

Member Outcomes Dashboard

for the year ended 30 June 2020

Trustee determination:

Per Section 52(9)(aa) of the Superannuation Industry (Supervision) Act, the Trustee has determined that it is promoting the financial interests of beneficiaries of legalsuper for its MySuper, Choice and Pension products, based on the below comparisons to other comparable products

Date determination made: 28 February 2021

This dashboard sets out the Trustee of legalsuper's Member Outcomes Assessment and determination for legalsuper's **MySuper, Choice** and **Pension** investment options in accordance with section 52(9)(a) of the *Superannuation Industry (Supervision) Act 1993* ("SIS Act").

For the year ended 30 June 2020, comparisons have been made between the:

- investment returns
- level of investment risk
- fees and costs and
- other options, benefits and facilities

offered by legalsuper with products offered by other regulated superannuation funds.

MySuper

Investment performance

The MySuper balanced investment option, where most legalsuper members are invested (66% of members as at 28 February 2021), outperformed the SuperRatings median¹ over 1 year by 0.33% and 5 years by 0.09% and was slightly lower than the median for 3 years and 10 years (below by 0.08% and 0.21% respectively).

Level of investment risk

As stated in legalsuper's Product Disclosure Statement, the estimated investment risk for the MySuper balanced investment option is 3.5 or "Medium to High"².

This is consistent with the median of comparable super fund MySuper products which have a return target of CPI + 3%³.

Fees and costs

legalsuper's MySuper fees have been compared to the weighted average fees for all MySuper options in the Chant West superannuation fee survey⁴.

¹ Median for SuperRatings Balanced option universe for all funds ("Balanced (60-76)")

² As defined by item 3 of APRA SRS 700 for year ended 30 June 2020

³ Source - Deloitte Touche Tohmatsu, Investment & Wealth division, Nov 2020.

⁴ Chant West Super Fund Fee Survey, June 2020.

As the following table shows, legalsuper’s MySuper fees are slightly higher than the Chant West weighted average. One key contributing factor to these higher fees is legalsuper provides higher levels of personal service (e.g. face-to-face service) compared to other super funds as outlined below.

Fee Comparisons – as at 30 June 2020			
Account balance	Basis of calculation	legalsuper MySuper balanced	Weighted average for all MySuper options
\$25,000	▪ fee as a % of balance	1.39%	1.21%
	▪ Total \$ fee	\$347.50	\$302.50
\$50,000	▪ fee as a % of balance	1.26%	1.04%
	▪ Total \$ fee (for \$50,000)	\$630.00	\$520.00

Are the options, benefits and facilities appropriate to the beneficiaries? (s52(11)(a) SIS Act)

legalsuper’s MySuper product was well placed in the APRA MySuper Heatmap rankings with no “crimson” rankings for fees or returns.

legalsuper has also been awarded a SuperRatings “Platinum” rating for the MySuper investment option. The “Platinum” rating is the highest rating offered by SuperRatings, an independent rating agency.

As noted, legalsuper’s MySuper fees and costs are modestly higher than the weighted average fee for all superannuation fund MySuper products in the Chant West fee survey with a key contributing factor being the higher levels of personal service legalsuper provides to help members in their goal of building their savings for retirement (e.g. provision of insurance, general advice to members).

Seventeen Client Service Managers meet with members and employers to answer their questions and provide information and support to increase their understanding of super and also facilitate workplace seminars. Our website makes available an extensive and comprehensive range superannuation, investment, insurance, and retirement focussed material to help our members achieve better outcomes.

While the number of meetings with legalsuper members was lower due to COVID-19 restrictions, a high level of personal service was still achieved in the eleven months ended 31 May 2020:

- 2,245 meetings with members (on average, 10 per working day) which equates to 5% of all members, and
- 9,491 emails to members (on average, 43 per working day) which equates to 21% of all members.

The Trustee is of the view that the options, benefits, and facilities it offers are appropriate to the beneficiaries.

Is the investment strategy, level of investment risk and return target appropriate for the beneficiaries? (s52(11)(b) SIS Act)

The investment strategy, level of investment risk and return target have been set having regard to a range of considerations including the demographics of legalsuper’s membership (e.g. the median age of legalsuper members is younger at 39 years) and liquidity requirements. The fund’s lower membership age profile means most members have a longer investment time horizon, are better able to ride out volatility, and can be invested with a higher allocation to growth assets.

This is borne out by a substantial proportion of assets being invested in investment options outside the MySuper balanced investment option with higher allocations to growth assets than the MySuper balanced investment option.

Accordingly, the medium to high level of investment risk and return target of CPI + 3% as per the PDS is appropriate.

The Trustee is of the view that its investment strategy, level of investment risk and return target for its MySuper product is appropriate for the beneficiaries.

Choice & Pension options

Investment performance

Most of legalsuper's Choice and Pension options outperformed the median for all super funds in the SuperRating's universe for the year ended 30 June 2020. The tables below show the extent to which one, three, five, and ten year returns for each Choice and Pension options outperform or underperform the SuperRatings median (all funds)⁵. Green shading indicates matching/outperformance and pink shading indicates underperformance against the SuperRatings median.

Please note, the SuperRatings median return for overseas shares includes a range of different levels of hedging, some consistent with legalsuper's approach and others different. This needs to be kept in mind when comparing legalsuper's return with the median. The level of hedging for all comparable overseas shares options is not publicly available.

Investment returns vs SuperRatings:

Choice options | 1, 3, 5 & 10 years to 30 June 2020

Option	1 year	3 years	5 years	10 years
Cash	0.2	-0.1	0.2	-0.1
Enhanced cash	0.3	-0.6	-0.7	-0.4
Conservative	0.5	0.1	0	-0.1
Conservative balanced	0.1	0	0.4	0.1
Balanced	0	-0.1	0.3	0
Balanced index	-0.8	0.5	0	n.a.
Balanced SRI	0.3	0	-0.6	-0.9
Growth	0.2	0.2	0.6	0.1
High growth	0.5	0.2	0.4	-0.1
Australian shares	1.8	0.5	1.1	0.5
Overseas shares	-1.5	-0.9	-0.6	-1.0



⁵ SuperRatings all funds universe

Investment returns vs SuperRatings:

Pension options | 1, 3, 5 & 10 years to 30 June 2020

Option	1 year	3 years	5 years	10 years
Cash	-0.4	-0.4	-0.4	-0.1
Enhanced cash	-0.4	-0.6	-0.6	-0.5
Conservative	0.0	-0.1	0	-0.1
Conservative balanced	0.6	0.2	0.4	0.1
Balanced	0.3	0	0.5	0
Balanced index	-0.9	0.5	0.1	n.a.
Balanced SRI ⁽¹⁾	-0.6	0.2	-0.3	0
Growth	0.5	0	0.3	0
High growth	0.0	-0.1	0.5	0.2
Australian shares	2.6	0.9	1.3	0.5
Overseas shares	-1.3	-1.1	-0.3	-0.3

Notes:

⁽¹⁾Median for Balanced SRI is the median for superannuation options, no pension median is available.



Level of investment risk

Each legalsuper investment option has a different level of risk and therefore a different mix of growth and defensive assets. For example, High Growth has a “high” risk/return profile and therefore a higher weighting to growth assets over defensive assets.

The risk profile of legalsuper’s investment options is shown in the below table:

Name of investment option	Risk profile
Cash	Very low
Enhanced cash	Low
Conservative	Low to Medium
Conservative balanced	Medium
Balanced	Medium to High
Growth	High
High growth	High
Australian shares	Very high
Overseas shares	High
Balanced index	Medium to High
Balanced Socially Responsible	High
Direct Investment option	Very high

Fees and costs

Comparable fees and costs for Choice and Pension products were available for four investment options (including Conservative, Balanced, Growth, and High growth) in the Chant West fee survey average for all products at 30 June 2020⁶.

The following table shows legalsuper’s fees and costs for these four options were lower than the Chant West average for different balances (i.e. \$25,000, \$50,000 & \$250,000):

⁶ Chant West Super Fund Fee Survey 30 June 2020

Fee Comparisons – as at 30 June 2020		
Account balance	legalsuper Conservative	Chant West
\$25,000		
▪ fee as a % of balance	1.06%	1.47%
▪ Total \$ fee	\$265.00	\$367.50
\$50,000		
▪ fee as a % of balance	0.93%	1.22%
▪ Total \$ fee	\$232.50	\$610.00
\$250,000		
▪ fee as a % of balance	0.82%	1.00%
Total \$ fee	\$2,050.00	\$2,500.00
Account balance	legalsuper Balanced	Chant West
\$25,000		
▪ fee as a % of balance	1.19%	1.63%
▪ Total \$ fee	\$297.5	\$407.50
\$50,000		
▪ fee as a % of balance	1.06%	1.34%
▪ Total \$ fee	\$530.00	\$670.00
\$250,000		
▪ fee as a % of balance	0.95%	1.11%
▪ Total \$ fee	\$2,375.00	\$2,775.00
Account balance	legalsuper Growth	Chant West
\$25,000		
▪ fee as a % of balance	1.39%	1.66%
▪ Total \$ fee	\$347.5	\$415.00
\$50,000		
▪ fee as a % of balance	1.26%	1.40%
▪ Total \$ fee	\$630.00	\$700.00
\$250,000		
▪ fee as a % of balance	1.15%	1.19%
▪ Total \$ fee	\$2,875.00	\$2,975.00
Account balance	legalsuper High growth	Chant West
\$25,000		
▪ fee as a % of balance	1.31%	1.73%
▪ Total \$ fee	\$327.50	\$432.50
\$50,000		
▪ fee as a % of balance	1.18%	1.48%
▪ Total \$ fee	\$590.00	\$740.00
\$250,000		
▪ fee as a % of balance	1.07%	1.26%
▪ Total \$ fee	\$2,675.00	\$3,150.00

While the Chant West fee survey did not include averages for the remaining eight choice investment options, it is anticipated that fees for the other eight options would be similarly lower.

Are the options, benefits and facilities appropriate to the beneficiaries? (S52(11)(a) SIS Act)

As shown above, investment returns for legalsuper's Choice and Pension options outperformed the SuperRatings median in the year ended 30 June 2020.

Choice and Pension member fees and costs are lower than the weighted average for all funds in the Chant West fee survey as at 30 June 2020.

legalsuper has attained the highest ratings awarded by the four major rating agencies (i.e. SuperRatings, Chant West, Rainmaker & Heron Partnership) which is testament to the competitiveness of legalsuper's offering.

As previously advised, legalsuper provides higher levels of personal service compared to many other funds. It employs seventeen Client Service Managers who meet with members and employers to answer their questions and provide information and support to increase their understanding of super and also facilitate workplace seminars. Our website makes available an extensive and comprehensive range of superannuation, investment, insurance and retirement focussed material to help our members achieve better outcomes.

While the number of meetings with legalsuper members was lower due to COVID-19 restrictions, a high level of personal service was still achieved in the eleven months ended 31 May 2020:

- 2,245 meetings with members (on average, 10 per working day) which equates to 5% of all members, and
- 9,491 emails to members (on average, 43 per working day) which equates to 21% of all members.

Fees and costs for Choice and Pension product offerings (including products, services, range of options, benefits) are lower than the Chant West all fund median.

legalsuper's Pension product includes both a Transition to Retirement pension (for those who have reached their preservation age but not yet retired and can reduce their working hours if they wish to transition to retirement) and an account-based pension option for those who have retired and wish to receive a flexible income stream in retirement allowing for commutations or lump sum withdrawals if the need arises.

Two guaranteed Income accounts are also available for those members who seek guaranteed income in retirement – the Lifetime Guaranteed Income Account and the Fixed Term Guaranteed Income Account.

The Trustee is of the view that the options, benefits and facilities it offers are appropriate to the beneficiaries.

Is the investment strategy, including the level of investment risk and return target appropriate for the beneficiaries? (S52(11)(b) SIS Act)

Investment objectives have been set having regard to a range of considerations including the demographics of legalsuper's membership and liquidity requirements.

legalsuper offers a range of twelve investment options each with different investment strategies, investment risk and targets. Each Choice and Pension investment option has different weightings to growth and defensive assets, different return objectives and levels of risk; affording members with an array of different return and risk objectives and an ability to choose the option which best suits their savings' needs and objectives.

These options include a Direct Investment Option (DIO) whereby members can invest directly in S&P/ASX300 shares Exchange Traded Funds, Listed Investment Companies, and/or Term Deposits. DIO members have access to a dividend reinvestment plan and can also take advantage of a range of corporate actions.

The Trustee is of the view that its investment strategy, level of investment risk and return target for its Choice and Pension products are appropriate for its beneficiaries.

Is the insurance strategy for the legalsuper MySuper and Choice products appropriate for the beneficiaries? (S52(11)(c) SIS Act)

Insurance is not available for pension members.

In providing members with default Death and Total & Permanent Disability (TPD) insurance cover, considerations include:

- An assessment of the trade-offs involved between affordability and insurance needs, and
- That the cost of insurance provided to members is reasonable based on the level of cover offered and is unlikely to result in any material erosion of a member's retirement benefit.

In 2020, Rice Warner was engaged to assist with a review of legalsuper's insurance arrangements. Rice Warner found that the methodology used by OnePath (legalsuper's insurer) in determining legalsuper's insurance pricing was reasonable.

Rice Warner also completed an affordability analysis whereby the average cost of legalsuper's default insurance cover was compared with the 1% of Ordinary Time Earnings limit proposed by the Insurance in Superannuation Voluntary Code of Practice⁷ which confirmed the following:

- Broadly, default Death and TPD premiums for members are below 1% of salary across most ages except for females aged 16 and 17 where the premium as a percentage of salary is slightly over 1%. Rice Warner noted that less than 0.1% of legalsuper's current membership are aged 16 and 17. Also, that following the 1 April 2020 implementation of Putting Members Interests' First (PMIF) legislation, new members aged under 25 no longer receive default insurance cover upon joining unless they opt-in;
- There is an increase in premiums relative to salary at age 26, as the member transitions to four units of default cover under legalsuper's insurance benefit design, although this increase does not cause the premium to be more than 1% of salary; and
- The impact of default cover premiums will not excessively erode member account balances.

The Trustee is of the view that the insurance strategy for its MySuper and Choice products is appropriate for its beneficiaries.

Are insurance fees inappropriately eroding the retirement income of MySuper and Choice beneficiaries? (S52(11)(d) SIS Act)

Insurance is not available for pension members.

Rice Warner's review of legalsuper's insurance arrangement (3 July 2020) concluded as follows:

'Overall, we believe that legalsuper's premiums are affordable compared to the Insurance in Superannuation Voluntary Code of Practice proposed 1% of Ordinary Time Earnings limit. Further, the impact of default cover premiums will not excessively erode member account balances.'

legalsuper has adopted the Insurance in Superannuation Voluntary Code of Practice which stipulates that insurance:

- is affordable and does not inappropriately erode retirement savings; and
- as part of determining affordability, premiums for automatic insurance cover will be set at a level that does not exceed 1% of an estimated level of salary for our membership generally.

The Trustee has formed the view that legalsuper's insurance fees are not inappropriately eroding the retirement incomes of MySuper and Choice beneficiaries.

Other relevant matters for MySuper, Choice and Pension products (per the Prudential Standards) (S52(11)(e) SIS Act):

As at 30 June 2020, total assets under management by legalsuper was \$4.1 billion and it had 43,088 members with an average balance of \$95,154.

legalsuper has the economies of scale to be able to negotiate and secure competitive services and fees with a range of third-party service providers including investment managers, fund administrators and insurers. Material outsourced providers are periodically put to tender or reviewed to ensure services and fees are competitive.

With a clearly defined target market (the Australian legal sector), legalsuper does not spend money on broad public advertising campaigns. This contrasts with many other super funds which need to spend material amounts on advertising and sponsorship to attract and retain members. Rather than spending money on

⁷ Rice Warner's work assumed average salaries for legalsuper's membership followed the average salary distribution for clerical and legal professionals in the ABS Survey of Income and Housing, Australia, 2017-18 and inflated to year 2020 with AWOTE indexation.

advertising, legalsuper supports the continuing professional development programs (CPD) of law societies across Australia. In addition to lifting legalsuper's brand profile in the legal community, support of the CPD programs advances the career development of legal professionals and their capacity to build their retirement savings.

legalsuper's operating costs for each year are set out in a budget which is reviewed by its Administration & Insurance Committee and then approved by the Board. Review of the proposed budget includes robust discussion with a clear focus on ensuring expenditure is incurred to improve member outcomes and consistent with members' best interests.

Our practice over many years has been to set the operating cost budget to not increase the Administration fee rates. Investment fees are the subject of ongoing review and negotiation, especially at times when new investment managers are appointed. Through 2020, material investment manager fee savings have been negotiated.

Due to its size and structure, legalsuper is more agile and effective in making decisions, responding to issues that arise, identifying niche investment opportunities and enacting strategy changes more quickly and efficiently than larger funds. Beneficiaries are not disadvantaged by legalsuper's smaller size and scale.

legalsuper's members are white-collar workers. Its membership is more homogenous (Australian legal sector) compared to other funds and provides advantages when designing and delivering cost-effective and sustainable products for members.

A smaller membership means our service and communication to members is more tailored and personal including a higher level of face-to-face contact compared to many other funds.

This information is of a general nature and does not take into account your specific needs. You should consider your own financial position, objectives and requirements before making any decision. You should also obtain and read the legalsuper Product Disclosure Statement (PDS) before making any decision in relation to legalsuper. The PDS can be obtained at legalsuper.com.au. Past performance is not necessarily an indicator of future performance.

Legal Super Pty Ltd ABN 37 004 455 789 AFSL 246315 as the Trustee for legalsuper ABN 60 346 078 879.