

**Member  
Outcomes  
Assessment  
MySuper  
balanced option  
comparisons**

 **legalsuper**

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(for the year ended 30 June 2023)

## **Purpose of this document**

Section 52(9) of the Superannuation Industry (Supervision) Act 1993 ("SIS Act") requires RSE licensees to annually determine for each MySuper and choice product whether the financial interests of the members that hold the product are being promoted.

This document sets out the annual Member Outcomes Assessment for legalsuper's MySuper product for the year ended 30 June 2023. It compares the returns, fees and costs and investment risk for legalsuper's MySuper product with comparable products, as well as the other attributes that contribute to good long-term outcomes. It also concludes that the financial interests of its members are being promoted by the Trustee.

## **Assessment**

In determining for each product whether the financial interests of the beneficiaries of the entity who hold the product are being promoted, the Trustee has regard to the requirements of the SIS Act and Superannuation Prudential Standard 515 (SPS 515) including the following factors. The overall determination is based on a balanced review of each of these factors and their impact on members' financial interests, shown in order of importance.

- a. the return for the product (after the deduction of fees, costs and taxes);
- b. the fees and costs that affect the return;
- c. the level of investment risk for the product;
- d. whether the options, benefits and facilities offered under the product are appropriate to those beneficiaries;
- e. whether the investment strategy for the product, including the level of investment risk and the return target, is appropriate to those beneficiaries; and

f. any other relevant matters, including the matters set out in SPS 515, (a. whether, because of the scale of, and within, the RSE licensee's business operations, those beneficiaries are disadvantaged; b. whether the operating costs of the RSE licensee's business operations are inappropriately affecting the financial interests of those beneficiaries; and c. whether the basis for the setting of fees is appropriate for those beneficiaries.)

## **Trustee determination**

Having had regard to the matters set out in sections 52(9)-(11) of the SIS Act for the year ended 30 June 2023, Legal Super Pty Ltd as Trustee of legalsuper has determined that the financial interests of members of its MySuper product are being promoted by the Trustee..

# Introduction

The Trustee is responsible for the investment arrangements of legalsuper and for formulating a long-term investment strategy for legalsuper's MySuper product in addition to individual investment strategies (investment options) made available to members.

In investing the savings of its members, legalsuper is guided by the following investment goal and core investment beliefs.

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## Investment goal

The investment goal of legalsuper is to produce investment products that consistently deliver competitive long-term, risk-adjusted returns for members.

## Investment beliefs

1. We believe that optimal decision-making leads to strong member outcomes and is facilitated by appropriate governance structures.
2. We believe that rigorous research of both the expected benefits and potential risks of investment opportunities leads to strong member outcomes.
3. We believe our key comparative advantages are a long-term mindset and our size, and that we can improve member outcomes by exploiting these.
4. We believe that real long-term returns are most important. However, we recognise members have choices and returns relative to peers, are also important.
5. We recognise the need to take risk in order for the Fund to achieve its return objectives. Risk is only taken when we think we will be appropriately rewarded for it, and is managed through asset allocation, manager selection, overlays and portfolio construction.
6. We aim to capture most of the upside in strong markets, and to minimise losses.
7. We believe that asset allocation dictates most of the return and volatility of returns, and that the expected long-term returns and risks are best established through strategic asset allocation.
8. We believe that markets move through cycles and by taking a dynamic approach to managing asset allocation, where we have high conviction, we aim to improve the probability of achieving the Fund's return and risk objectives.
9. We outsource our asset management to appropriately qualified investment managers. We employ passive managers, and also active managers where we have a high level of conviction in their ability to add value net of fees and costs.
10. We believe that environmental (including climate change), social and governance opportunities and risks exist and should be taken into consideration to the extent we can practically do so and within the context of optimising net risk-adjusted returns.

## Trustee determination

- Comparisons with comparable products of other regulated superannuation funds
- Options, benefits and facilities offered to members
- legalsuper's Investment strategy
- Other relevant matters

# MySuper balanced option comparisons

legalsuper's MySuper product is compared below with the median of comparable products of other regulated superannuation funds utilising APRA data and the SuperRatings (SR50 MySuper Index) median<sup>^</sup>.

As at 30 June 2023, our MySuper Balanced investment option, where most members are invested, delivered an annual net return of 7.85%\* for the year, below the APRA MySuper Index median of 8.71%. This underperformance of 0.86% was driven by manager underperformance in Australian and Overseas shares as well as tilts towards smaller companies within Australian shares, and listed infrastructure within Infrastructure. This followed strong comparative outperformance for the year to 30 June 2022 of 2.50%, where the MySuper Balanced option returned -1.05% against the SuperRatings SR50 MySuper index median of -3.55%.

Over the longer term, the 5-year and 10-year performance of the MySuper Balanced investment option matched or exceeded the respective medians of comparable MySuper funds. legalsuper's MySuper Balanced product passed the 2022/2023 Your Future, Your Super Performance Test (issued November 2023) with a positive return against its benchmark over the 9-year look back period.

## 1. Returns (net of fees, cost and taxes)

The investment goal of legalsuper is to produce investment products that consistently deliver competitive long-term, risk-adjusted returns for members.

Investment option	legalsuper MySuper Balanced	Median (MySuper)
1 year (%)	7.85*	-8.71*
3 years (% pa)	7.65*	8.71*
5 years (% pa)	5.88*	5.61*
10 years (% pa)	7.51#	7.51#

\* Source – APRA's Quarterly MySuper statistics September 2020 – September 2023 – Table 2a: Representative member investment performance – MySuper products with single investment strategy.

# SuperRatings Fund Crediting Rating Survey as at 30 June 2023 for SR50 MySuper Index.

Please note: Past performance is not a guide to future performance.

## 2. Fees

In the year to 30 June 2023, fees for legalsuper's MySuper product based on a \$50,000 account balance were \$546.92 which was above the average for all MySuper funds, as represented by the APRA MySuper statistics (from September 2020 to September 2023) median of \$479.25.

Management notes the difference between the Fund's administration fees and APRA MySuper median for the \$50,000 representative account balance which is used for the APRA MySuper annual performance test. When comparing against the APRA MySuper median, legalsuper's administration and investment fees are generally higher.

Account balance	legalsuper MySuper Balanced fee as at 30 June 2023	Median (MySuper)
\$50,000	\$546.92	\$479.25

Source – APRA 30 June 2023 Quarterly MySuper statistics September 2020 – September 2023 – Table 2a: Representative member investment performance – MySuper products with single investment strategy

### 3. Investment risk

The target and estimated level of investment risk for the MySuper product is 3.5 years in 20 using the ASFA Standard Risk Measure or 'medium to high' by the ASFA Risk Label. This reflects the investment strategy adopted by the Trustee and MySuper membership demographic. It is consistent with the median investment risk for the MySuper products of comparable super funds with a return target of CPI + 3%.

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## Options, Benefits and Facilities offered to Members

### Independently awarded & highly rated

The strength of legalsuper's overall offering is evidenced by high ratings from the four major rating agencies. legalsuper was awarded a SuperRatings Gold rating for MySuper, employer sponsored and personal, and a Platinum rating for its pension product in 2022/23. We were also awarded the 'Best default insurance' award by SuperRatings for 2023/24 in recognition of the work we have done to provide high value insurance, tailored to our members' needs.

legalsuper products received strong ratings or awards from Chant West, The Heron Partnership and Rainmaker.

### Higher personal service for members/beneficiaries

legalsuper offers team. Our team helps members in their goal of building their savings for retirement (e.g. provision of factual information and general advice about legalsuper superannuation products, as well as intra-fund advice on a limited range of topics). Our team met with both members and employers to answer their questions and provide information and support to increase their understanding of super and also facilitate workplace seminars and one-on-one consultations. This information and support provides real value to members to make good decisions regarding their superannuation accumulation and management.

Meetings with members were facilitated in a face-to-face setting, or remotely online.

- 3,377 meeting meetings were facilitated for the year;
- 15,882 emails to members;
- 4,348 phone calls with members

### Direct investment option | more control for members in how they invest

In response to the high level of member-directed investment choice, legalsuper offers a Direct Investment Option (DIO) whereby members can invest directly in S&P/ASX300 shares, a range of Exchange Traded Funds, Listed Investment Companies, and/or Term Deposits. DIO members have access to a dividend reinvestment plan and can also take advantage of a range of corporate actions. Money Magazine - in their 'Best of the Best 2022' awards - named legalsuper's DIO as the winner of the 'Innovation - Best Member Direct Investment Choice' award.

## Information, tools & other support

Our website makes available for members an extensive range of superannuation, investment, insurance, and retirement-focused material. It also includes a range of tools and calculators to assist members with engaging with their super including a retirement income forecaster, insurance needs calculator and insurance fee calculator. Members can also log on to their personal account to check or update account details or transact on their account.

## Retirement income products and member support

legalsuper launched its Retirement Income Strategy on 1 July 2022, outlining the support provided to Fund members leading up to and throughout retirement. In particular, the Trustee recognises the importance of assisting Fund members approaching retirement to consider their retirement income needs and opportunities.

legalsuper's retirement incomes products give members access to various pension options including:

- a Transition to Retirement pension,
- an account-based pension option for those who have retired and want a flexible income stream in retirement, allowing for commutations or lump sum withdrawals if the need arises.
- two guaranteed income accounts are also available to provide a form of longevity insurance and fixed regular income payments – the Lifetime Guaranteed Income Account and the Fixed Term Guaranteed Income Account.

legalsuper members receive age-based retirement-related guidance to help them prepare for retirement. This includes emails, seminars, webinars, education material, Member Service Manager phone support and online tools and calculators. Over the past 12 months legalsuper has increased the quantity and quality of these assistance tools in

recognition of the growing need by members for help in achieving a dignified retirement.

Management has conducted analysis on members' projected retirement income relative to the ASFA "comfortable" standard. The results of this analysis show that approximately only 20% of members will reach the ASFA "comfortable" standard at retirement. Management notes that this low percentage is affected by the inclusion of all members with an accumulation account, therefore a significant percentage of members are projected to not achieve a comfortable retirement balance because of a range of factors including:

- SG contributions being made elsewhere;
- Inactive members;
- Zero balance members who have not yet closed;
- Insurance-only type members (that have made partial rollouts to SMSFs but retained their insurance).

## Research & insights

legalsuper regularly researches member views and needs and seeks member feedback. This research, and the insights gained, inform ongoing development of our products and services to ensure they are appropriate for the needs of our members.

**Conclusion:** The options, benefits and facilities offered are appropriate to the members/beneficiaries of the MySuper product.

# Investment Strategy

## Investment strategy

The investment strategy, level of investment risk and return targets have been formulated having regard to a range of considerations including the demographics of legalsuper's members and liquidity requirements.

The investment strategy is predicated on delivering competitive performance measured against a core peer group of funds while at the same time differentiating performance with a high level of active management, niche/specialist investment opportunities and a focus on innovation and technology which drive long-term performance. The execution of the strategy is guided by legalsuper's investment goals and beliefs as outlined earlier in this document.

The Trustee monitors the effectiveness of its investment strategy over both short and longer-term time-periods.

## Younger membership demographic

The median age of legalsuper's members is 44 which means that most have a longer investment time horizon and are better placed to ride out periods of volatility and can therefore invest more highly in growth assets. This is evidenced by a significant proportion of assets being invested outside MySuper balanced in products which have even higher allocations to growth assets.

Accordingly, a medium to high level of investment risk and return target of CPI + 3% has been adopted for MySuper.

## Environmental, social & governance

Investment beliefs have been adopted by the Trustee which recognise that ESG opportunities and risks exist and should be taken into consideration to the extent practical and within the context of optimising net risk-adjusted returns.

Many of legalsuper's incumbent investment managers have regard to ESG considerations in building and managing their investment mandates.

**Conclusion:** The investment strategy, including level of investment risk and returns targets, are appropriate to the members / beneficiaries of legalsuper as disclosed in legalsuper's PDS.

# Insurance Strategy

We combine our deep & growing understanding of our members' insurance needs with our insurer's capacity to work with us to design & deliver insurance options tailored for the particular needs of the legal community.

## Highly rated and award winning

SuperRatings has assessed legalsuper's insurance cover and costs as "Excellent" which is a rating of "Well Above Benchmark". Insurance is not available for the pension product.

We are recognised as an award-winning fund for offering the 'Best default insurance' award by SuperRatings for 2023/24, in recognition of the work we have done to provide high value insurance, tailored to our members' needs.

## Designed to protect member savings

Default Death and Total & Permanent Disability (TPD) insurance has been designed to address the following:

- trade-offs between affordability, insurance needs and MySuper legislation which requires a minimum level of death insurance cover be made available to MySuper members coupled with coverage for Permanent Incapacity, and
- cost of insurance for members is reasonable based on the level of cover offered and does not result in any material erosion of a member's retirement benefit.

## Comprehensive review by specialist insurance consultant

In 2022, Deloitte Consulting Pty Ltd was engaged to assist with a review of legalsuper's insurance arrangements, encompassing default cover amounts, TPD definitions and premium rates. Deloitte concluded that legalsuper's insurance fees were fair

and also provided recommendations of improving affordability, better meeting members insurance needs and addressing issues with TPD definitions that had been identified by ASIC as an industry issue.

Deloitte also completed the following analysis:

- A comparison of the recommendations with peers regarding cost
- A comparison with Peers regarding cover amounts
- A comparison with peers regarding TPD definitions
- A review of services provided by the group insurer to assist member processes (claims and underwriting)
- A review of pricing to confirm the Group Insurer's approach to claims experience and pricing more broadly.

In April 2023 legalsuper implemented the recommendations made by Deloitte which resulted in a small 4% increase overall in member premiums for death and TPD cover but addressed cross subsidies, so some members saw an increase in premiums while others saw decreases. In addition, a specific mental health TPD definition was introduced in recognition of mental health being the main claimed disability cause for our members.



## **Insurance arrangements remain in place that provide:**

- Default Death and TPD premiums are less than 1% of salary across most ages noting that members younger than age 25 do not receive default cover unless they opt in. Premiums increase relative to salary at age 26, as members transition to four units of default cover under legalsuper's insurance benefit design, although this increase does not cause the premium to be more than 1% of salary at that age; and
- Default cover premiums will not excessively erode member account balances, where the projected impact on member account balance does not typically exceed 2.9% of a member's retirement balance.

legalsuper seeks to continuously make improvements the claims and underwriting process in order to improve member servicing and experience, particularly during difficult times.

**Conclusion:** The insurance strategy for legalsuper's MySuper product is appropriate for its members/beneficiaries and its insurance fees are not inappropriately eroding the retirement incomes of MySuper members/beneficiaries.

# Other relevant matters

## Sustainability outcomes

For the year to 30 June 2023, SuperRatings Member Outcomes data shows that growth in the number of legalsuper members of -0.5% was slightly below the universe median of 0.72% but above the bottom quartile of -3.06%. legalsuper's market share has increased in this time by 0.25%, above the SuperRatings median of -3.01%.

## Scale

### legalsuper has acquired scale through its partners

legalsuper has sufficient scale to negotiate competitive services and fee structures with large and specialist skilled and resourced outsourced providers including investment managers, fund administrator, custodian and insurer. Material outsourced providers are periodically subject to tender or reviewed to ensure services and fees are competitive. To the best of our knowledge, there have been no instances where members/beneficiaries have been disadvantaged by legalsuper's size and scale. legalsuper's cost per member has risen annually since 2018, as measured by SuperRatings in their Member Outcomes analysis dated 30 June 2023. This is in line with the All Fund median as costs per member have risen across the universe of funds.

### As a smaller fund, legalsuper is more nimble and able to access niche investment opportunities

At 30 June 2023 legalsuper managed \$5.46 billion on behalf of 41,566 members, with an average account balance of \$119,568, just below the SuperRatings Member Outcomes median. As a smaller fund, legalsuper can be nimble in identifying and securing investment opportunities that are less accessible to

larger funds and make a material contribution to overall performance. legalsuper makes investment decisions more efficiently and quickly and takes decisive and timely action to add or remove investments from the portfolio.

**Conclusion:** Members/beneficiaries are not disadvantaged by legalsuper's size and scale. legalsuper's smaller size means it can deliver higher levels of personal service to members/beneficiaries compared to larger super funds.

# Operating costs

## Specialisation in the legal sector means we avoid trying to be all things to all people

With a clearly defined target market (the Australian legal sector), legalsuper does not advertise broadly. This contrasts with many other super funds which spend material amounts on advertising and promotion. Instead of advertising, legalsuper supports the continuing professional development (CPD) programs of law societies across Australia. In addition to lifting legalsuper's brand profile in the legal community, this support advances the career development of legal professionals and their capacity to boost their retirement savings and provide valuable feedback about member needs.

As white-collar professionals, legalsuper's membership is more homogenous than other funds and provides advantages when designing and delivering cost effective and sustainable products and services for members. Our service and member communications are more tailored and personal, and the level of face- to-face contact that legalsuper has with its members is higher than most other funds, especially very large funds.

## Rigorous operating cost management

legalsuper is rigorously focused on keeping its operating costs to a minimum while maintaining good governance, risk management and member service levels. An annual operating cost budget is reviewed by the Board's Administration & Insurance Committee and then approved by the Board. This includes robust discussion and questioning to ensure all expenditure is incurred in members' best financial interests.

The Fund's operating cost increased for the 12 months to 30 June 2023, due to a number of one-off expenses aimed at improving the Fund's robust governance model. Although the cost per member has risen and is higher than the All Fund Median as measured by SuperRatings, we pride

ourselves on providing a higher level of personalised service to members, as evidenced by us having a greater number of Member Service Managers per member than our peers and giving more seminars per member than other funds.

The Fund has set the operating cost budget so as to maintain unchanged administration fee rates. Investment fees are the subject of ongoing review and negotiation, especially at times when new investment managers are being appointed. In the 2022/23 financial year, investment fees remained largely unchanged.

**Conclusion:** Based on our comparison of fees with comparable funds and rigorous management of operating costs we conclude that our operating costs are such that our member fees are fair value.

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Dated: 15 February 2024

Having had regard to the matters set out in sections 52(9)-(11) of the SIS Act for the year ended 30 June 2022, Legal Super Pty Ltd as trustee of legalsuper has determined that the financial interests of members of its Pension product are being promoted by the Trustee.

This information is of a general nature and does not take into account your specific needs. You should consider your own financial position, objectives and requirements before making any decision. You should also obtain and read the relevant legalsuper Product Disclosure Statement (PDS) and Target Market Determination (TMD) before making any decision in relation to legalsuper. The PDSs and TMDs can be obtained at [legalsuper.com.au](https://legalsuper.com.au). Past performance is not necessarily an indicator of future performance.

Legal Super Pty Ltd ABN 37 004 455 789 AFSL 246315 as Trustee for legalsuper ABN 60 346 078 879.