

# CLEARVIEW WEALTHFOUNDATIONS PENSION MEMBER OUTCOMES ASSESSMENT

## INTRODUCTION

In this report, Equity Trustees Superannuation Limited publishes the results of our annual assessment of how well the ClearView WealthFoundations Pension product (the **product**) issued from ClearView Retirement Plan (the **fund**) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2023.

## METHODOLOGY AND STRUCTURE

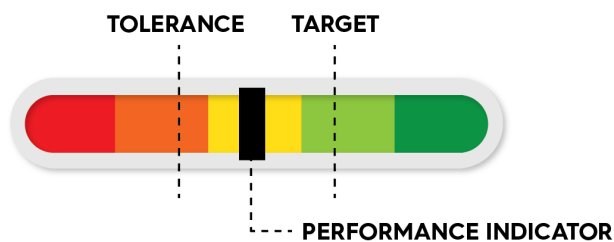
In conducting this assessment, we compared the product to other choice superannuation products included in statistical data published by the Australian Prudential Regulation Authority (**comparable products**) using the criteria in Part 6 of the *Superannuation Industry (Supervision) Act 1993* and Prudential Standard SPS 515 *Strategic Planning and Member Outcomes*.

This report includes:

- our overall assessment of whether the product provides optimal member outcomes and promotes their financial interests;
- a dashboard that depicts our assessment of the product's market-relative performance for each outcome we aim to provide members;
- a table summarising the key metrics that we relied on when making this assessment; and
- our commentary on this performance that includes action items to improve suboptimal performance.

For each member outcome, the dashboard presents the relevant segment of market performance. The width of each segment is based on the range of market performance for each outcome and is specific to each outcome. The positioning of the black performance indicator bar against the colour coding is our assessment of how well the outcome has been delivered. The colour coding gives a visual representation of performance that moves from neutral (yellow) through orange to least tolerance (red), and in the opposite direction from yellow to the target (or green) area of the dashboard. The assessment of each member outcome is based on several equally-weighted metrics. Accordingly, if one metric is outside our tolerance level it doesn't automatically mean the entire member outcome is outside our tolerance level.

*Example dashboard for illustrative purposes only*



The target is generally the average position of the comparable products while the tolerance level is the trigger for us to consider any necessary actions to improve member outcomes.

Please visit our [website](#) to view a short video that provides more information about the operation of the dashboard.



## OVERALL ASSESSMENT

Having carefully considered the comparisons of the product with comparable products set out in this report, including the dashboards, metrics, commentary, and other relevant information available to us at the time of writing, we have concluded that as a result of the following factors the product is promoting members’ financial interests:

1. the fees and costs that affect the return to members are appropriate having regard to their financial interests;
2. the net returns for the product (i.e. returns after deducting all fees, costs and taxes) are consistent with market rates;
3. the level of investment risk for the product is acceptable in relation to the net returns generated;
4. the investment strategy for the product is appropriate;
5. the options, benefits and facilities offered in the product are appropriate for members;
6. the insurance premium charged for the product does not inappropriately erode members’ account balances;
7. the insurance strategy for the product is appropriate; and
8. the scale of the product and the fund does not disadvantage members.

## ACTION ITEMS

We are actively considering a number of options to further promote members' interests as part of the strategic review of the fund.

## DASHBOARD

### STRATEGIC CONTEXT

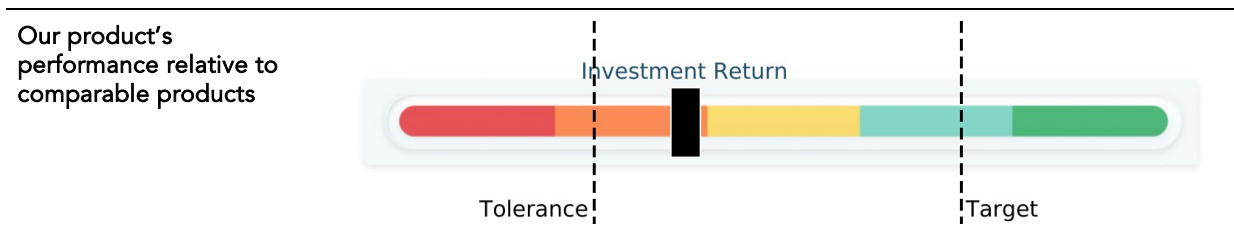
Working together with the ClearView Group, our purpose is to provide members with appropriate, sustainable retirement outcomes over the long-term to secure their financial future and help them to achieve their desired retirement lifestyle.

To support this purpose, our goals for the fund is to successor fund transfer (SFT) out all divisions by 30 June 2025, to maximise the potential for members' financial interests to be promoted over the long term. Prior to completing an SFT, our goal is to provide members with quality services and support at a competitive fee structure.

The product is a choice accumulation product.

### INVESTMENT RETURN

**Outcomes** Investment return for a \$50,000 account balance in the product<sup>1.0</sup> is consistent with market indexes.



Metrics	Ref	Metric Label	Value	Tolerance	Target
	1.1	1-year actual net return	8.32%	6.92%	7.37%
	1.2	3-year actual net return	4.21%	4.39%	5.13%
	1.3	5-year actual net return	3.49%	3.77%	4.17%

1.0 Investment returns and associated targets and tolerance levels are weighted averages for the product. The weighted averages are based on the performance, asset allocation and funds under management of the investment options available in the product. The table in Appendix 1 provides more information.

1.2 – 1.3 Net returns are based on historic returns and the current fee structure.



### Commentary

In August 2023, the following investment options in the product failed the Annual superannuation performance test (<https://www.apra.gov.au/2023-annual-superannuation-performance-test-trustee-directed-products>):

- IPS Active Dynamic 50;
- IPS Active Dynamic 70; and
- IPS Active Dynamic 90.

This is a legislated performance test that is undertaken by the regulator, APRA, that assesses the performance of investment options against tailored benchmarks over a nine year time horizon. Members who were invested in these options were issued a letter about this on 26 September 2023.

The performance indicator measures the average investment return of all investment options in the product over one, three and 5-year periods and is based on an equal weighting of all the metrics in the above table.

Appendix 1 displays the returns for each investment option available in the product and its weighted average returns over these periods.

This commentary focuses on the 5-year weighted average return to 30 June 2023. The 5-year term is a balance between capturing any shorter term developments with the longer term trend of return performance. When reading this commentary, it's important to bear in mind that past performance is not a reliable indicator of future performance.

Over the five years to 30 June 2023 the product's weighted average investment return was outside our tolerance level. The investment strategy over this period was predominantly focused on preserving capital and reducing potential losses, by actively managing risk, through seeking consistent returns through careful selection of investments and managers.

The major detractors from investment performance over this period were asset allocation and manager selection. Specifically, there was an overweight allocation to Fixed Interest and underweight allocation Equities, Credit, Cash and Alternatives (Growth) relative to peers.

It is important to note that we became trustee of the fund effective 14 December 2023. While we cannot remove underperformance in the past, we will seek to ensure member outcomes are protected in the future by optimising investment performance through changes to the investment strategy.

We believe these changes will ensure that investment strategy for the product is appropriate.

## INVESTMENT RISK

<b>Outcomes</b>	Investment risk for a \$50,000 account balance in the product is consistent with the Standard Risk Measure (SRM) <sup>2.0</sup> .				
<b>Our product's performance relative to comparable products</b>					
<b>Metrics</b>	Ref	Metric Label	Value	Tolerance	Target
	2.1	Negative annual net returns over last 10 years	0.96	2.00	1.00
<p>2.0 Negative annual returns and associated targets and tolerance levels are weighted averages for the product. The weighted averages are based on the performance, SRM and funds under management of the investment options available in the product. Portions of years have been rounded up or down to a whole year.</p>					



### Commentary

The performance indicator measures the weighted average number of negative annual returns since the product's inception.

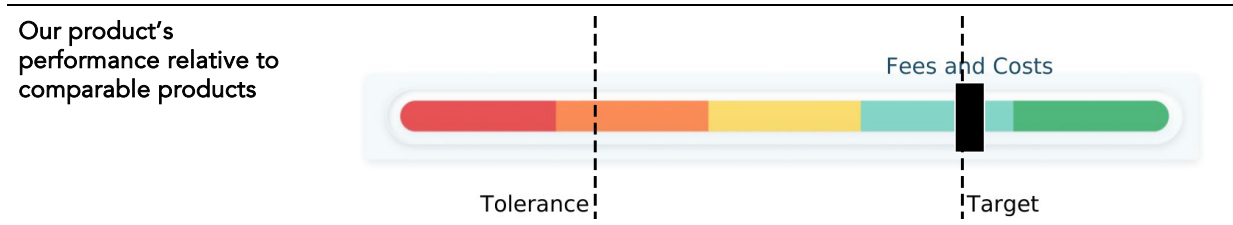
When reading this commentary, it's important to bear in mind that past performance is not a reliable indicator of future performance.

Since inception the weighted average number of negative returns for the product was within our tolerance level.

Therefore, we consider the investment risk is acceptable because the weighted average number of negative returns is within our tolerance level.

## FEES AND COSTS

**Outcomes** Fees (gross of tax) for a \$50,000 account balance are consistent with market rates.<sup>4.0</sup>



Metrics	Ref	Metric Label	Value	Tolerance	Target
	4.1	Total fees	0.97%	1.47%	0.98%

4.1 These fees include a weighted average investment fee that is based on the investment fees and funds under management of the investment options available in the product.

### Commentary

This table lists the product's total fees and costs (administration and investment fees and costs). Other fees, such as adviser service fees, may be payable which are set out in the product's disclosure documents.

The performance indicator measures total fees and costs together against comparable products.

Total fees were within our tolerance level. No action is required as a result of this assessment.

We note that under the previous trustee, investment changes were made which also reduced the total fees and costs of the active model portfolios. These changes occurred from June to August 2023.

As a result, we are comfortable that fees and costs are consistent with market rates and therefore are appropriate having regard to members financial interests.



## MEMBER SERVICES

**Outcomes** Administration services satisfy member expectations.

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**Our product's performance relative to comparable products**

Administration Services

Metrics	Ref	Metric Label	Value	Tolerance	Target
	8.1	Administration-related EDR complaints	0.79	3.50	1.50
	8.2	Service Level Achievement	100.00%	80.00%	90.00%
	8.3	Administration fees	0.19%	0.62%	0.38%
	8.4	Information security controls	Effective	Partially ..	Effective

8.1 EDR means "External Dispute Resolution".

8.1 This is the annual number of administration-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts.

8.2 Service level achievement measures the portion of new member, contribution and benefit payment transactions that were processed within our service level.

8.4 This is our view of the effectiveness of the Administrator's information and cyber security controls based on an independent review completed during the year.

### Commentary

The performance indicator measures the delivery of administration services against our service levels, and against the cost of similar services for comparable products.

The performance indicator, which is within our tolerance level, is based on an equal weighting of the above metrics.

As a result, we are comfortable that administration services satisfy member expectations because administration fees and costs are within tolerance level, there is a high rate of service level achievement, the number of administration related complaints are within tolerance level, and the administrator's information and cyber security controls are effective.

## SCALE

**Outcomes** The fund is likely to deliver optimal outcomes in the future.

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**The scale of the fund relative to comparable products**

Sustainability

Metrics	Ref	Metric Label	Value	Tolerance	Target
	9.1	RSE adjusted total accounts growth rate	-3.14%	-6.25%	-2.50%
	9.2	RSE Net Cash Flow Ratio	-3.57%	-2.75%	-0.50%
	9.3	RSE Net Rollover Ratio	0.19%	-3.00%	-1.75%

9.1 The RSE adjusted total accounts growth rate is the average annual percentage change in member accounts averaged over the three year period, excluding Successor fund Transfers (SFTs) and account consolidations.

9.2 The RSE Net Cash Flow Ratio is members' benefits flows in less members' benefits flows out as a percentage of cash flow adjusted net assets averaged over the three year period, excluding SFTs.

9.3 The RSE Net Rollover Ratio is rollovers in less rollovers out as a percentage of cash flow adjusted net assets averaged over the three year period, excluding SFTs.



### Commentary

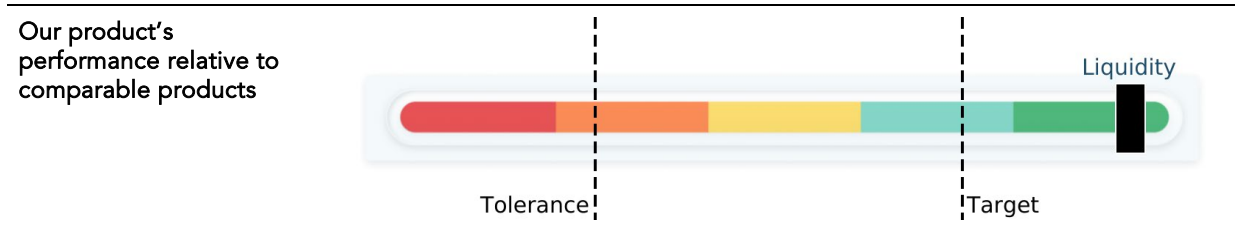
The performance indicator measures the fund’s scale and likelihood of delivering optimal outcomes in the foreseeable future against other funds.

The performance indicator, which is within our tolerance level, is based on an equal weighting of the above metrics.

We were comfortable with the scale of the fund in the year ended 30 June 2023 on the basis that the ClearView Group was providing human, financial and technical resources to support the fund. As this support has subsequently been removed, we are actively considering a number of options to further promote members' interests as part of the strategic review of the fund.

## LIQUIDITY

**Outcomes** Benefit and rollover requests can be met in a timely manner from investments.



Metrics	Ref	Metric Label	Value	Tolerance	Target
	10.1	Investment liquidity in a GFC scenario	98.20%	40.00%	80.00%

10.1 Liquidity is a weighted average that is based on the liquidity in a Global Financial Crisis scenario and funds under management of the investment options available in the product. The table in Appendix 1 provides more information.

### Commentary

The performance indicator measures the fund’s ability to meet benefit and rollover requests in a timely manner.

We regularly monitor whether the investments would be able to meet cash requirements in extreme situations. Based on our analysis, we consider that benefits are supported by liquid investments.

As a result, we are comfortable that the level of liquidity risk for the product is acceptable.



# APPENDIX 1

## INVESTMENT OPTION INFORMATION

Investment Option	Inception Date	Growth Ratio	Member Assets	Investment Period			
				1 Year	3 Years	5 Years	10 Years
Guaranteed Cash	2014-09-15	0%	\$14.0M	2.83%	1.00%	1.00%	
IPS Active Australian Shares	2014-09-15	100%	\$2.1M	17.19%	12.89%	7.68%	
IPS Active Dynamic 30	2014-09-15	26%	\$21.4M	5.47%	1.45%	1.90%	
IPS Active Dynamic 50	2014-09-15	44%	\$77.4M	8.68%	3.21%	3.15%	
IPS Active Dynamic 70	2014-09-15	64%	\$49.9M	11.62%	5.28%	4.32%	
IPS Active Dynamic 90	2014-09-15	84%	\$7.9M	15.28%	8.02%	6.02%	
IPS Active International Shares	2014-09-15	70%	\$1.8M	19.51%	8.36%	5.83%	
IPS Active Strategic 100	2018-11-23	100%	\$0.2M	17.86%	11.33%		
IPS Active Strategic 30	2018-11-23	30%	\$5.7M	6.84%	2.53%		
IPS Active Strategic 50	2018-11-23	50%	\$19.0M	9.80%	4.95%		
IPS Active Strategic 70	2018-11-23	70%	\$9.4M	12.71%	7.31%		
IPS Active Strategic 85	2018-11-23	85%	\$1.6M	15.50%	9.32%		
IPS Aggressive 95	2022-05-16	95%	\$4.4M	14.72%			
IPS Assertive 70	2022-05-16	70%	\$26.1M	10.41%			
IPS Cautious 30	2022-05-16	30%	\$29.4M	4.13%			
IPS Conservative Growth	2014-09-15	100%	\$2.1M	2.71%	10.77%	6.68%	
IPS Income	2014-09-15	0%	\$2.6M	1.09%	-2.53%	0.45%	
IPS Index Base 100	2019-09-09	100%	\$7.4M	16.53%	11.66%		
IPS Index Base 50	2019-09-09	50%	\$30.4M	9.80%	5.38%		
IPS Index Base 70	2019-09-09	70%	\$9.3M	13.03%	8.16%		
IPS Index Dynamic 30	2014-09-15	28%	\$15.7M	2.93%	-0.11%	1.73%	
IPS Index Dynamic 50	2014-09-15	45%	\$45.8M	6.13%	2.43%	3.52%	
IPS Index Dynamic 70	2014-09-15	65%	\$27.9M	8.98%	5.04%	5.08%	
IPS Index Dynamic 90	2014-09-15	85%	\$2.4M	11.83%	7.97%	6.69%	
IPS Index Shares	2014-09-15	100%	\$2.0M	13.63%	9.21%	7.16%	
IPS Index Strategic 100	2018-11-23	100%	\$0.0M	13.82%	10.26%		
IPS Index Strategic 30	2018-11-23	30%	\$7.7M	4.66%	1.51%		
IPS Index Strategic 50	2018-11-23	50%	\$33.0M	6.88%	3.63%		
IPS Index Strategic 70	2018-11-23	70%	\$24.9M	9.51%	6.13%		
IPS Index Strategic 85	2018-11-23	85%	\$4.5M	11.87%	8.32%		
IPS Money Market	2014-09-15	0%	\$4.9M	2.87%	0.96%	1.02%	
IPS Prudent 50	2022-05-16	50%	\$100.1M	7.33%			
Weighted Average		51%	\$590.9M	8.32%	4.21%	3.49%	

This table provides information about the asset allocation, size and performance of the investment options available in the product.

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