

# Plum Super – National Australia Bank Group Superannuation Fund A (Plan) (NABGSF)

2020 Annual Outcomes Assessment

National Australia Bank Group Superannuation Fund A (Plan) ('NABGSF') caters for employees and former employees of the National Australia Bank Group, and their spouses. This includes both members who do not make a specific choice about the investment and insurance arrangements that will apply to their superannuation as well as members who want to exercise investment choice. The product strives to appropriately balance the competing objectives of achieving appropriate returns for members while keeping investment risk at an acceptable level, providing adequate financial protection against the possibility of death or disability, and providing education and tools to help members better understand and engage with their superannuation.

NABGSF forms part of the MLC Super Fund, of which NULIS Nominees (Australia) Limited ('NULIS') is the Trustee. NULIS is responsible for all fiduciary, legal and regulatory obligations in relation to running the superannuation fund.

Each year, NULIS is required to conduct an Outcomes Assessment which determines whether it has 'promoted the financial interests' of the members of NABGSF.

The Outcomes Assessment is performed by MLC Wealth Limited (MLC) on behalf of NULIS using industry benchmarking, comparative data, in-house data and reviews performed by research houses. The Outcomes Assessment helps us to understand how we are performing on a range of measures. This benefits members since it helps us identify ways to improve the benefits and services we provide to them.

The Outcomes Assessment for the 2020 calendar year concluded that overall, the **NABGSF product is promoting the financial interests of members.**

This document provides a summary of the factors that were assessed in reaching this conclusion, including what we are doing well, areas identified as requiring improvement and how we intend to enhance the outcomes of members in future.

Note that the factors differ across the NAB Staff MySuper and the NABGSF 'choice' investment options. For MySuper, ten factors were assessed, including a Product Comparison (which comprises three factors) and a Product Assessment (seven factors). For the 'choice' offer, only the seven Product Assessment factors were considered.

It should be noted that this document reflects an assessment of product performance based on data collected during the 2020 calendar year. Given the highly competitive nature of the superannuation industry, members can expect the performance of the product, in absolute and relative terms, to vary from year to year. Our members receive yearly updates about the performance of their own superannuation investment, as well as details about any product changes, in their annual statements and other communications.

Additional information about NABGSF, as well as economic, financial and market updates, can be found on [nabgsf.com.au](http://nabgsf.com.au) and [plum.com.au](http://plum.com.au)

Note: in a number of places throughout this document, relative rankings are expressed in terms of 'quartiles'. Quartiles divide a group of peers into quarters, with 1st or top quartile typically referring to the best performing quarter. Similarly for 2nd, 3rd and 4th or bottom quartile.

## Product Comparison

This section is only relevant to the NAB Staff MySuper product.

## Net Returns

Net returns represent investment performance net of all fees and costs, including both investment and administration fees. The below table provides analysis conducted by our investment advisers JANA Investment Advisers Pty Ltd ('JANA'), which compares the net returns of NAB Staff MySuper to peers using the APRA published quarterly statistics. Performance was bottom quartile over a 1 year period and 3rd quartile over 3 years.

### Relative Performance, NAB Staff MySuper Net Returns

[Source: JANA Investment Advisers Pty Ltd based on APRA Quarterly Statistics and MLC Data]

NAB Staff MySuper	June 30 2020		Sept 30 2020	
	Net Return (Median)	Rank	Net Return/Median	Rank
3 years	4.1% (4.7%)	3rd quartile	4.2% (4.8%)	3rd quartile
1 year	-3.0% (-0.8%)	4th quartile	-2.5% (-1.3%)	4th quartile

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To gain an understanding of how the NAB Staff MySuper investment has performed over a longer timeframe, we supplemented the JANA analysis with internal analysis of SuperRatings ‘net investment returns’ data for each year since the product’s inception. This metric represents returns to members net of investment fees, but does not include administration fees.

As shown in the below table, NAB Staff MySuper outperformed the median in 4 of the last 6 years (on the basis of 1 year net investment returns to June 30 each year).

### NAB Staff MySuper Net Investment Return

[Source: SuperRatings Crediting Rate Survey]

Period to June 30	1 year NIR	Median	Out-performed
2015	9.7	9.3	Y
2016	3.2	2.7	Y
2017	11.9	9.7	Y
2018	9.5	8.8	Y
2019	6.6	7.2	N
2020	-2.8	-0.5	N

*Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.*

We acknowledge that NAB Staff MySuper encountered some performance issues over the last 2 years, which has affected our 1 and 3 year performance rankings. Our recent performance shortfall is primarily due to some large allocations to investments that were materially impacted by the COVID-19 pandemic.

The APRA heatmap released in December 2020 assessed the performance of NABGSF to be ‘white’ (and therefore competitive) for net returns to a representative member with \$50,000 over five and six year periods.

We concluded that the net returns being provided by the NAB Staff MySuper product are appropriate. In reaching this conclusion we gave greater weight to performance over longer time periods, which is appropriate given the long-term nature of superannuation.

### Level of investment risk

All investments carry risk, depending on an investment’s strategy and asset holdings. Higher returning investments tend to have higher risk which means their investment values tend to rise and fall more often and by greater amounts than lower risk investments.

While risk is a part of investing, we need to ensure the level of risk taken is appropriate, having regard to the targeted level of net returns and the risk profile of the product’s membership.

A Standard Risk Measure (‘SRM’) has been developed which measures risk in terms of the number of years within a twenty year period that the investment can be expected to generate a negative return. A higher SRM means that more frequent annual negative investment returns can be expected during the life of the investment, which means higher risk.

To conduct the assessment, we analysed the expected SRM of all MySuper products in the market, provided by the respective trustees.

The median SRM was found to be 3.8. This means that a ‘typical’ MySuper product can be expected to deliver a negative annual return slightly less than 4 times in a twenty year period.

The expected SRM of the NAB Staff MySuper product is also 3.8 – the same as for the median risk measure for all MySuper providers.

NAB Staff MySuper doesn’t yet have twenty years of returns so we can’t compare the expected SRM of 3.8 negative annual returns in a twenty-year period with its actual SRM. However, the product has experienced one negative annual return in the past 6 years which is consistent with the expected SRM.

We concluded that the level of investment risk of the NAB Staff MySuper product is appropriate.

### Fees and Costs

The assessment of fees and costs involves a peer comparison of both:

- Administration fees
- Total ongoing fees and costs (comprising both administration and investment fees and costs)

Administration fees relate to the administration or operation of the superannuation entity. Investment fees and costs relate to the investment of the assets of the superannuation entity.

The December 2020 APRA Heatmaps provided a comparison of fees and costs for all MySuper options using data as at 1 October, 2020 which showed that both the administration fees and total fees and costs for NAB Staff MySuper were rated ‘white’, which means they are competitive in relation to peers.

We concluded that the fees and costs being charged to members of the NAB Staff MySuper product are appropriate, given the total fees and costs were rated ‘white’ in the APRA Heatmaps.

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## Product Assessment

This section is relevant to both NAB Staff MySuper and NABGSF choice products.

### Options, benefits and facilities

Options, benefits and facilities include member communications, call centres, intra-fund advice, education, online account information and tools, and reporting services. They are paid for by the administration fees that we charge to members. These benefit the financial interests of members by supporting members in understanding and engaging with their superannuation, which in our view supports improved member outcomes over time.

Research consulting firm Chant West benchmarked our services against those of 60 distinct products offered by the different providers that they rate. It ranked our overall service proposition as being 1st quartile. This was based on:

- Our online education services, which offer educational information, case studies, calculators, and online chat was ranked amongst the best in the industry
- Our secure member online services were rated favourably based on the availability of key functionality, and good navigation and responsiveness
- Our member communications were found to provide comprehensive and well-presented information and were ranked above median. It was noted that our communications could be enhanced through tailoring and a greater focus on retirement adequacy
- Most of our advice service was rated favourably. While our digital advice offering was rated amongst the best in the industry, our overall ranking was lower because we currently only offer general telephone based advice and not scaled financial advice services to members. Scaled financial advice is personal advice that is limited in scope (i.e., to a limited range of issues or member needs). We are currently working to develop a scaled advice proposition for members

Internal surveys indicated that our interactive member education sessions, such as financial wellness webinars and workplace member seminars, were rated highly by members according to a 'Net Promoter Score' metric.

Some other member services, such as our call centre and transaction processing were separately assessed and found to offer a quality service. However, an over reliance on older technology and manual processing was identified which creates challenges in times of significant and unexpected volumes of member enquiries and requests. Despite this, when unusually high volumes of withdrawal requests were made by members under the COVID-19 Early Release of Super scheme in 2020, our processes were sufficiently resilient to enable the vast majority of members to withdraw their funds within five days.

Members who have insurance and who make an insurance claim are allocated a dedicated claims assessor to help them through the claims process. There is also a dedicated team of rehabilitation consultants that work with the member and their doctor to assist members on their path to recovery and help them to get safely back to work.

These claims services are complemented by additional health focussed services that are provided by the Insurer, MLC Limited, for members and their immediate family including:

- *Best Doctor Service* which provides access to more than 50,000 leading medical specialists from Australia and around the world, for a second medical opinion at no additional cost
- *Mental Health Navigator* which provides a review and second opinion on diagnosis and a treatment plan for mental health conditions

Overall, the options, benefits and facilities offered to members has been assessed as being appropriate.

### Investment Strategy

JANA assessed the appropriateness and adequacy of our investment strategy, for the NAB Staff MySuper product as well as for the NABGSF 8 'choice' options.

In the case of the NAB Staff MySuper product as well as 4 of the NABGSF 'choice' options (High Growth, Growth, Balanced and Capital Stable), the products have a goal of outperforming the CPI by a defined amount. For these strategies, JANA conducted forward-looking modelling to determine the probability of meeting the long-term objective. For each of these strategies, the probability threshold was met.

For the remaining 4 'choice' options (Australian Shares, Overseas Shares, Fixed Interest and Cash Plus) the strategy had the goal of outperforming a relevant market index. JANA conducted a qualitative analysis that indicated that the benchmark index stated is appropriate.

For one of these options (NABGSF Overseas Shares) the strategy was identified as having both not met its stated investment objective and having underperformed relative to peers as at the assessment date. This option will be assessed as part of an ongoing review of the investment menu.

We concluded that the overall investment strategy of NAB Staff MySuper and NABGSF choice options, which takes into consideration the investment strategies of each investment option, is appropriate for our members.

### Insurance Strategy

To evaluate the appropriateness of the insurance strategy for NABGSF, we assessed the design of the default insurance arrangements, the suitability of optional insurance offerings and the impact of premiums upon retirement benefits. This

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assessment relied on analysis provided by consulting firm, The Heron Partnership ('Heron').

For NABGSF the employer has negotiated a tailored insurance plan for their employees which also applies to former employees when they remain in the NABGSF retained division and to spouse members.

### Default cover

Automatic insurance cover is applied to employee members over age 25 who have an account balance above \$6,000.

This cover is intended to provide a level of insurance deemed as generally being appropriate for the needs of members, noting that members can request additional cover or cancel or reduce their insurance cover, based on their personal needs. Any request to add or increase insurance will be subject to application by the member and underwriting and acceptance by the Insurer.

The assessment concluded that the employer chosen automatic cover for employee members is adequate and reasonable and does not inappropriately erode retirement benefits when considering the plan's membership as a whole.

### Optional cover

Generally, members can increase their cover either through underwriting or using the Life Events insurance increase feature (where eligible). The Life Events feature allows members in certain circumstances to increase their cover when they have a 'life event', such as the birth of a child or taking out a new mortgage.

The assessment concluded that the optional cover offered is appropriate and reasonable when considering the membership as a whole. However, the review identified demand for a level of cover which exceeds the maximum increase in the sum insured currently allowed using Life Events, which we will consider.

With the above findings in mind, we concluded that overall, the insurance strategy for NABGSF is appropriate.

### Insurance fees

Insurance premiums associated with NABGSF were last updated on 1 December 2020.

As part of the review, supported by The Heron Partnership, tenders were requested from alternative insurers. This review resulted in a premium increase. Heron concluded that the premium rates would be:

- Lower than most of the peer funds for death/ Total and Permanent Disability (TPD) cover at most ages
- Higher than most of the peer funds for Income Protection (IP) premium cover, especially over age 40

Heron noted that most peers offer IP cover after underwriting for most or all members, rather than providing automatic IP cover, and underwriting can significantly reduce the overall premium cost of IP cover.

With respect to determining whether the insurance premiums create a risk of inappropriate erosion of retirement benefits, we have concluded that:

- Premiums for death/TPD cover alone do not inappropriately erode retirement benefits. When considering the membership as a whole, the cost of automatic Group Life insurance is below 1% of salary
- Around 2,900 members (c.8% of NABGSF members) that hold both death/TPD & IP cover will pay premiums that exceed 1% of their salary. A tailored communication program was put in place for these members in November 2020

The assessment concluded that, on balance, the insurance fees being charged to members are appropriate.

### Scale

Scale is important because operating a large business supports the long-term sustainability of our products and our ability to deliver member outcomes.

NULIS operates four superannuation funds including one of the largest in Australia, which includes the NABGSF product. Our total funds under management (FUM) was \$96 billion as of 30 June 2020 (#5 in the market), and we had 1.2 million members (#5). The NABGSF is also of significant scale, with \$5.1 billion in FUM and approximately 36,000 members as of 30 June 2020 (these figures include both NAB Staff MySuper and NABGSF choice).

We concluded that our large scale permits us to:

- Access a range of investment strategies for members that may not be available to members in smaller funds
- Effectively manage liquidity, for example being able to meet all member requests during periods of economic turbulence
- Reduce investment risk through investment pooling

A large business operating at scale can be expected to be sustainable over the long-term. The APRA Heatmaps measure sustainability of MySuper products via three metrics – total account growth rate, net cash flow ratio and net rollover ratio. For each of these, the NAB Staff MySuper product met the required thresholds in terms of sustainability.

With these factors in mind, we have concluded that the scale of our business operations, and NAB Staff MySuper, is appropriate.

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### Operating costs

Operating costs refers to the costs to operate our superannuation business. Given the nature of our business we have assessed operating costs at an enterprise level and not specifically for the NABGSF product.

Our analysis identified that our costs per member and per dollar of funds under management, are high in comparison to peers, and that these costs have increased over time. The level of member costs is primarily due to the complexity of our business, including the number of products we offer and the number of technology systems we operate. The increase in costs in the last 3 years includes the impact of increased regulatory and product change, combined with a reduction of members due to inactive member accounts being transferred to the ATO. A number of peer superannuation funds have similarly been impacted.

In the last calendar year, we made significant progress in reducing the complexity of our superannuation business through product and system rationalisation, including moving members in legacy products to more contemporary products. Work continues to further reduce the complexity of our business with a particular focus on simplifying our investment structures and offers. These initiatives are expected to reduce our operating costs.

Dividend payments that were paid to our parent company, NAB, were made in accordance with NULIS' Capital and Dividend Policy, which requires that the amount and timing of any dividend is consistent with NULIS' fiduciary duties and members' best interests.

NULIS has concluded that the operating costs of our business are high and reducing them needs to remain a priority.

### Basis of setting fees

We examined the fee and cost structure of NABGSF to assess whether it is appropriate. This included an assessment by our internal actuarial team of the split between flat and percentage-based fees, the application of minimum and maximum fee thresholds, the timing of fee charges and fee discounts or rebates. The review considered the reasonableness of the fee structure relative to the provision of services, the relative treatment of members and whether cross-subsidisation occurs and if it is justifiable. It also examined whether the attribution of costs that were passed onto members is appropriate.

This assessment is different to that which examined how competitive the fees and costs of NAB Staff MySuper are relative to peers (see above).

This assessment found that:

- The flat dollar administration fee is appropriate to cover costs that are the same for every member, such as account statements, product maintenance and responding to regulatory change. Note that administration fees can also be referred to as 'plan management fees'

- The percentage-based administration fee is appropriate to cover costs related to the size of accounts, such as unit pricing and risk
- Administration fees are appropriately capped to ensure members with high balances are not paying disproportionately higher fees than other members, which can't be attributed to higher costs generated by their membership in the fund
- The Trustee levy which is utilised to explicitly recover trustee and regulatory related expenses, is appropriate and transparent
- Other transaction-based fees, and/or product option fees (e.g. optional insurance) are charged on a user-pays basis, and are applicable to the individual member's choice and circumstances

No cross subsidisation exists between product categories – this is important because it means that fees paid by members holding one product are not used to pay for members holding a different product

With the above findings in mind, we concluded that the basis of setting fees and passing on costs to members of NABGSF is appropriate.

### The basis of our conclusion

For the three factors comprising the Product Comparison (which only applies to the NAB Staff MySuper product), all were found to be supporting NULIS' objective of promoting the financial interests of members:

- *Net returns*: notwithstanding that performance has dipped in recent years, performance over longer time periods was appropriate
- *Fees and costs*: are competitive with peers
- *Level of investment risk*: The risks undertaken to implement the investment strategy have been assessed as being appropriate and consistent with the level of risk estimated by peer superannuation providers

For the Product Assessment (which applies to both NAB Staff MySuper and 'choice' products within NABGSF), the following factors were found to be supporting NULIS' objective of promoting the financial interests of members:

- *Options, benefits & facilities*: NABGSF provides communication, online tools, education, advice and member engagement services that compare favourably to peers
- *Investment Strategy*: The overall NABGSF investment strategy is appropriate
- *Insurance Strategy*: NABGSF provides insurance with appropriate terms and conditions and overall, balances the need of members for protection from death and disability without unnecessary erosion of member balances

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- *Insurance fees:* On balance, the cost of insurance is appropriate
- *Scale:* The scale of NULIS' operations is substantial, which allows us to invest in assets that may not be available to members in smaller funds, hold sufficient liquidity in times of unexpected member drawdowns, and reduce risk through investment pooling
- *Basis of setting fees:* Fees are charged and costs are attributed to members in an appropriate fashion

In terms of areas where NULIS could do better, we have identified that our operating costs are too high. We are working to rationalise our products and systems to reduce our operating costs in the longer term.

Having regard to all the factors we assessed in performing the Annual Outcomes Assessment for the 2020 calendar year, we concluded that overall, **the NABGSF product is promoting the financial interests of members.**

This conclusion applies to both NAB Staff MySuper and 'choice' offers within NABGSF.

### Important information

NULIS Nominees (Australia) Limited (ABN 80 008 515 633 AFSL 236465) (NULIS) is the Trustee of MLC Super Fund (ABN 70 732 426 024) (Fund). You should consider the Product Disclosure Statement (PDS) before making an investment decision in relation to this product. A copy of the PDS is available at [nabgsf.com.au](http://nabgsf.com.au) or by calling 1300 557 586. MLC Wealth Limited has conducted the Outcomes Assessment on behalf of NULIS. The Outcomes Assessment is based upon data collected in the 2020 calendar year. The relevant data and assessments reflected in the Outcomes Assessment may change from year to year. This document has been prepared for reporting purposes only and should not be used for the purpose of informing investment decisions. This information is of a general nature only and does not take your specific needs or circumstances into consideration. You should consider the appropriateness of the information having regard to your personal situation before making any financial decisions. Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market. Returns are not guaranteed and actual returns may vary from any target returns described in this communication. The final authority on any issue relating to members' interests in the Fund is the Fund's Trust Deed, and any relevant insurance policy, that govern members' rights and obligations.

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