment strategy that:
  - (1) emphasises strategic asset allocation over tactical asset allocation,
  - (2) establishes the importance of peer relative and benchmark relative performance in setting investment strategy,
  - (3) recognises the importance of cost control in investment management;
- reduce allocations to asset classes that are expensive to manage and difficult to benchmark, such as absolute return funds and private equity;
- focus active management to those areas where it is most likely to enhance returns such as property, infrastructure and small cap equities;

- prefer passive or enhanced passive strategies that are cheaper to manage and less likely to underperform in those markets that are liquid and more efficient such as large cap equities and bonds;
- limit tactical asset allocation positions that can enhance investment returns but also increase the risk of underperformance;
- reduce investment management fees by a combination of negotiating lower fee scales with managers and replacing expensive investment managers.

These changes have already been implemented but are going through ongoing refinement as new data emerges. The net effect of these changes has been to:

- substantially reduce investment fees;
- reduce tracking error (a measure of variability relative to benchmark);
- improve investment returns relative to benchmarks;
- produce highly competitive returns relative to peers.

The more focussed investment strategy recognises TWUSUPER's areas of relative strength. As a smaller fund TWUSUPER is able to access niche strategies and opportunities that would be too small to attract very large institutions. Smaller scale also means fewer issues with liquidity as TWUSUPER positions are unlikely to dominate markets.

Where TWUSUPER does not have an obvious advantage, the investment strategy seeks to optimise efficiency, seeking out lowest cost management strategies.

## **2. Whether the investment strategy, including the level of investment risk and return target, is appropriate to members**

In accordance with the Fund's Investment Governance Framework, the Trustee is responsible for ensuring that the design of the Balanced (MySuper) option is appropriate for the broadest representation of member demographics and risk tolerance. The median age of TWUSUPER members invested solely in the Balanced (MySuper) option is 45.8 years and the median balance of such members at 30 June 2022 was \$21,334.

The allocation of TWUSUPER's Balanced (MySuper) option is consistent with industry peers that have a similar member demographic to TWUSUPER. Investment strategy is reviewed each year to test whether it remains consistent with members' best interests. Modelling by the Trustee of potential investment outcomes shows that the current investment strategy is optimal, striking a balance between strong long-term returns and the risk of adverse short-term results.

In the case of the 6.3% of Accumulation members invested in the choice options, the High Growth (formerly Equity Plus) option is more than 90% invested in return-seeking assets, and consequently is very sensitive to market movements. The Cash Plus option is fully invested in risk-mitigating assets, predominantly cash and short-term fixed interest securities.

The Trustee added two new options to sit between the Cash Plus and Balanced options in September 2021: the Conservative and Moderate options. These two options provide more choice to members, making it simple for them to make investment choices that are appropriate for their individual circumstances without having to combine investment options. The current choice options provide

sufficient scope for members to construct an investment strategy consistent with their personal circumstances and risk appetite.

### 3. The level of investment risk

The level of investment risk is a high-ranking consideration in achieving good member outcomes, as it can have a significant effect on member benefits. The risk objective of the Balanced (MySuper) option is to suffer a loss in less than four years out of every 20 (equivalent to a 20% probability of loss each year). TWUSUPER reviews the likelihood of negative returns each year as part of the investment strategy review and is satisfied that the risk objective remains consistent with the current asset allocation and current market conditions and is appropriate for the beneficiaries of the Balanced (MySuper) option.

TWUSUPER's risk objective is consistent with that of other MySuper products. The Trustee estimates that the Balanced (MySuper) option will experience a loss in 3.5 years in every 20. The median of equivalent risk objectives for MySuper single strategy products in the 30 June 2021 APRA annual survey is 3.8 years in every 20.

### 4. Fees & costs affecting returns

The latest TWUSUPER membership profiles as at 31 December 2022 has been used to benchmark TWUSUPER Member Options for Fees and Costs for the year ended 30 June 2022.

As at 31 December 2022, 91.64% of members were invested into the Balanced Option, which accounted for 90.53% of the Fund's FUM. The Balanced Option had an average balance of \$60,258 and a median balance of \$24,188.

#### **APRA's Heat Map view of TWUSUPER MySuper Fees and Costs – June 2022<sup>3</sup>**

The publication of APRA's Heat Maps with respect to fees show that TWUSUPER is well away from being classified in the red zone across all member balance categories and fee types for the **MySuper Option**, which demonstrate that members are not charged excessively compared to other funds.

With respect to Total Fees, TWUSUPER has benchmarked well in terms of providing competitive fees, with account balances of \$10K, \$25K, \$50K showing total fees being less than APRA's starting benchmark for expensive funds, and 100K and \$250K accounts showing total fees being equal to APRA's starting benchmark where funds start to become more expensive.

In comparison, TWUSUPER's Administration Fees are relatively expensive compared to other funds. With funds being recognised as relatively more expensive – starting at white, with a mid-point at orange and an end point at red (being the most expensive), APRA has graded TWUSUPER representative account balances of \$10,000 and \$25,000 as White, \$50,000 accounts as off-white and \$100,000 and \$250,000 account balances as yellow, all less than orange (less than the mid-point) which is well away from the red zone of the most expensive funds. What this is saying is that TWUSUPER is more competitive against lower balance members across all funds, which is in line with our median balance of \$24,188.

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<sup>3</sup> APRA HEATMAP, MySuper Products, 15 December 2022

		TWUSUPER RESULTS % Fees	APRA Starting Benchmark - White	APRA Ending Benchmark - Red	% From White where 100% towards Red is worst result
Administration fees disclosed (% of \$10,000 account balance)		1.03%	1.00%	1.40%	7.5%
Administration fees disclosed (% of \$25,000 account balance)		0.56%	0.50%	0.80%	20.0%
Administration fees disclosed (% of \$50,000 account balance)		0.41%	0.35%	0.60%	24.0%
Administration fees disclosed (% of \$100,000 account balance)		0.33%	0.25%	0.50%	32.0%
Administration fees disclosed (% of \$250,000 account balance)		0.28%	0.20%	0.40%	40.0%
Total fees and costs disclosed (% of \$10,000 account balance)		1.75%	1.80%	2.20%	-12.5%
Total fees and costs disclosed (% of \$25,000 account balance)		1.28%	1.30%	1.60%	-6.7%
Total fees and costs disclosed (% of \$50,000 account balance)		1.13%	1.15%	1.40%	-8.0%
Total fees and costs disclosed (% of \$100,000 account balance)		1.05%	1.05%	1.30%	0.0%
Total fees and costs disclosed (% of \$250,000 account balance)		1.00%	1.00%	1.20%	0.0%

*Planned improvements for the Balanced Option*

The PDS update issued by TWUSUPER on 1 February 2023, will reduce total investment fees by 3 basis points.

This change effectively means that although Administration Fees are still relatively expensive, Total Fees charged will be lower than APRA’s recognition of where funds start to become expensive across all representative account balances (\$10k, \$25k, \$50k, \$100k, and \$250k).

	Colour Graduation	TWUSUPER RESULTS % Fees	APRA Starting Benchmark - White	APRA Ending Benchmark - Red	% From White where 100% towards Red is worst result
Administration fees disclosed (% of \$10,000 account balance)		1.03%	1.00%	1.40%	7.5%
Administration fees disclosed (% of \$25,000 account balance)		0.56%	0.50%	0.80%	20.0%
Administration fees disclosed (% of \$50,000 account balance)		0.41%	0.35%	0.60%	24.0%
Administration fees disclosed (% of \$100,000 account balance)		0.33%	0.25%	0.50%	32.0%
Administration fees disclosed (% of \$250,000 account balance)		0.28%	0.20%	0.40%	40.0%
Total fees and costs disclosed (% of \$10,000 account balance)		1.72%	1.80%	2.20%	-20.0%
Total fees and costs disclosed (% of \$25,000 account balance)		1.25%	1.30%	1.60%	-16.0%
Total fees and costs disclosed (% of \$50,000 account balance)		1.10%	1.15%	1.40%	-21.6%
Total fees and costs disclosed (% of \$100,000 account balance)		1.02%	1.05%	1.30%	-12.8%
Total fees and costs disclosed (% of \$250,000 account balance)		0.97%	1.00%	1.20%	-14.4%

## TWUSUPER performance against APRA Funds measured in Benchmark Tables

The Investment Fee reduction also improves TWUSUPER's position on the APRA's benchmark tables. Excluding duplicated lifestyle products, of the 56 Funds reported, TWUSUPER improve their position:

- from 43<sup>rd</sup> place for lowest fee (4<sup>th</sup> quartile) to 40 (3<sup>rd</sup> quartile) for \$10,000 accounts
- from 43<sup>rd</sup> place for lowest fee (4<sup>th</sup> quartile) to 41 (3<sup>rd</sup> quartile) for \$100,000 accounts, and
- from 46<sup>th</sup> place for lowest fee (4<sup>th</sup> quartile) to 42 (3<sup>rd</sup> quartile) for \$250,000 accounts.

### Other Member Options

#### Administration Fees

The Industry Benchmarking Super Ratings survey issued March 2022 showed TWUSUPER matched the Industry Median for Member Fixed Admin Fees across all segments and matched the Median Admin variable fees for the Industry Median.

Industry Sector	All Products	
	Median Member Fixed Fee	Median Admin Fee (%)
<b>SECURE PRODUCT</b>		
Not for Profit Median	\$78	0.18%
Retail Master Median	\$78	0.52%
Industry Median	\$78	0.25%
TWUSUPER	\$78	0.25%
Superrating Pg Ref:	98.1	98.1

#### Investment Fees

For the High Growth member option, investment fees were 6 basis points above the industry median but were cheaper than the Retail Master Median by 5 basis points.

For options that closely matched our Moderate Option, Investment Fees matched the Industry Median, and for the option that closely matched our conservative option, TWUSUPER investment fees were 6 basis point lower than the Industry Median.

For options that closely matched our Conservative Option, Investment Fees matched the Not-for-profit Industry Median and was 6 basis points lower than the Industry Median.

For options that closely matched our Cash Option, investment fees were lower than the Retail Master Median by 1 basis point but were dearer than the Industry Median by 6 basis points.

Industry Sector	High Growth	Conservative Balanced (Moderate)	Capital stable (conservative)	Secure (Cash)	All Options
<b>SECURE PRODUCT</b>	Median IMF+ICR (%)	Median IMF+ICR (%)	Median IMF+ICR (%)	Median IMF+ICR (%)	Fees as % of Avge A/C Bal
Not for Profit Median	0.59%	0.61%	0.48%	0.06%	1.00%
Retail Master Median	0.80%	0.54%	0.66%	0.13%	1.25%
Industry Median	0.69%	0.60%	0.54%	0.06%	1.07%
TWUSUPER	0.75%	0.60%	0.48%	0.12%	1.11%
Superrating Pg Ref:	117.2	117.3	118.1	118.2	115.2

### **Planned improvements for Other Member Options over the shorter term**

Following changes in investment manager selection and asset allocation, the new PDS issued on 1 February 2023 will result in reductions to the following member options for the \$50,000 member representative account:

- a saving of \$5 or 1.02% for the Conservative Option
- a saving of \$5 or 0.9% for the High Growth Option
- a saving of \$10 or 1.84% for the Moderate Option

Note: No change to cash option.

### **TWUSUPER setting strategic stretch targets**

Fees and costs are an important consideration in member outcomes as they affect the net benefit available to members.

In setting fee targets, in taking into account reduced superannuation funds, TWUSUPER has adopted a strategy of benchmarking to the 3<sup>rd</sup> quartile in the short to medium term, then to the median as the Fund gains scale across the longer term, with the rationale being that TWUSUPER needs to be equal to or better than half of the superannuation funds that are measured by the regulator over the longer term. As the Trustee is aware that the 3<sup>rd</sup> quartile level will most likely continue to reduce in future years due to pressures brought about by competition in the industry, this will drive the need for continuous improvement in the outcomes for TWUSUPER members and pensioners.

### **Planned improvements for Other Member Options over the longer term**

TWUSUPER aims to provide value for money to members and further measures have been identified to reduce administration and investment-related costs to make total fees competitive for all Options.

#### *Improvements in investment related costs*

In terms of the funds management industry generally, the regulator introducing heat maps to identify funds that are more expensive has significantly increased competition which has led to investment fees reducing over time across all industry sectors. For TWUSUPER specifically, its current investment structure shows that it is currently overweight to private equity investments, which are typically associated with higher management fees. Due to not investing new funds into this sector we expect these investments to reduce as a proportion of total assets under management over time, which will lead to a gradual reduction in investment fees.

#### *Administration Fee reductions required to be more competitive*

As TWUSUPER operates an outsourced business model, there is limited flexibility to significantly reduce Operational and Administrative costs of the Fund without structural change. TWUSUPER has recognised this need for structural change for some time and has been in the process of identifying other suitable industry funds that have merger potential. Following Industry funds TWUSUPER and Mine Super entering into a preliminary non-binding Memorandum of Understanding to explore a merger, if successful, FUM would increase to \$20 billion with over 150,000 members. This increase in scale would broaden the base leading to potentially delivering significant reductions in both variable and fixed member Administration Fees.

## 5. Whether the operating costs of Trustee’s business operations are inappropriately affecting the financial interests of members

APRA’s Annual Superannuation Statistics for June 2022 report TWUSUPER’s operating expense ratio at 0.50%, which is in the 4<sup>th</sup> quartile. This compares to the Median of 0.3% and Average of 0.4% for 88 funds that are reported – which suggests the Fund is relatively more expensive to run compared to others.

However, the last Super Ratings Annual Statistics June 21 (reported March 22) show that Administration Fee charges to Members are actually in line with the Industry Median.

Industry Sector	All Products	
	Median Member Fixed Fee	Median Admin Fee (%)
<b>SECURE PRODUCT</b>		
Not for Profit Median	\$78	0.18%
Retail Master Median	\$78	0.52%
Industry Median	\$78	0.25%
TWUSUPER	\$78	0.25%
Superrating Pg Ref:	98.1	98.1

It should be noted that although TWUSUPER are in the bottom quartile for most expensive funds to run, its rank is only 1 place below the 3<sup>rd</sup> quartile result.

Although TWUSUPER can implement changes to bring the fund back to the industry median for both investment costs and administration costs combined, TWUSUPER will need to review its business model with the view to increase scale or reduce services in order to continually cut costs going forward to at least achieve the 3<sup>rd</sup> quartile and move to the median over the longer term.

## 6. Whether the basis for setting of fees is appropriate for members

The Fund has a fee structure appropriate for its membership that includes the following features:

- A flat \$1.50 per week fee to ensure all members pay a reasonable amount to cover the administration of their account and minimise cross subsidies.
- An asset based fee that minimises the cost for low balance members and aligns the cost members pay with increased engagement as account balances grow.
- Application of the legislated low balance fee cap.
- Application of an administration fee cap of \$750 to ensure high account balances avoid unreasonably high administration fees.
- The same fee structure for all MySuper and choice (High Growth/Equity Plus, Cash Plus, Conservative and Moderate option) members. Pensioners pay a slightly lower asset based fee, to reflect they no longer utilise services or products such as contribution processing and insurance.

The Fund introduced an insurance administration fee effective 1 August 2022. This is a fee specifically applied to insured members to reflect a portion of the costs incurred to provide insurance arrangements. This is expected to result in a reduction of the base administration percentage fee incurred by all accumulation members over the next 1-2 years.

## 7. Whether the options, benefits and facilities offered are appropriate to members

The Fund seeks to balance the products and services offered to members with the associated cost impact of provision of same. In line with members' best financial interests the Fund has reviewed existing contracts and our product and service offering to ensure this balance remains fair and equitable for our members.

TWUSUPER members value the ability to talk to staff both over the phone and in person.

TWUSUPER offers a variety of services for all its members and pensioners, including:

- A call centre and helpline team
- An education, general advice and outbound servicing team
- Secure online access to account information and transactions
- Field staff that service members in their place of employment
- An intra-fund and comprehensive financial advice team
- Seminars to educate and inform members.

TWUSUPER has a servicing plan in place to ensure all its key employers receive regular assistance over the phone and face to face. Importantly this includes being available on site to assist both the employer and their staff who are current or prospective fund members. The Fund also holds regular retirement seminars to assist members with pre-retirement planning. The Fund receives regular feedback that members and pensioners value the personalised service available face to face and through the phone-based team to assist them to understand and make decisions relating to their retirement savings.

Member feedback shows the services provided deliver value to members in receiving timely and relevant information about their super.

The SuperRatings Benchmark report for June 2021 stated as follows–

*“TWUSUPER’s performance remained competitive across the majority of our key assessment criteria, with the fund achieving its thirteenth consecutive Gold Rating, recognising it as a “good value for money” superannuation fund.*

*SuperRatings believes TWUSUPER has delivered good value outcomes to members, with the fund demonstrating its strategic planning process.”*

<i>Member Servicing:</i>	<i>Above Benchmark</i>
<i>Investment:</i>	<i>Above Benchmark</i>
<i>Administration:</i>	<i>Above Benchmark</i>
<i>Governance:</i>	<i>Above Benchmark</i>
<i>Insurance:</i>	<i>Above Benchmark</i>
<i>Fees and Charges:</i>	<i>Benchmark</i>

(\*Note that the June 2022 survey results are not yet available as at 23 January 2023, but the conclusions are unlikely to be less favourable, given the services and service levels are basically unchanged).

## 8. Whether the insurance strategy is appropriate to members

TWUSUPER’s insurance strategy, which is designed around the needs and characteristics of its membership, is:

- to provide a basic level (safety net) of death and total and permanent disablement (TPD) insurance cover to the transport and logistics industry in a cost and tax effective environment, a membership demographic that is limited as to the cover they may be able to obtain on an individual basis, and
- to ensure the cover offered is appropriate, affordable and does not inappropriately erode retirement account.

In alignment with the Fund's insurance strategy and in response to the Federal Government's Putting Members' Interests First measures in 2021, the Fund incorporated the dangerous occupation carve-out, allowing new members in dangerous occupations to be eligible for insurance cover. This dangerous occupation is a key differential that is only available in a few sector-specific super funds.

The Fund recognises that while costs must be kept to a minimum, options must be provided for members who want and need more cover. As a result, the Fund provides options to increase levels of cover, with and without medical assessments. The types of cover a member may apply for include death, death and TPD and Income Protection (IP).

The SuperRatings Benchmark report for June 2021\* stated as follows:

*"On a qualitative basis, TWUSUPER's assessment remains competitive with specific benchmarking results summarised below:*

- *Automatic Acceptance Levels — Above Benchmark*
- *Choice & Flexibility – Death and TPD — Above Benchmark*
- *Choice & Flexibility – Income Protection — Above Benchmark*

*Overall, TWUSUPER's insurance arrangements and processes are assessed as Above Benchmark."*

(\*Note that the June 2022 survey results are not yet available as at 23 January 2023, but the conclusions are unlikely to be less favourable, given the services and service levels are basically unchanged).

## **9. Whether insurance fees charged inappropriately erode the retirement income of members**

TWUSUPER has committed to the industry practice that premium levels remain under the 1% of salary threshold, noting that it will continue to seek the most appropriate balance between premium and cover levels. This test is reviewed annually to ensure cost and levels of cover remain appropriate as part of the review of the Fund's Insurance Management Framework. TWUSUPER has a typically 'heavy blue collar' workforce, working in one of the most dangerous areas of industry, with occupations that are excluded from most retail insurance products. Members would find it difficult to obtain insurance on an individual basis.

The group life pricing is based on the Fund's risk profile and claims experience, with reviews on pricing and experience conducted annually with the assistance of the Fund's insurer to monitor the appropriateness of costs.

Overall, TWUSUPER provides a default product that provides a financial safety net and ensures that insurance default cover levels are not excessive and that costs do not inappropriately erode retirement benefits.

## **10. Whether, because of scale (of and within Trustee's business operations), members are disadvantaged**

The Trustee commissions regular demographic and liquidity reviews of the Fund, which consider the effects of the Fund's forecast cash flow. These assist the Trustee to manage the Fund's continued ability to meet investment commitments, expenses and benefit payments. The most recent demographic review, conducted in 2022, concluded that the projected outflows are likely to remain modest over the next four years.

TWUSUPER invests over \$6 billion of members' funds. TWUSUPER is large enough to negotiate investment fees in a manner that achieves lower costs for all members and pensioners and supports disintermediation of investment management in some asset classes, but not large enough to build internal investment teams to invest directly.

However, TWUSUPER is small enough to access capacity constrained asset classes and active management without any compromise on investment returns. While the contributions from subsector allocations and active management will vary over time, there is a strong likelihood that contributions from these strategies will be sufficient to compensate for any higher cost base.

Members invested in any of TWUSUPER's investment options can expect that future returns from TWUSUPER will be consistent with industry peers and that they are not disadvantaged by membership of TWUSUPER.

### **Summary**

The Trustee has promoted the financial interests of all accumulation members and pensioners of TWUSUPER for the year ended 30 June 2022, but recognises that there are still areas in which improvements can be made, as discussed above. They include further reducing administration and investment related costs for all members, where a total reduction in percentage based fees has already been made at 30 September 2021 of 0.21% for the Balanced (MySuper) option, 0.06% for the High Growth/Equity Plus option and 0.02% for the Cash Plus option.

The Fund's net investment returns for members invested in the Balanced (MySuper) option were higher than those for members of other Medium to High risk MySuper products at 30 June 2022 based on the APRA survey data. The performance of the Balanced (MySuper) option over longer time periods, not yet included in the APRA results but measured in superannuation ratings agencies' surveys, is better in relation to peer funds.

Notwithstanding the diminishing effect of COVID-19 and the (now-ended) early release payments scheme, there are continued challenges to the Fund's sustainability position in terms of membership and net cash flow, which will continue to be closely monitored by the Trustee as part of its strategic and business planning.

Further improvement is expected in the period ahead as the Fund realises the benefits of additional measures both underway and being actively considered to reduce investment-related costs and enhance long-term investment performance. This will help improve the Fund's position compared with relevant benchmarks and, more importantly, result in improved retirement outcomes for members.