

# ZURICH RETIREMENT PRODUCT (ZRP) 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 Zurich Retirement Product (ZRP) product (the Product) issued from Zurich Master Superannuation Fund (the Fund) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2021.

## METHODOLOGY AND STRUCTURE

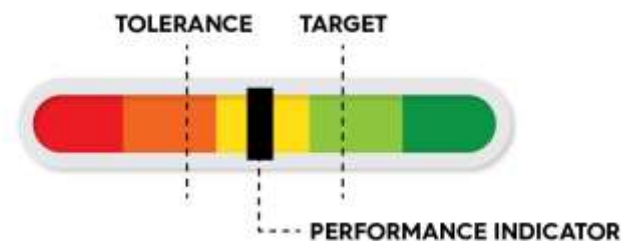
In conducting this assessment, we compared the Product to other choice superannuation products included in statistical data published by the Australian Prudential Regulation Authority (Comparable Products) using the criteria in Part 6 of the *Superannuation Industry (Supervision) Act 1993* and Prudential 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 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.

## DASHBOARD

### STRATEGIC CONTEXT

Working together with the Fund's Promoter, Zurich Australia Limited, the Fund's purpose is to provide members with simple, viable and effective superannuation products that are competitive and leverage the Zurich Group's capabilities and reputation. We aim to provide excellent customer service, strong governance and compliance management, along with sustainable investment returns; and commit to no increase in the current administration fee levels above Consumer Price Index (CPI) rises before June 2025.

To support this purpose, our goals for the Fund are to deliver competitive products to members, meet members' reasonable expectations, maintain strong governance and maintain Fund viability.

The Product is a choice accumulation product.



## INVESTMENT RISK AND RETURN

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

**The Product's**  
performance relative to  
Comparable Products



Ref	Metric Label	Value	Tolerance	Target
1.1	1-year actual net return	16.57%	12.54%	15.77%
1.2	3-year actual net return	6.18%	6.05%	7.13%
1.3	5-year actual net return	6.76%	6.52%	7.72%
1.4	10-year actual net return	6.42%	6.51%	7.35%
1.5	Negative annual net returns over last 10 years	1.84	2.00	1.00

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.

1.5 Negative annual returns and associated targets and tolerance levels are weighted averages for the Product. The weighted averages are based on the performance, Standard Risk Measure 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.

### Commentary

The performance indicator measures the average investment risk and return of all investment options in the Product over one, three, five and 10-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 five-year weighted average return to 30 June 2021, and the weighted average number of negative annual returns for the 10 years to this date. 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 2021 the Product's weighted average investment return does not meet our target and is within our tolerance level. No remedial action is required as a result of this assessment.

Over the 10 years to 30 June 2021 the weighted average number of negative returns for the Product does not meet our target and is within our tolerance level. No remedial action is required as a result of this assessment.

Therefore, we consider the:

- investment strategy for the Product is appropriate; and
- investment risk is acceptable in relation to the net returns generated.



## FEES AND COSTS

Outcomes Fees (gross of tax) for a \$50,000 account balance are consistent with market rates.<sup>3.0</sup>

The Product's performance relative to Comparable Products



Metrics	Ref	Metric Label	Value	Tolerance	Target
	3.1	Administration fees	0.00%	0.65%	0.40%
	3.2	Investment fees	1.30%	0.85%	0.60%
	3.3	Total fees	1.30%	1.50%	1.00%

3.2 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 administration and investment fees. Other fees may be payable which are set out in the Product's disclosure documents.

The performance indicator measures administration and investment fees together against Comparable Products.

The performance indicator, which does not meet our target and is within our tolerance level is based on an equal weighting of each metric in the above table.

Total fees does not meet our target and is within our tolerance level. No remedial action is required as a result of this assessment.

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.

## INSURANCE CLAIM MANAGEMENT

Outcomes Valid claims are accepted and paid in a timely manner.

The Product's performance relative to Comparable Products



Metrics	Ref	Metric Label	Value	Tolerance	Target
	5.1	Insurer's declined claims ratio - life cover	0.00%	3.70%	2.42%
	5.3	Insurer's declined claims ratio - TPD cover	50.00%	17.30%	12.27%
	5.7	Insurance-related EDR complaints	0.90	2.37	1.01

5.3 TPD means "Total and Permanent Disablement".

5.5 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 performance indicator measures the acceptance of insurance claims and the quality of the claims process against Comparable Products.

The performance indicator, which does not meet our target and is within our tolerance level, is based on equal weighting of all the metrics in the above table.

The insured benefits in this Product are supported by retail life insurance policies. For this suite of policies, in the year ended 30 June 2021 the Fund's insurer:

- paid 9 death benefit claims and declined 0 death benefit claims; and
- paid 1 TPD benefit claim and declined 1 TPD claim

We review all declined insurance claims to make sure the insurer has acted fairly and reasonably, and consistently with the relevant policy terms and conditions. Based on these reviews, we are comfortable that denied claims have been considered appropriately.

The number of insurance-related complaints that have been made to the Australian Financial Complaints Authority meets our target. No remedial action is required as a result of this assessment.

As a result, we are comfortable that valid claims are accepted and paid in a timely manner.

All Insurance Cover is voluntary. We believe that the appropriate level of insurance cover is a balance between the amount of cover required (based on the maintenance of the member's, and their dependants', standard of living in the event of a claim) and the affordability of that cover for the member.

Members have the opportunity to seek personal financial advice if required, select their own level of insurance cover and cancel their cover if no longer required. Therefore:

- the insurance premiums charged for the Product do not inappropriately erode members' account balances; and
- the insurance strategy for the Product is appropriate.

## MEMBER SERVICES

Outcomes	Administration services satisfy member expectations.																		
The Product's performance relative to Comparable Products																			
	<table border="1"> <thead> <tr> <th>Ref</th> <th>Metric Label</th> <th>Value</th> <th>Tolerance</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>7.1</td> <td>Administration-related EDR complaints</td> <td>1.79</td> <td>4.82</td> <td>2.07</td> </tr> <tr> <td>7.2</td> <td>Service Level Achievement</td> <td>90.02%</td> <td>90.00%</td> <td>95.00%</td> </tr> </tbody> </table>	Ref	Metric Label	Value	Tolerance	Target	7.1	Administration-related EDR complaints	1.79	4.82	2.07	7.2	Service Level Achievement	90.02%	90.00%	95.00%	<p>7.1 EDR means "External Dispute Resolution". 7.1 This is the annual number of administration-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts. 7.2 Service level achievement measures the portion of new member, contribution and benefit payment transactions that were processed within our service level.</p>		
Ref	Metric Label	Value	Tolerance	Target															
7.1	Administration-related EDR complaints	1.79	4.82	2.07															
7.2	Service Level Achievement	90.02%	90.00%	95.00%															



Commentary

The performance indicator measures the delivery of administration services against our service levels.

The performance indicator, which does not meet our target and is within our tolerance level is based on equal weighting of the above metrics.

Service level achievement (90.02%) meets our target. No remedial action is required as a result of this assessment.

The number of complaints about administration services that have been made to the Australian Financial Complaints Authority does not meet our target and is within our tolerance level. No remedial action is required as a result of this assessment.

As a result, we are comfortable that administration services satisfy member expectations because the high rate of service level achievement and the number of administration related complaints is within tolerance level. Therefore, we consider the options, benefits and facilities offered in the Product are appropriate for members.

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 Comparable Products



Ref	Metric Label	Value	Tolerance	Target
8.2	Net member benefit flows p.a.	-9.27%	-29.51%	-1.52%
8.3	Average account balance	\$76,808	\$23,530	\$124,315
8.5	Movement in member accounts p.a.	-10.72%	-36.39%	-8.01%
8.6	Average member age	59.3	58.00	48.70

Commentary

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

The performance indicator, which does not meet our target and is within our tolerance level is based on equal weighting of the above metrics.

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 \$996m and almost 11,200 members, the Fund retains sufficient scale to support member outcomes into the future. Nevertheless, we continue to monitor the impact that the expected reduction in Fund size may have on member outcomes.

Therefore, we are comfortable that the scale of the Product and the Fund does not disadvantage members.



## LIQUIDITY

Outcomes Benefit and rollover requests can be met in a timely manner from investments and/or insurance policies

The Product's performance relative to Comparable Products



### Metrics

Ref	Metric Label	Value	Tolerance	Target
9.1	Investment liquidity in a GFC scenario	93.30%	40.00%	80.00%
9.2	Insurer financial strength rating	AA	BBB	AA

9.1 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.

The performance indicator meets our target. No remedial action is required as a result of this assessment.

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

Name	Growth Ratio	Size (\$M)	Investment Returns (% pa)			
			1 Year	3 Years	5 Years	10 Years
ZRP AUST FIXED INTEREST (FB)	0%	\$4.0M	-0.44%	2.39%	1.55%	2.93%
ZRP AUST FIXED INTEREST (GB)	0%	\$0.2M	-0.44%	2.40%	1.53%	2.91%
ZRP AUSTRALIAN PROPERTY	100%	\$0.3M	28.30%	4.37%	4.04%	9.59%
ZRP BALANCED	48%	\$3.5M	12.07%	4.87%	5.24%	5.76%
ZRP CAPITAL GUARANTEED	1%	\$57.8M	0.01%	0.02%	0.02%	0.05%
ZRP CAPITAL STABLE	26%	\$12.7M	5.78%	2.90%	3.22%	4.20%
ZRP CASH	0%	\$4.6M	0.00%	0.13%	0.18%	0.73%
ZRP GLOBAL THEMATIC SHARE	100%	\$12.8M	23.19%	13.29%	12.18%	10.94%
ZRP MANAGED GROWTH	68%	\$271.0M	18.20%	6.57%	7.30%	7.17%
ZRP MANAGED SHARE	100%	\$70.1M	26.95%	9.72%	10.69%	8.95%
Weighted Average	62%		16.57%	6.18%	6.76%	6.42%

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