

## Member Outcomes Determinations

Each year, the Trustee of the Australia Post Superannuation Scheme (APSS) is required, by law, to assess the outcomes being provided to **APSS Rollover, Spouse and Pension members\*** (including members using an APSS Pension to transition to retirement) and to then make certain determinations as to whether it is promoting the financial interests of those members.

In making the determinations, the Trustee compares the relevant APSS products to the superannuation products of other funds, taking account of various factors including fees and costs that affect returns, investment returns, and the level of investment risk.

This document outlines the Trustee's determinations and summarises its assessments and comparisons on which the determinations are based, for the financial year to **30 June 2021**.

*\*Note: The annual assessments and determinations do not apply to APSS Defined Benefits. However, if you're entitled to an APSS Defined Benefit and also have a Rollover or Pension account (e.g. you're using an APSS Pension to transition to retirement), then the choice product determinations are relevant to you in respect of those accounts.*

### 'Products' assessed by the Trustee

As required by law, the Trustee has made a determination for each 'product' offered to **APSS Rollover, Spouse and Pension members**.\* For the purposes of these assessments and determinations, the 'products' are defined as the:

- **MySuper product**, which relates to any amount an APSS Rollover or Spouse member has invested in the Balanced investment option. Let's refer to this as the **MySuper product**.
- **Rollover and Spouse Choice Product**, which relates to amounts that Rollover or Spouse members have invested in the investment options other than Balanced (i.e. Cash, Conservative or High Growth). Let's refer to this as the **Rollover and Spouse Choice product**.
- **Pension Choice product**, which relates to APSS Pension members invested in any of the four investment options. Let's refer to this as our **Pension Choice product**.

If you are invested in more than one 'product' then all relevant products and determinations may apply to you.

### Trustee's determinations

The Trustee has made the determinations set out on pages 2-3. A summary of the Trustee's comparisons and assessments on which these determinations are based follow from page 4 (for the comparisons) and page 8 (for the other assessments).

## APSS *MySuper product* determination for the financial year to 30 June 2021

### The financial interests of the APSS members who hold the *MySuper product* are being promoted by the APSS Trustee.

This determination has regard to

- a comparison of the *MySuper product* with other *MySuper* products offered by other regulated superannuation funds;
- information set out in APRA's statistical publications and the APRA Heatmap published 16 December 2021; and
- an assessment of the following factors in respect of those APSS members who hold the *MySuper product*:
  - whether the options, benefits and facilities offered under the *MySuper product* are appropriate;
  - whether the investment strategy for the *MySuper product*, including the level of investment risk and the return target, is appropriate;
  - whether the insurance strategy for the product is appropriate;
  - whether any insurance fees charged in relation to the *MySuper product* inappropriately erode members' retirement incomes;
  - whether members are disadvantaged because of the scale of, and within, the APSS Trustee's business operations;
  - whether the operating costs of the APSS Trustee's business operations are inappropriately affecting the financial interests of members; and
  - whether the basis for the setting of fees is appropriate.

**Choice product determinations for the financial year to 30 June 2021**  
(i.e. for the *Rollover and Spouse Choice product* and the *Pension Choice product*)

**The financial interests of the APSS members who hold a choice product are being promoted by the APSS Trustee.**

This determination, in respect of each of the *Rollover and Spouse Choice product* and *Pension Choice product*, has regard to:

- a comparison of the choice product with the comparable choice products offered by other regulated superannuation funds; and
- an assessment of the following factors in respect of those APSS members who hold the Rollover and Spouse Choice Product or Pension Choice product (as applicable):
  - whether the options, benefits and facilities offered under the choice product are appropriate;
  - whether the investment strategy for the choice product, including the level of investment risk and the return target, is appropriate;
  - whether the insurance strategy for the choice product is appropriate;
  - whether any insurance fees charged in relation to the choice product inappropriately erode members' retirement incomes;
  - whether members are disadvantaged because of the scale of, and within, the APSS Trustee's business operations;
  - whether the operating costs of the APSS Trustee's business operations are inappropriately affecting the financial interests of members; and
  - whether the basis for the setting of fees is appropriate.

## Comparison of the *MySuper product, Rollover and Spouse Choice product and Pension Choice product* with other MySuper and choice products

The following information summarises the comparisons made for each of the determinations.

For the *MySuper product, Rollover and Spouse Choice product and Pension Choice product*, comparisons were made regarding:

1. **Investments** (i.e. investment returns and investment risk); and
2. **Fees and costs.**

### 1. Investments

The investment returns and investment risks for the *MySuper product* have been compared to other MySuper products, and each of the *Rollover and Spouse Choice product* and *Pension Choice product* (and the investment options within each choice product) have been compared to comparable choice products and options, offered by other regulated superannuation funds.

Investment returns relative to other superannuation funds vary depending on the investment option, the length of the period over which the investment returns are compared as well as when the period ends.

This Member Outcomes Determination details assessments and comparisons over multiple time periods to 30 June 2021.

#### *MySuper product – Investment Returns*

The following table shows that, over 1 year, 3 years, 5 years and 10 years to 30 June 2021, the *MySuper product* (i.e. the Balanced option) met its investment objectives. The longer-term investment returns (5 and 10 years) are similar to the median longer-term returns in a survey of other, similar MySuper products offered by other superannuation funds.

#### *APSS MySuper product Net Investment Returns\**

Compared to its investment objective and the median of other MySuper products

To 30 June 2021		1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
<b>Balanced</b>	• Return	17.6%	7.7%	7.6%	7.9%
	• Investment Objective - CPI + 3%	6.9%	4.9%	5.2%	4.8%
	• Survey Median Returns	16.9%	7.5%	7.9%	7.9%

\*Returns are net of investment fees and taxes but do not take account of administration fees. Past investment returns are not necessarily indicative of future investment returns.

The Trustee has assessed the APSS MySuper product investment returns (i.e. the Balanced investment option return) against the investment returns of *MySuper products* from other superannuation funds for a hypothetical 50-year-old member with an account balance of \$50,000. The investment returns have been lower than the median achieved by other superannuation funds, consistent with a lower risk investment strategy in the APSS MySuper product, as demonstrated in the table at the top of the following page.

### APSS MySuper product Net Investment Returns\*

To 30 June 2021	1 Year	3 Years (p.a.)	5 Years (p.a.)
<b>APSS</b>	<b>17.35%</b>	<b>7.44%</b>	<b>7.37%</b>
Median	18.20%	7.92%	8.50%

\*Returns are net of investment fees and taxes and including administration fees. Past investment returns are not necessarily indicative of future investment returns. If a *MySuper product* member is employed by Australia Post or an associated employer, the APSS investment returns are 0.27% p.a. higher than shown in this table because the employer pays the administration fees.

### *MySuper product – Investment Risk*

There is less investment risk if changes in investment returns are smoother over time. Standard deviation is a way of measuring this variation. The *MySuper product* (i.e. the Balanced investment option) has lower-than-median risk on this measure.

However, the risk is stated differently when the Standard Risk Measure (SRM) is used to measure risk because the SRM is a future estimate of how many years the APSS MySuper product is expected to have negative returns over the next 20 years. The Trustee has observed that the assumptions used to calculate the SRM are more conservative than those being used by many other funds and this overstates the risk relative to those other funds. For the APSS, the *MySuper product* SRM was 4.3 as at 30 June 2021, compared against the median for all MySuper products suitable for members aged 50 of 4.0 using more optimistic assumptions.

## **Rollover and Spouse Choice product – Investment Returns**

The following table provides a comparison of the investment returns of the *Rollover and Spouse Choice product* against their objectives and comparable choice products and options offered by other regulated superannuation funds (i.e. for the High Growth, Conservative and Cash investment options) to 30 June 2021.

### **APSS Rollover and Spouse Choice product Net Investment Returns\*\***

Compared to investment objectives and similar products offered by other superannuation funds

To 30 June 2021		1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
<b>High Growth</b>	• Return	23.2%	9.1%		
	• Investment Objective - CPI + 4%	7.9%	6.0%	N/A	N/A
	• Survey Median Return	22.4%	8.7%		
<b>Conservative</b>	• Return	8.2%	4.8%		
	• Investment Objective - CPI + 1.5%	5.4%	3.3%	N/A	N/A
	• Survey Median Return	8.8%	4.9%		
<b>Cash</b>	• Return	0.1%	0.9%	1.1%	1.8%
	• Investment Objective – Bank bill	0.0%	0.8%	1.1%	1.9%
	• Survey Median return	0.0%	0.8%	1.1%	1.8%

**Note:** Before 1 July 2017, the **Cash** option was called 'Cash Return'. The **Conservative** and **High Growth** options commenced on 1 July 2017, which is why information for periods longer than 3 years are currently not applicable (n/a).

\*\* Returns are net of investment fees and taxes but do not take account of administration fees. Past investment returns are not necessarily indicative of future investment returns.

## **Pension Choice product – Investment Returns**

The following table provides a comparison of the *Pension Choice product*, but only for members transitioning to retirement, against their objectives and comparable choice products and options offered by other regulated superannuation funds to 30 June 2021. The comparison for the *Pension Choice product* for other pension members is similar to that shown in the table below, except that the APSS returns are higher relative to the objectives because no investment tax applies.

### **APSS Pension Choice product transitioning to retirement Net Investment Returns\***

Compared to investment objectives and similar products offered by other superannuation funds

To 30 June 2021		1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)
<b>High Growth</b>	• Return	23.2%	9.1%		
	• Investment Objective - CPI + 4%	7.9%	6.0%	N/A	N/A
	• Survey Median Return	22.4%	8.7%		
<b>Balanced</b>	• Return	17.6%	7.7%	7.8%	8.6%
	• Investment Objective - CPI + 3%	6.9%	4.9%	5.2%	4.8%
	• Survey Median Return	16.9%	7.5%	N/A	N/A
<b>Conservative</b>	• Return	8.2%	4.8%		
	• Investment Objective - CPI + 1.5%	5.4%	3.3%	N/A	N/A
	• Survey Median Return	8.8%	4.9%		
<b>Cash</b>	• Return	0.1%	0.9%	1.2%	2.1%
	• Investment Objective – Bank bill	0.0%	0.8%	1.1%	1.9%
	• Survey Median return	0.0%	0.8%	N/A	N/A

**Note:** Before 1 July 2017, the **Cash** option was called 'Cash Return', and the **Balanced** option was called 'Market Return'. The **Conservative** and **High Growth** options commenced on 1 July 2017, which is why information for periods longer than 3 years are currently not applicable (n/a).

\* Returns are net of investment fees and taxes but do not take account of administration fees. Past investment returns are not necessarily indicative of future investment returns.

## **Rollover and Spouse Choice product and Pension Choice product – Investment Risk**

The investment risk was also compared to other funds and was lower than the median risk for investment options with similar levels of risk in other superannuation funds.

## 2. Fees and Costs

The fees and costs for the *MySuper product* have been compared to other MySuper products, and each of the *Rollover and Spouse Choice product* and *Pension Choice product* (and the investment options within each choice product) have been compared to those in comparable choice products, offered by other regulated superannuation funds.

### **MySuper product – Fees and Costs**

The APSS *MySuper product's* administration fees are low compared to most other super funds, but investment fees and costs are relatively higher than average, making the total APSS *MySuper product* fees and costs slightly above median. The Trustee believes that the investment fees and costs are appropriate to make investments that meet the investment objectives. Here's how the 'cost of product' for the *MySuper product* compared to other MySuper products at 30 June 2021 for a member age 50 with an account balance of \$50,000.

#### **APSS MySuper product Fees and Costs** \$50,000 account balance, member age 50

To 30 June 2021	Cost of product
<b>APSS</b>	<b>\$573*</b>
Median	\$519

\*The Product Disclosure Statement (PDS) that was in use at 30 June 2021 disclosed \$603 as the cost of product. Please note that this was the cost of product for the previous year, the year to 30 June 2020, as the 30 June 2021 cost could not be calculated until after 30 June 2021. The cost of product for the year to 30 June 2021 was initially estimated to be \$573 for that year, as disclosed from 1 July to 30 November 2021, but revised to \$883 from the 1 December 2021 PDS roll following receipt of more up-to-date cost data in November 2021. Also, for employees of Australia Post and associated employers, the *MySuper product* fees and costs were disclosed as \$435 from 1 July to 30 November 2021, and \$745 from 1 December 2021. This is because Australia Post pays the administration fees for them.

### **Rollover and Spouse Choice product and Pension Choice product – Fees and Costs**

The following table compares the total fees and costs, including administration and investment fees, for each of the investment options. They apply for the *Rollover and Spouse Choice product*, and are very similar to the amounts for the *Pension Choice product*. The comparison is made based on selected comparable superannuation products for a member with an account balance of \$50,000. They are amounts disclosed by comparable superannuation funds to their members around 30 June 2021 and have not been updated subsequently.

To 30 June 2021	Cash	Conservative	Balanced	High Growth
<b>APSS – Non Employee</b>	<b>\$132</b>	<b>\$357</b>	<b>\$552*</b>	<b>\$582</b>
<b>APSS – Employee#</b>	<b>\$15</b>	<b>\$240</b>	<b>\$435</b>	<b>\$465</b>
Median	\$194	\$459	\$556	\$587

\*This amount differs from the Balanced investment option shown for the *MySuper product* because it takes account of the tax deduction available to members on the APSS administration fees. The *MySuper product* fees quoted do not do this to make them comparable to the amounts quoted by other MySuper products.

# Australia Post pays the administration fees for its employees and the employees of associated employers.

The fees and costs of the Cash and Conservative investment options are lower than for the median of the other comparable products. For the Balanced and High Growth options they are a little higher, this is because while the administration fees are lower, the investment fees and costs are higher.

## Other factors assessed in making the determinations

The following information summarises the assessments made in making each of the determinations.

For the *MySuper product*, the *Rollover and Spouse Choice product* and the *Pension Choice product*, it considers the:

1. **Investment strategy;**
2. **Fees and costs (i.e. Basis for Setting Fees and Operating costs);**
3. **Insurance strategy and premiums;**
4. **Options, benefits and facilities offered to members; and**
5. **Scale of the APSS; and**
6. **Performance test result.**

### 1. Investment strategy

The Trustee considers that the nature and range of APSS investment options available through the *MySuper product*, the *Rollover and Spouse Choice product* and the *Pension Choice product* are appropriate for the APSS membership. In particular, the investment strategy has been considered and the Trustee is of the view that the investment strategies of the APSS investment options are appropriate because they:

- generally meet investment objectives; and
- produce investment returns similar to the median comparable returns.

The Trustee's Investment Committee undertook its annual investment strategy review, including the level of investment risk and return targets, determining once again that all investment strategies, including their respective levels of investment risk and return targets, remain appropriate for all four investment options.

## 2. Fees and Costs

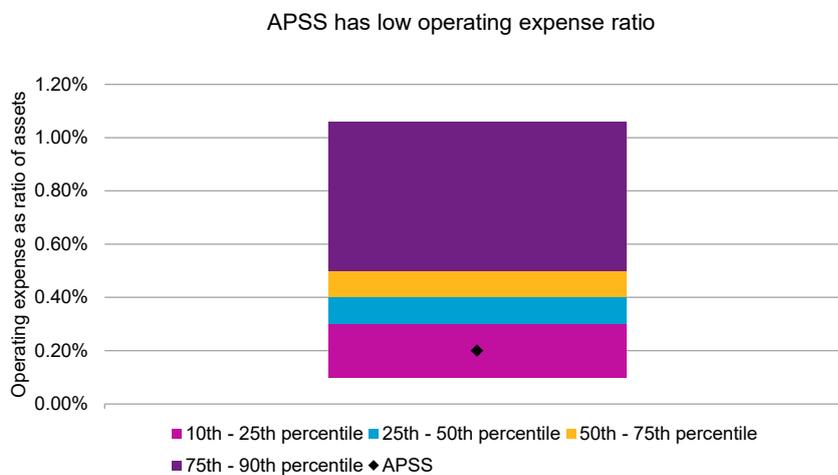
The Trustee also assessed whether the basis for the setting of fees is appropriate for APSS members holding the *MySuper product*, the *Rollover and Spouse Choice product* and the *Pension Choice product* and whether the operating costs of the APSS Trustee's business operations are inappropriately affecting the financial interests of those members.

### Basis for Setting Fees

The investment fees and costs for each of the products reflect the actual costs of investing and the administration fees for each product are based on the actual costs incurred. There is no unreasonable cross-subsidy between members. The Trustee therefore considers that the basis for setting of fees is appropriate for those members.

### Operating costs

The following chart shows that the ratio of the APSS operating costs to the amount of its assets is low relative to most other superannuation funds.



Source: APRA Annual Fund Statistics June 2021

The Trustee therefore considers the operating costs of the APSS Trustee's business operations are not inappropriately affecting the financial interests of those APSS members.

### 3. Insurance

The Trustee has assessed whether the insurance strategy for the *MySuper product* and the *Rollover and Spouse Choice product* is appropriate for members who hold those products. The Trustee also assessed whether the insurance fees charged in relation to each of the *MySuper product* and *Rollover and Spouse Choice product* inappropriately erode the retirement incomes of the members who hold those products.

APSS members who hold the *Pension Choice product* are not eligible for insurance, so this factor is not relevant to the determination for that product.

#### ***MySuper product and Rollover and Spouse Choice product – Insurance***

The Trustee is of the view that the APSS's basic level of insurance for death, terminal illness and Total and Permanent Disability (TPD) is appropriate and meets its objectives to keep premiums low, not inappropriately erode member accounts and provide flexibility for members to voluntarily increase cover or easily opt out. It meets the minimum legislated death cover requirements.

The Trustee has also determined that the insurance premiums do not inappropriately erode the retirement income of the APSS members who have insurance cover, noting that the premiums for default insurance are very significantly below 1% of salary (even for low salaries).

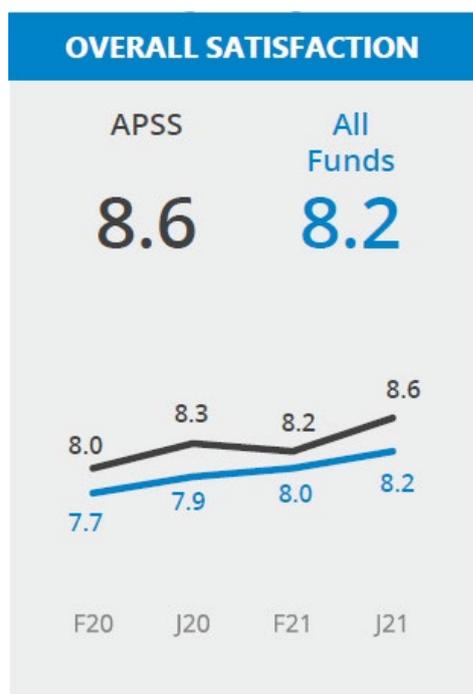
In September 2021, the Trustee updated its Insurance Management Framework and Insurance Strategy document, which applies to eligible Rollover and Spouse members of the APSS.

#### 4. Options, benefits and facilities

The Trustee has assessed whether the options, benefits and facilities offered under the *MySuper product*, and each of the *Rollover and Spouse Choice product* and *Pension Choice product* (and the investment options within each choice product) are appropriate to members who hold those products.

The Trustee is of the view that members are satisfied and engaged with the options, benefits and facilities provided to them by APSS. This is based on:

- data collected by its administrator measuring member interactions with the APSS;
- half-yearly surveys of members conducted by Customer Service Benchmarking Australia (CSBA) which consistently ranks the APSS in the top 10 against other super funds for member services on ease of doing business and overall satisfaction measured at six monthly intervals (Feb-Mar and Jul-Aug). As shown in the first chart below, overall member satisfaction generally and consistently exceeds the average satisfaction levels of members in the comparative 'All Funds' peer group;
- consistently scoring around 90 on a 100-point Key Performance Indicator (KPI) scale, which measures member service levels every quarter, based on objective metrics such as promptness of call centre responses, time taken to process/pay benefits, and number of complaints; and
- comparing APSS services to those provided by its peer funds.



Source: CSBA/FEAL Superannuation CX Benchmarking Jul-Aug 2021

## 5. Scale of the APSS

The Trustee has assessed whether members who hold the *MySuper product* and/or each of the *Rollover and Spouse Choice product* and *Pension Choice product* (and the investment options within each choice product) are disadvantaged because of the scale of the Trustee's business operations, or otherwise within the Trustee's business operations.

The APSS has in the order of 28,000 members and \$8 billion of assets. Its scale is confirmed by its low operating cost ratio shown in the fees and costs section of this summary (refer page 10).

The Trustee is of the view that, as at 30 June 2021, the APSS had sufficient scale.

## 6. Performance test result

The Trustee has assessed the interaction between APRA's (the **Regulator**) performance test for the year ended 30 June 2021 and its determinations for the *MySuper product*, in particular that the *MySuper product* passed the Regulator's performance test for the year ended 30 June 2021.

The *MySuper product* did not have a long enough history of investment returns to be compared to the Regulator's performance test return benchmark.