



Equity Trustees

# COLONIAL FLEXIBLE INCOME RETIREMENT PLAN 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 Colonial Flexible Income Retirement Plan product (the **Product**) issued from the Colonial Super Retirement Fund (the **Fund**) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2020.

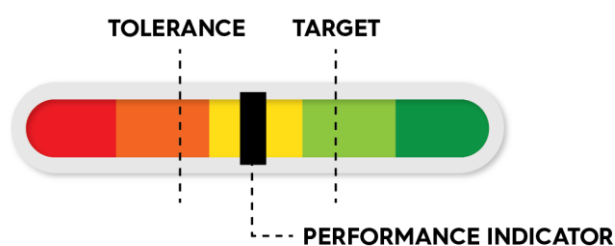
## METHODOLOGY AND STRUCTURE

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, sustainability (as a measure of the ability to deliver optimal member outcomes in the future) and liquidity.

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 net returns for the Product (i.e. returns after deducting all fees, costs and taxes) are consistent with market benchmarks;
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. having regard to member survey results and the achievement of service levels, the options, benefits and facilities offered in the Product are appropriate for members; and
6. although it is closed to new members and in outflow, the current scale of the Fund does not disadvantage members.

## DASHBOARD

### STRATEGIC CONTEXT

Together with the Fund’s Promoter, the Colonial Mutual Life Assurance Society (CMLA), we seek to enhance members’ retirement outcomes by providing products that allow them to accumulate retirement savings, receive retirement income and protect their assets. Our objectives for the Fund are to continue member engagement and education, meet member service expectations, achieve investment returns in line with stated targets, deliver simplification initiatives, and monitor member outcomes to determine whether member interests are being promoted.

The Product is a superannuation accumulation product.

### INVESTMENT RISK AND RETURN

<b>Outcomes</b>	Investment risk and return for a \$50,000 account balance in the Colonial Balanced Fund <sup>1.0</sup> is consistent with market benchmarks.				
<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>
	1.1	1-year actual net return	0.78%	-0.87%	-0.27%
	1.2	3-year actual net return	6.17%	4.88%	5.48%
	1.3	5-year actual net return	6.58%	5.86%	6.46%
	1.4	10-year actual net return	8.89%	5.98%	6.58%
	1.5	Negative annual net returns over last 10 years	0	3	2
	<p>1.0 This is the balanced investment option available in the Product that has an allocation to growth assets closest to 68%.</p> <p>1.1 – 1.4 The Product’s fee structure leads to different net returns for different account balances. The table in the Appendix provides more information.</p> <p>1.5 The target and tolerance levels are based on the investment option’s Standard Risk Measure. Portions of years have been rounded up to the next whole year.</p>				

#### Commentary

In the one-year period ended 30 June 2020 investment markets were volatile due to the impact of the COVID-19 pandemic, with equity markets most impacted. Investment options with a higher allocation to growth assets (e.g. equities) were therefore likely to provide low-to-negative returns over the period.

The Colonial Balanced Fund investment option aims to achieve returns (after tax and fees) that exceed the Consumer Price Index by 3.5% over six-year periods.

The investment returns (net of all fees and taxes) for the Colonial Balanced Fund investment option outperformed our target and tolerance level in all periods to 30 June 2020.

The investment option has achieved its investment objective and investment risk is acceptable in relation to the returns generated.

While we have presented the net returns for the Colonial Balanced Fund investment option, we monitor and assess the net returns of all investment options in the Product and take appropriate action where necessary. The other diversified investment options in the Fund have achieved their respective investment objectives, except for the All Growth investment option.

Members should also be aware of the potential negative returns in cash investment options due to the impact of fees and the low level of interest rates.

Details of the performance of all investment options in the Product can be found in the Fund’s annual report which is available online.



## FEES AND COSTS

**Outcomes** Fees for a \$50,000 account balance are consistent with market rates.<sup>3.0</sup>

The Product's performance relative to other similar products



Ref	Metric Label	Value	Tolerance	Target
3.3	Administration and investment fees	0.97%	1.89%	1.20%

3.0 The Product's fee structure leads to different net returns for different account balances. The table in the Appendix provides more information.  
3.3 These fees include the investment fee for the Colonial Balanced Fund investment option.

### Commentary

Product fees have benefited from the removal of adviser commission in 2020 and are lower than our target. On this basis, the Product is are considered to provide good value to members.

## MEMBER ENGAGEMENT AND EXPERIENCE

**Outcomes** Administration services satisfy member expectations.

The Product's performance relative to other similar products



Ref	Metric Label	Value	Tolerance	Target
7.1	Active member ratio	46.59%	68.18%	82.74%
7.2	Administration-related EDR complaints	3.46	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.

While administration-related complaints requiring external dispute resolution are within our tolerance level, the Fund is closed to new members which means the active member ratio is expectedly below our tolerance level.

While these measures have resulted in a rating of close to our tolerance level, we are aware that CMLA (as administrator) has consistently received above target feedback on service experience in member surveys and in most periods in 2020 has met expected service levels. Periods in which service levels were not met were the result of higher than average volumes following the COVID-19 early release of super program, which provided members with early access to their superannuation.

We will continue to work with CMLA to improve member engagement.



## 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.	-11.38%	-29.51%	-1.52%
	8.4	Average account balance	\$55,052	\$23,530	\$124,315
	8.6	Movement in member accounts p.a.	-32.64%	-36.39%	-8.01%
	8.7	Average member age	58.6	58.0	48.7

### Commentary

As the Fund is closed to new members, movements in member accounts and the average member age are expectedly below our targets. We expect these indicators will move further away from our targets as members move closer to retirement.

With total member benefits of \$3.0b and almost 55,000 members remaining, the Fund retains sufficient scale to deliver scale benefits and support member outcomes in the future. Nevertheless, we continue to monitor the impact that the expected reduction in Fund size may have on member outcomes.

## LIQUIDITY

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

The Product's performance relative to other similar products



Metrics	Ref	Metric Label	Value	Tolerance	Target
	9.1	Investment liquidity in a GFC scenario	79.30%	40.00%	80.00%

9.1 GFC means "Global Financial Crisis".

### Commentary

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. The Product was able to meet its cash requirements despite the impact that COVID-19 had on markets.

## APPENDIX

### ACCOUNT BALANCE-BASED INVESTMENT METRICS

Time Frame	Account Balance					
	\$10,000	\$35,000	\$70,000	\$150,000	\$300,000	\$600,000
1yr Net Return	0.14%	0.71%	0.83%	0.89%	0.91%	0.93%
3yr Net Return	5.53%	6.10%	6.22%	6.28%	6.30%	6.32%
5yr Net Return	5.94%	6.51%	6.63%	6.69%	6.71%	6.73%
10yr Net Return	8.25%	8.82%	8.94%	9.00%	9.02%	9.04%

This table illustrates how the Product's fee structure affects net returns for different account balances. The illustration is based on historic returns and the current fee structure.



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