

# 2020 Member Outcomes Assessment Summary

Determination and product summary  
for the year ended 30 June 2020



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# What is the Member Outcomes Assessment?

The Member Outcomes Assessment is a process that requires funds to assess, compare and report on whether they are promoting the financial interests of the fund's beneficiaries. All regulated superannuation funds with five or more members are legally required to complete this process annually. The adjacent diagram provides an outline of the assessment framework that funds must follow.

EISS Super completed the Member Outcomes Assessment and Business Performance Review in February 2021 for the year ended 30 June 2020. Part of the assessment is to compare products against a set of peers. Throughout this document this group is referred to as comparators.

This document provides a summary of the key outcomes of the assessment of EISS Super's three main products: MySuper, Choice (Accumulation) and Pension. It provides detail about the findings from Steps 1 and 2 of the assessment.

The key data used for benchmarking in the assessment and this summary is from APRA Fund-Level Superannuation Statistics (June 2020), APRA Quarterly Superannuation Statistics (September 2020, filtered to June 2020), Super Ratings (June 2020) and EISS Super internal reporting.

## Assessment approach

### Step 1: Measure and compare products



#### 1. Return comparison

A comparison of absolute and relative return targets



#### 2. Fee comparison

A comparison of absolute and relative fees



#### 3. Risk comparison

A comparison of asset allocations and risk targets

### Step 2: Assess product appropriateness against key factors that can affect superannuation

#### Section 52(11) of the Superannuation Industry (Supervision) Act (SIS Act)

1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

#### APRA Superannuation Prudential Standard 515 Strategic Planning and Member Outcomes (SPS 515)

4. Scale
5. Operating costs
6. Fees

### Step 3: Conclude

A publication with determinations of each product is required to see whether the financial interests of the beneficiaries who hold the product are being promoted.

# Product determination

## MySuper

**The trustee has determined that the financial interests of EISS Super's MySuper beneficiaries are being promoted.**

EISS Super exceeded the return targets specified in the product disclosure statement for its MySuper product. While peer relative performance was down for the period ending 30 June 2020, it rebounded strongly from the extreme market volatility that occurred towards the end of the 2019/20 financial year (FY20) resulting in performance in the first half of the 2020/21 financial year (FY21) in the top 25% of all funds.

Investment risk is in line with the majority of MySuper products across the industry and is appropriate for EISS Super's membership base.

MySuper fees and costs are low relative to the universe of MySuper products (well below the industry median), ensuring member account balances are not eroded by high fees.

Each of the section 52(11) factors of the legislation (options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and fees) are considered to be appropriate for the beneficiaries of EISS Super's MySuper product.

## Choice (Accumulation)

**The trustee has determined that the financial interests of EISS Super's Choice beneficiaries are being promoted.**

EISS Super's investment performance across most investment options exceeded the respective return targets specified in the product disclosure statement for its Choice products. Two options, Conservative Balanced and Conservative, underperformed as a result of extreme market volatility that occurred towards the end of FY20. However, significant improvement in peer relative performance has been achieved since the market downturn resulting in four of the five options performing in the top 25% of funds for the first half of FY21 and the remaining option (Cash) performing above the industry median.

While volatility of EISS Super's returns was marginally higher than comparators in FY20, this has reduced significantly in the first half of FY21.

EISS Super performs strongly from a fee perspective across all investment options compared to the median for comparator funds and the industry.

Each of the section 52(11) factors of the legislation are considered to be appropriate for the beneficiaries of EISS Super's Choice products.

## Pension

**The trustee has determined that the financial interests of EISS Super's Pension beneficiaries are being promoted.**

EISS Super's investment performance across most investment options exceeded the respective return targets specified in the product disclosure statement for its Pension product. Two options, Conservative Balanced and Conservative, underperformed as a result of extreme market volatility in the second half of FY20. However, significant improvement in peer relative performance has been achieved since the market downturn resulting in four of the five options performing in the top 25% of funds for the first half of FY21 and the remaining option (Cash) performing above the industry median.

While volatility of EISS Super's returns was marginally higher than comparators in FY20, this has reduced significantly in the first half of FY21.

EISS Super performs strongly from a fee perspective across all investment options compared to the median for comparator funds and the industry.

Each of the section 52(11) factors of the legislation are considered to be appropriate for the beneficiaries of EISS Super's Pension product.



## Comparison: MySuper

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**The trustee has determined that the financial interests of EISS Super's MySuper beneficiaries are being promoted.**

During the financial year, EISS Super changed its MySuper default investment strategy from the Conservative Balanced option to the Balanced option.



# Return and risk comparison



## Return comparison

A comparison of relative returns

- EISS Super exceeded the return target commitments made to members in the product disclosure statement for its MySuper product.
- While investment performance was down for the period ending 30 June 2020, EISS Super’s MySuper product rebounded strongly from the extreme market volatility that occurred towards the end of the 2019/20 financial year.
- Since 30 June 2020, in consultation with asset consultants, EISS Super has taken actions to improve its peer relative performance through the inclusion of more active management of its equities portfolio. This has resulted in EISS Super’s MySuper product performing in the top 25% of funds for the six months to 31 December 2020.

### Net investment returns<sup>1</sup>

%p.a. to 30 June 2020

	Balanced (MySuper)					
	EISS Super Target	EISS Super Actual	Comparators Median	MySuper Median	EISS Pension Actual	EISS Pension Comparator
1yr (%)	5.12	-3.13	0.00	-0.82	-3.66	0.54
3yr (%)	4.74	3.82	5.18	4.99	4.08	5.70
5yr (%)	4.75	4.79	6.19	5.68	4.91	6.66
10yr (%)	5.04	6.59	7.79		7.19	8.84



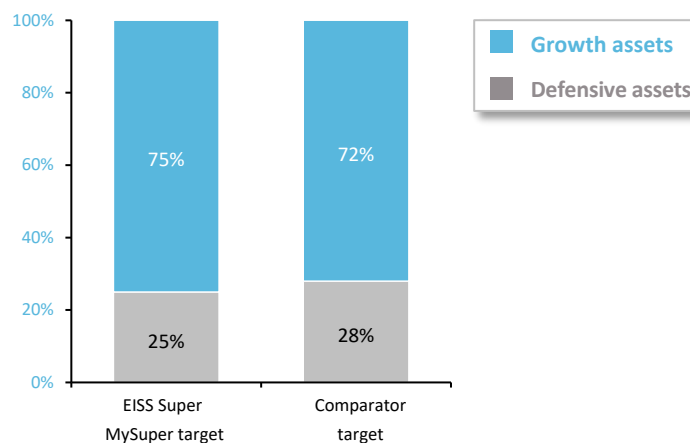
## Risk comparison

A comparison of asset allocations and risk targets

- The growth and defensive asset allocation of EISS Super’s MySuper product is aligned with that of balanced investment options of comparator funds (see chart below).
- EISS Super’s level of investment risk for its MySuper option is classified as Medium to High, which is consistent with the majority of other MySuper products which fall into the same risk grouping.
- The Medium to High label corresponds to an investment risk level estimated to be 3-4 years of negative net investment returns over a 20 year period.
- The level of risk is considered appropriate for EISS Super’s MySuper members.

### Strategic asset allocations<sup>2</sup>

As at 30 Jun 2020



Source: 1. EISS Investment Report (June 2020), SuperRatings (June 2020), APRA Quarterly MySuper Statistics (June 2020) 2. EISS Investment Policy Statement and comparator fund’s PDS disclosures.

# Fee comparison

**Note:** Average comparator fees are based on information provided in product disclosure statements.



## Fee comparison

A comparison of absolute and relative fees

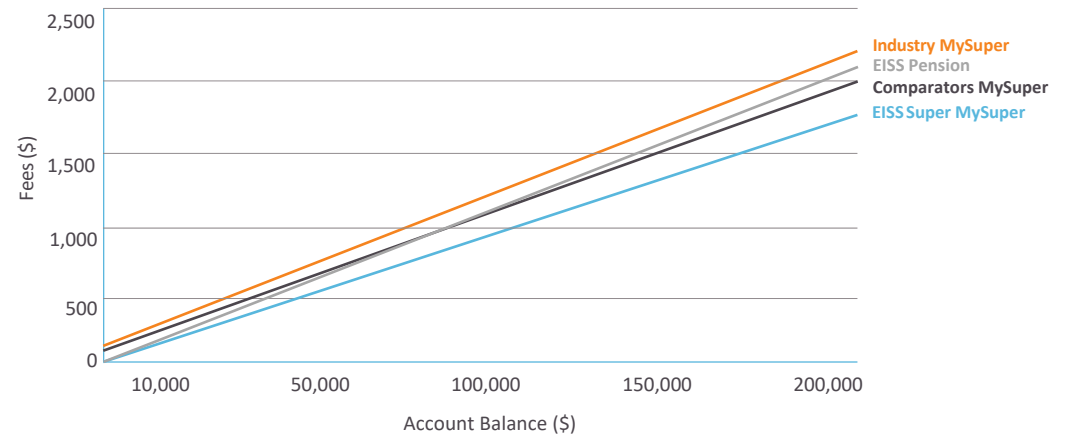
- EISS Super’s MySuper product continued to perform strongly from a fee perspective and is lower than both the comparator and MySuper industry medians. This places EISS Super in the top 25% with respect to low fees.
- EISS Super’s variable fees for its MySuper product are low on a percentage basis relative to the median.

### Balanced option fee comparison on a \$50,000 account balance

p.a. variable (%) and flat (\$)

Fees	EISS Super MySuper	Comparators Median	MySuper Funds Median	EISS Super Pension
Indirect costs	0.24%	0.35%	0.35%	0.24%
Investment fees	0.26%	0.46%	0.48%	0.26%
Administration fees	0.39%	0.29%	0.20%	0.47%
<b>Total variable fees</b>	<b>0.89%</b>	<b>1.10%</b>	<b>1.03%</b>	<b>0.97%</b>
<b>Total flat fees</b>	<b>\$0</b>	<b>\$81</b>	<b>\$78</b>	<b>\$0</b>
<b>Annual fees on a \$50,000 account balance</b>	<b>\$445</b>	<b>\$631</b>	<b>\$593</b>	<b>\$485</b>

### Annual fees by account balance





## Comparison: Choice (Accumulation) and Pension

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The trustee has determined that the financial interests of EISS Super's Choice (Accumulation) and Pension beneficiaries are being promoted.





# Return comparison

**Note:** For balanced option returns, see MySuper section of this document.



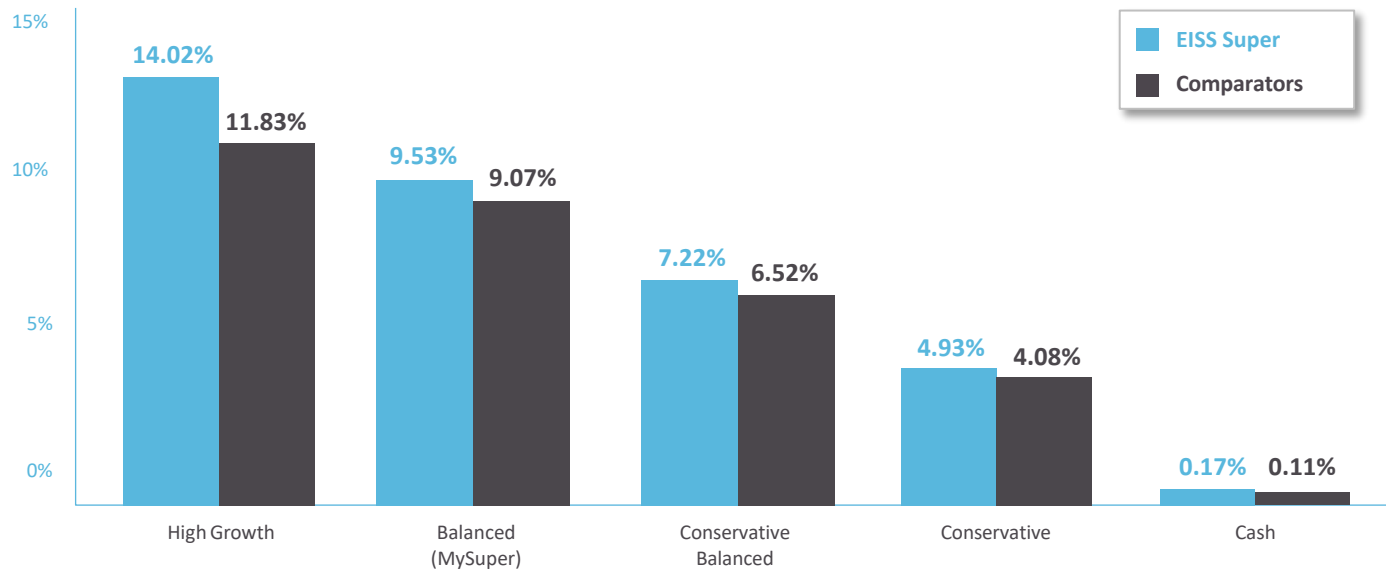
## Return comparison

A comparison of relative returns

- EISS Super exceeded the return target commitments made to members in the product disclosure statement for its High Growth, Balanced (MySuper) and Cash options. The remaining two options, Conservative Balanced and Conservative, underperformed as a result of extreme market volatility that occurred towards the end of FY20.
- All of EISS Super’s Choice (Accumulation) and Pension product investment options rebounded strongly from the market volatility.
- Peer relative performance has also improved significantly since the market downturn resulting in four of the five options performing in the top 25% of funds for the first half of FY21 and the remaining option (Cash) performing above the industry median.

### Net investment returns: Choice (Accumulation)

1 July to 31 December 2020



Source: SuperRatings Super and Pension Reports (December 2020)

# Return comparison continued



**Return comparison**  
A comparison of relative returns

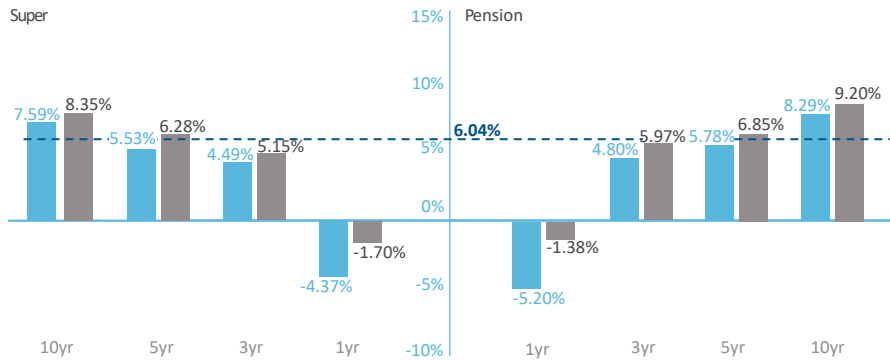
--- EISS Super Choice or Pension target return

■ EISS Super Choice or Pension actual return

■ Comparators

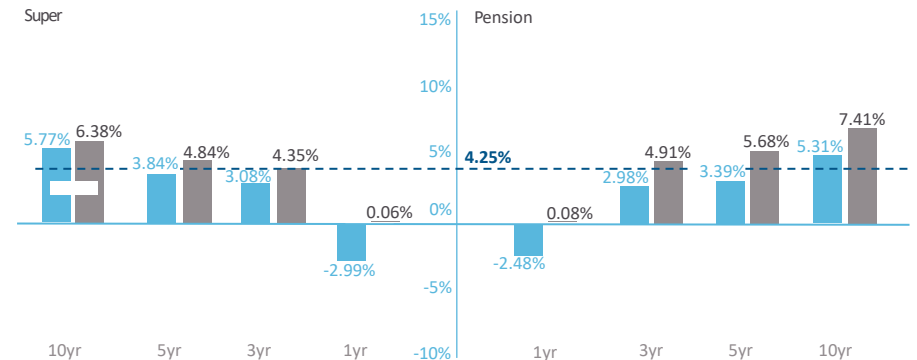
**Returns: High Growth**  
%p.a. to 30 June 2020

Ten year target return  
(CPI+4%)



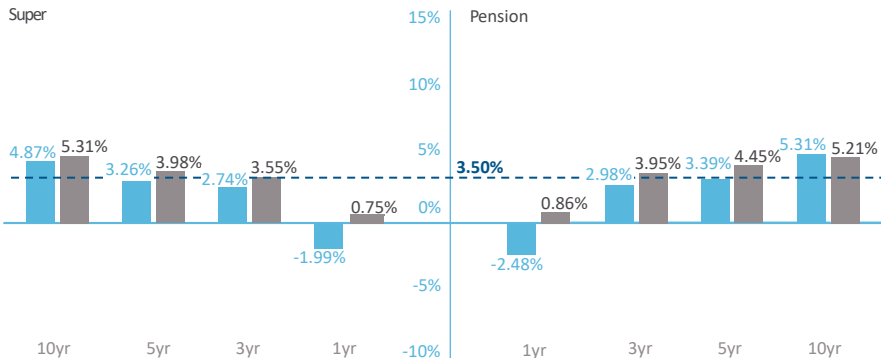
**Returns: Conservative Balanced**  
%p.a. to 30 June 2020

Seven year target return  
(CPI+2.5%)



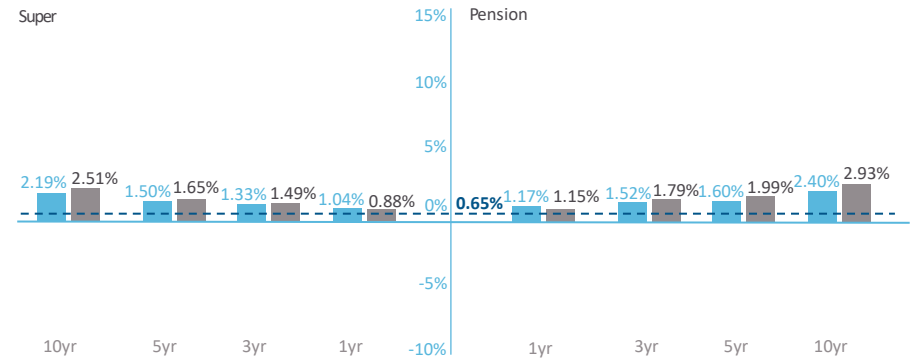
**Returns: Conservative**  
%p.a. to 30 June 2020

Five year target return  
(CPI+1.75%)



**Returns: Cash**  
%p.a. to 30 June 2020

One year target return  
(RBA Cash Rate)



Source: SuperRatings Super and Pension Reports (June 2020)

# Choice (Accumulation) and Pension

## Risk comparison

**Note:** Risk has been examined utilising the Standard Risk Measure described in item 3 of SRS700 as per guidance provided by APRA in SPG516. EISS Super consider risk more broadly than the SRM including factors such as liquidity and downside protection. Standard deviation has been shown as a comparison to peers.

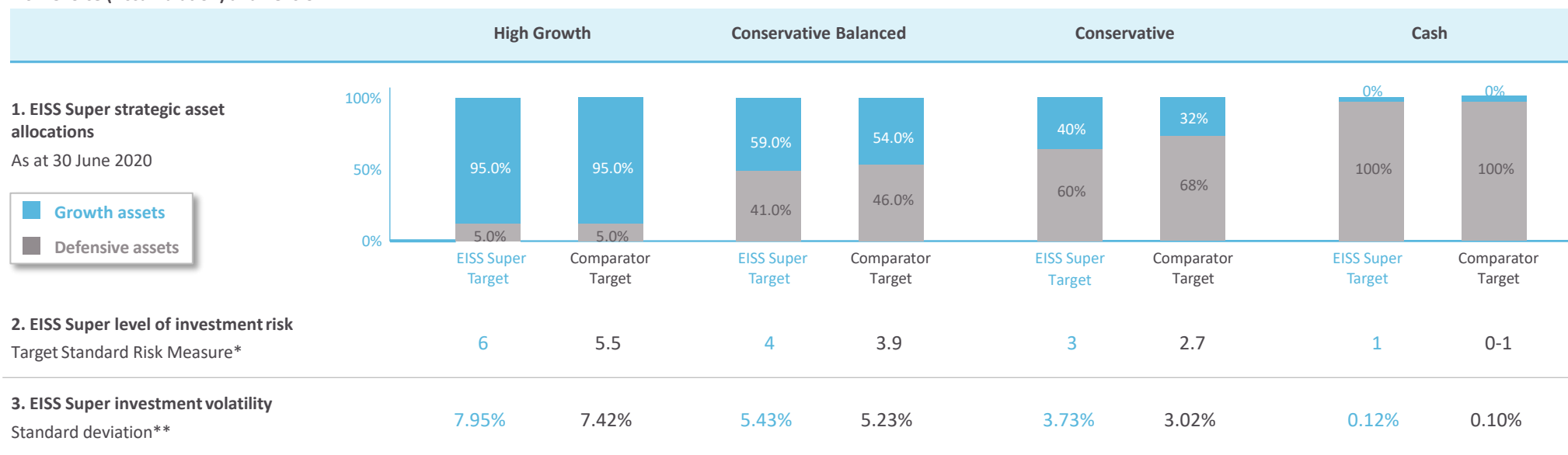


### Risk Comparison

A comparison of asset allocations and risk targets

- The strategic asset allocations for each of EISS Super's Choice (Accumulation) and Pension product investment options are aligned with comparator funds.
- Investment markets experienced extreme market volatility during the second half of FY20 brought about by the Covid-19 pandemic. This resulted in higher than anticipated volatility for EISS Super's returns which was in line with the wider industry.
- The standard risk measure across all options is aligned with comparators and the industry.

### Risk: Choice (Accumulation) and Pension



\* Comparable Standard Risk Measure information is not yet available through APRA for Choice products

\*\* Standard deviation describes how much the option may vary around the average return and has been considered over the investment target period.

Source: EISS Super Investment Policy Statement and comparator PDS, SuperRatings (June 2020), EISS Super expected: Jana SAA Review (2020)

# Fee comparison

Note: Pension comparators are not included as data is not available.



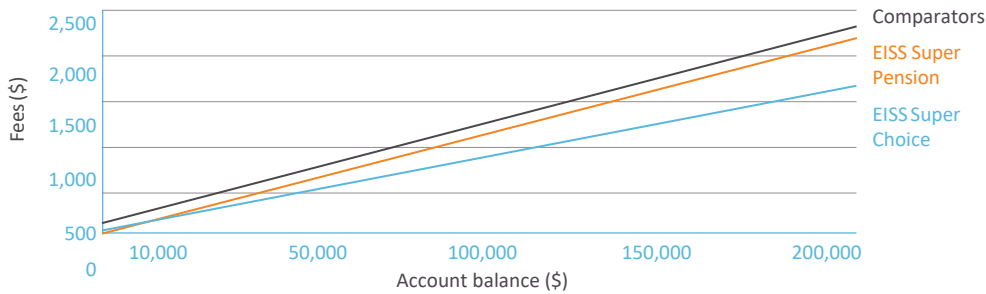
## Fee comparison

A comparison of absolute and relative fees

- EISS Super performs strongly from a fee perspective across all Choice and Pension investment options compared to the comparator medians. This places EISS Super’s Choice (Accumulation) and Pension products in the top 25% with respect to low fees.

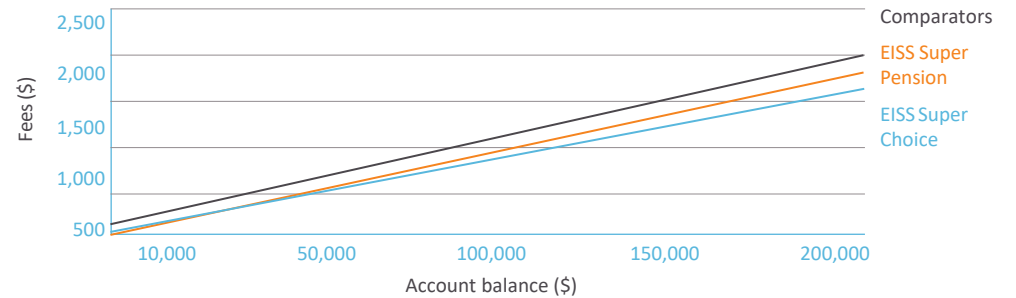
### Fees: High Growth

Annual fees by account balance (EISS Super vs Comparators) – \$ in 12 months



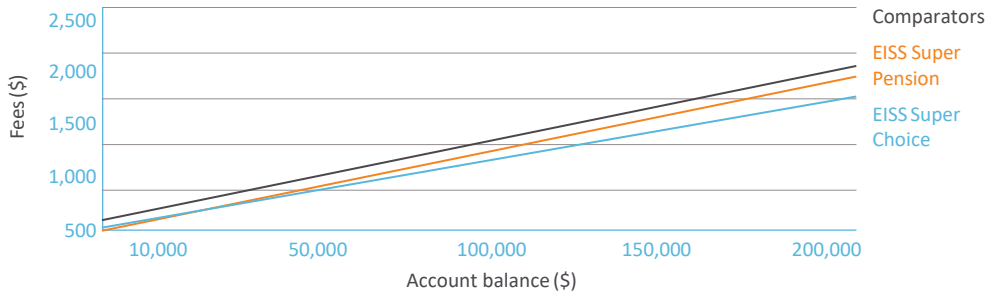
### Fees: Conservative Balanced

Annual fees by account balance (EISS Super vs Comparators) – \$ in 12 months



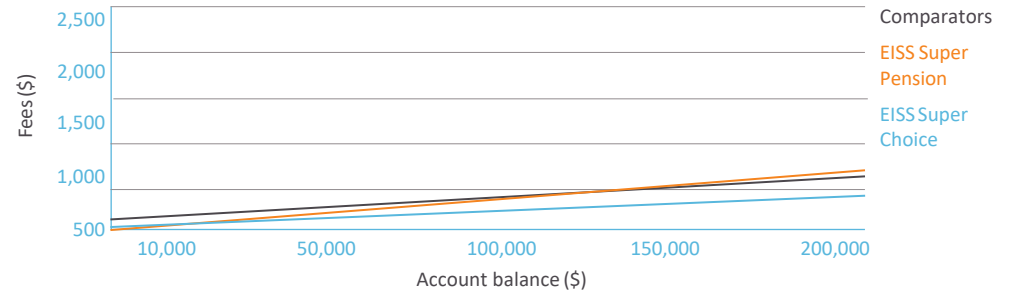
### Fees: Conservative

Annual fees by account balance (EISS Super vs Comparators) – \$ in 12 months



### Fees: Cash

Annual fees by account balance (EISS Super vs Comparators) – \$ in 12 months





## Assessment: MySuper, Choice (Accumulation) and Pension

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**The trustee has determined that the financial interests of EISS Super's MySuper, Choice (Accumulation) and Pension beneficiaries are being promoted.**

Options, benefits and facilities are offered to all MySuper, Choice (Accumulation) and Pension members regardless of what product they hold (insurance is not however provided through EISS Super's Pension product).



# Assessment of key factors affecting super



## Options, benefits and facilities

Options, benefits and facilities are appropriate for members and promote their financial interests.

- EISS Super has a high touch personal service delivery model focusing in the metropolitan, regional and rural areas where members live and work.
- To supplement the great personal service provided, EISS Super also continues to expand its digital service channels to provide members with choice around how they engage with and manage their super.
- Despite the challenges posed by Covid-19 during FY20, EISS Super continued to provide great personal service by expanding the service channels available to members to include online meetings with Financial Planners and Customer Relationship Managers as well as educational webinars on a variety of topics.



## Insurance strategy and fees

Insurance strategy and fees are appropriate for members and promote their financial interests, while not inappropriately eroding retirement balances.

- EISS Super's higher default insurance cover levels have been tailored to the needs of its traditional membership base who work in dangerous occupations and would otherwise find it difficult to secure quality and appropriate cover at a competitive market rate.
- While premiums were generally higher than the industry norm, this was reflective of the higher levels of cover and are not inappropriately eroding account balances.
- With a broadening membership base, a recent review of insurance considered the introduction of additional flexibility around insurance for members outside the traditional membership.
- Insurance is not provided through EISS Super's Pension product.



## Investment strategy

EISS Super's investment strategies are appropriate for members and promote their financial interests.

- Investment targets set by the fund are reasonable and in line with industry peers.
- Investment performance is monitored with investment manager performance actively managed by EISS Super.
- The change to the MySuper default investment strategy from the Conservative Balanced option to the Balanced option is intended to improve member outcomes and retain the straightforward proposition of the fund.
- The five diversified investment options offered through EISS Super's Choice (Accumulation) and Pension products meet the varied risk profiles of members while also aligning with the proposition of being a straightforward and low cost fund.



## Scale

EISS Super is effectively managing any scale-related risks.

- EISS Super's accumulation net member benefits outflow ratio is strong compared to comparator funds reflecting the strength of EISS Super's retention and marketing efforts including financial planning activities and brand awareness.
- Where required EISS Super accesses scale through the use of outsourced partners to deliver better financial outcomes for members.
- EISS Super is focused on sustainable growth and member retention, building employer relationships for default status and building internal marketing and sales capabilities.
- Overall, the outflow ratio indicates the fund is not exposed to scale-related risk, and it continues to mitigate this risk through a focus on both member retention and growth.

# Assessment of key factors affecting super



## Operating costs

EISS Super's operating expenses are in line with industry and proportionate to the amount of funds under management.

- EISS Super's expense ratio is in line with the industry despite having a higher touch, face-to-face service delivery model and investing in initiatives to improve member service and experiences along with sustainable growth in the best interests of members.
- As a proportion of funds under management, operating costs have remained steady over the 2020 financial year.
- EISS Super is a profit for member fund, so no dividend is paid to a parent company.



## Fees

EISS Super's fee strategy and objective of top quartile fee performance ensures fees remain competitive.

- The combination of fewer investment options, higher balances and a rigorous approach to negotiation support keeping investment management costs down.
- The fee structure reflects the underlying costs of managing investments, with variable administration fees applied consistently across all options other than cash. Investment and indirect fees are aligned to the relative costs of active management.
- EISS Super's defined benefits are run as a separate fund which ensures non-defined benefit members do not bear the higher costs incurred to manage these products. The defined benefits do however provide greater scale by way of additional member numbers and funds under management.
- Fees remain extremely competitive compared to comparators and meet EISS Super's objective of top quartile fee performance.

The assessment concludes that, based on the range of factors outlined in section 52(11) of the SIS Act and APRA's Prudential Standard 515 (SPS 515), EISS Super's MySuper, Choice (Accumulation) and Pension products promote the financial interests of beneficiaries.

# About EISS Super

EISS Super is a multi-award-winning industry super fund<sup>1</sup> offering super, pensions, insurance and financial advice to hard working Australians who want to know their future is in safe hands.

Established in 1997, we started out as a super fund for energy and electrical workers and while we haven't forgotten where we came from, we're now proudly supporting members across a wide range of industries.

We're a great value super fund. In fact, we're one of the lowest cost superannuation funds in the market<sup>2</sup>. We keep fees low and reinvest in the products and services we provide to members so they can achieve a comfortable retirement.

We visit and support our members and the communities where they live and work to protect and build their financial future.

We're committed to providing great personal service to ensure our members get the most out of their super.

We manage \$6 billion of retirement savings on behalf of our members<sup>3</sup>.

## Make the most of your super

Book an appointment with an EISS Super Financial Planner or Customer Relationship Manager today.

 **1300 396 901**

 **[eisuper.com.au](https://eisuper.com.au)**

<sup>1</sup> EISS Super's MySuper and Pension products have received 5 Star and AAA status awards from leading research agencies, The Heron Partnership and Rainmaker Information.

<sup>2</sup> Rainmaker Benchmarking Report, March 2020.

<sup>3</sup> As at 31 December 2020