



Equity Trustees

# FREEDOM OF CHOICE PERSONAL SUPER MEMBER OUTCOMES ASSESSMENT

## INTRODUCTION

In this report, Equity Trustees Superannuation Limited (**we, our, us**) publishes the results of our annual assessment of how well the Freedom of Choice Personal Super product (the **Product**) issued from AMG Super (the **Fund**) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2020.

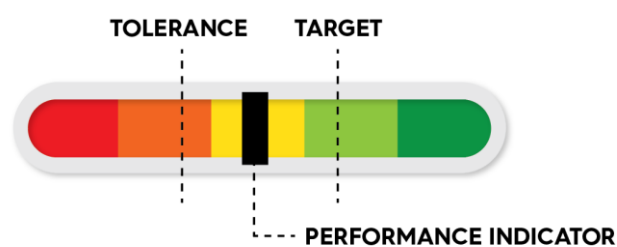
## METHODOLOGY AND STRUCTURE

In conducting this assessment, we compared the Product to similar superannuation 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 comparison includes outcomes related to investment risk and return; fees and costs; insurance claims; and the options, benefits and facilities offered to members. These options, benefits and facilities include administration and sustainability (as a measure of the ability to deliver optimal member outcomes in the future).

This report also includes 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.

*Example dashboard for illustrative purposes only*



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

## OVERALL ASSESSMENT

Having considered the information available to us at the time of writing, including comparing the Product with similar superannuation products, 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 breadth and quality of the Investment Menu for the Product is appropriate;
3. the options, benefits and facilities offered in the Product are appropriate for members;
4. the insurance premiums charged for the Product do not inappropriately erode members' account balances;



- 5. the insurance strategy for the Product is appropriate; and
- 6. the scale of the Product and the Fund does not disadvantage members.

## DASHBOARD

### STRATEGIC CONTEXT

Working together with the Fund’s Promoter, AMG, our purpose is to offer a diverse range of products, catering for default members through to more sophisticated advised members who want features similar to a self-managed superannuation fund without the added administrative burden and cost. Our overarching philosophy is to provide members with flexibility and choice to control how their superannuation is invested.

To support this purpose, our goals for the Fund are to reduce operating costs, meet investment objectives, maintain strong governance, improve stakeholder engagement, provide competitive insurance and increase economies of scale.

The Product is a platform personal superannuation product.

### INVESTMENT MENU

**Outcomes** The Product provides an appropriate range of highly rated investments.

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The Product’s performance relative to other similar products

Ref	Metric Label	Value	Tolerance	Target
2.1	Investments above investment grade	98.42%	80.00%	100.00%
2.2	Coverage of key asset classes	100.00%	63.00%	100.00%

2.1 An investment is “investment grade” when it or its manager has been publicly recommended by a research house, or recommended to us by an asset consultant or an investment manager.

#### Commentary

These measures were within tolerance for the reporting period to 30 June 2020. We seek to provide members with a range of suitable investments to select from in order to achieve their investment outcomes and targeted risk/return profile. Further, we monitor the suitability of investments on an ongoing basis and may impose limits on particular investments based on factors such as liquidity, diversity and risk.

### FEES AND COSTS

**Outcomes** Fees for a \$50,000 account balance are consistent with market rates.

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The Product’s performance relative to other similar products

Ref	Metric label	Value	Tolerance	Target
3.1	Administration fees	0.99%	1.09%	0.60%

3.1 Members pay platform administration fees, plus expense recoveries and the fees associated with their selected investment portfolio. We monitor the administration fees, which are shown here.

#### Commentary

Although the administration fees for the Product exceed our target, they are within our tolerance level. We therefore consider that the Product provides reasonable value to members.



## INSURANCE CLAIM MANAGEMENT

<b>Outcomes</b>	Valid claims are accepted and paid in a timely manner.				
<b>The Product's performance relative to other similar products</b>					
<b>Metrics</b>	<b>Ref</b>	<b>Metric Label</b>	<b>Value</b>	<b>Tolerance</b>	<b>Target</b>
	5.1	Insurer's declined claims ratio - life cover	3.83%	3.69%	2.42%
	5.2	Insurer's average time to decision - life cover	0.82	2.03	1.37
	5.3	Insurer's declined claims ratio - TPD cover	12.32%	17.30%	12.27%
	5.4	Insurer's average time to decision - TPD cover	4.95	5.80	5.01
	5.5	Insurer's declined claims ratio - IP cover	2.53%	7.80%	5.59%
	5.6	Insurer's average time to decision - IP cover	1.74	2.50	1.87
	5.7	Insurance-related EDR complaints	1.65	2.37	1.01
	5.2, 5.4 and 5.6 The time to decision is measured in months. 5.3 – 5.4 TPD means "Total and Permanent Disablement". 5.5 – 5.6 IP means "Income Protection". 5.7 EDR means "External Dispute Resolution". 5.7 This is the annual number of insurance-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts.				

### Commentary

The metrics in the table relate to the insurer's management of claims for superannuation policies generally, rather than for the Product specifically.

We review all declined insurance claims to ensure the insurer has acted fairly and reasonably, and regularly monitor the time it takes in making decisions. Based on our analysis we consider that the insurer accepts and pays all valid claims in a reasonable timeframe, and that any outcomes that are outside our tolerance level are due to the circumstances of individual claims.

## MEMBER ENGAGEMENT AND EXPERIENCE

<b>Outcomes</b>	Administration services satisfy member expectations.				
<b>The Product's performance relative to other similar products</b>					
<b>Metrics</b>	<b>Ref</b>	<b>Metric Label</b>	<b>Value</b>	<b>Tolerance</b>	<b>Target</b>
	7.1	Active member ratio	51.42%	68.18%	82.74%
	7.2	Administration-related EDR complaints	0.83	4.82	2.07
	7.1 The active member ratio is the portion of member accounts that in the last two years have received a contribution, rollover or transfer; or have made benefit payments. 7.2 EDR means "External Dispute Resolution". 7.2 This is the annual number of administration-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts.				

### Commentary

The metrics in the table relate to the Fund rather than the Product.

Although the number of administration-related complaints for the Fund is lower than the industry average we continue to work with AMG to improve member engagement through, among other things, improved administration services.



## SUSTAINABILITY

**Outcomes** The Product and Fund are sustainable and likely to deliver optimal outcomes in the future.

The sustainability of the Product and Fund relative to other similar products



### Metrics

Ref	Metric Label	Value	Tolerance	Target
8.3	Net member benefit flows p.a.	3.48%	-29.51%	-1.52%
8.4	Average account balance	\$49,663	\$23,530	\$124,315
8.6	Movement in member accounts p.a.	-9.05%	-36.39%	-8.01%
8.7	Average member age	44.0	58.0	48.7

### Commentary

The Product and Fund are growing faster than our targets; although from a comparatively small base in terms of the number of members and total member benefits, both of which are below the industry average for retail funds.

We continue to work with AMG to develop and implement strategies that will enhance the growth of the Fund through new partnerships with financial advisers and advice licensees.