

2023 OUTCOMES ASSESSMENT



Our no. 1 priority remains our members, protecting their interests and financial wellbeing, and achieving strong superannuation outcomes to help them build the future and retirement they want.

This year the Trustee of the ANZ Australian Staff Superannuation Scheme (“ANZ Staff Super”) reports on its assessment of the outcomes achieved for our members for the year ended 30 June 2023 and ANZ Staff Super’s performance relative to other funds.

After a challenging investment performance in 2022, 2023 has produced improved investment returns despite a volatile environment with stubbornly high inflation, increased interest rates, and heightened geopolitical risks. Most superannuation funds, including ANZ Staff Super, achieved positive returns for the year ended 30 June 2023.

While there remains some uncertainty, ANZ Staff Super remains well positioned to manage the risks and volatility while remaining focused on delivering strong long-term returns and being open to opportunities.

ANZ Staff Super’s default investment option (MySuper product) is the Balanced Growth option. ANZ Staff Super also has three other investment options. In early October 2023, we assessed the performance of all four options for our super members (Employee, Employee Section C, Personal and Partner Sections) and Retirement Section members against our objectives and relative to other funds using publicly available information including statistics from APRA and research houses.

MySuper

Performance against investment objective and expected investment risk profile

The Balanced Growth option is our MySuper product. Balanced Growth is a diversified option that invests across a range of asset classes. 59% of this option is invested in shares and property, 24% in alternative assets and the remainder in fixed interest securities and cash. Its investment return objective is to achieve net returns that exceed Consumer Price Index (CPI) increases, on average, by at least 2.5% p.a. over rolling 10 year periods. For this option, the estimated frequency of negative returns over 20 years is 3.9 which is the standard investment risk measure for regulatory purposes.

Over the 10 years to 30 June 2023, the Balanced Growth option achieved its investment objective:

	Average net investment return*	Investment return objective	Excess
Employee, Personal & Partner Sections	7.0% p.a.	5.2% p.a.	1.8% p.a.

* After account management fees, investment costs and tax

Over the 20 years to 31 December 2022, the Balanced Growth option experienced 4 years where net investment returns were negative. This is consistent with its investment risk profile.

In August 2023, APRA advised that our MySuper product had passed its performance assessment for the 2022/23 financial year. More detail will be available in APRA’s 2023 MySuper product heatmap which is scheduled to be released in December 2023. Our MySuper product has passed APRA’s performance assessment every year since it was introduced in 2021.

Comparative target return, level of investment risk & net investment return

Our objective is to provide a MySuper investment option with a well-balanced risk/return profile achieving competitive returns.

APRA’s Quarterly MySuper Statistics (June 2023) showed that ANZ Staff Super’s Balanced Growth option ranked under median over 1, 3 and 5 years for single strategy MySuper products. The target return above inflation¹ for these products ranged from 1.4% to 4.1% - for ANZ Staff Super’s MySuper option, this target was 2.4%. The level of investment risk (i.e. estimated frequency of negative returns over 20 years) for these products ranged from 2.6 to 6.0 – for ANZ Staff Super’s MySuper option, this level is around median at 3.9.

We are comfortable that the investment strategy (including the return target and level of investment risk) of our MySuper product is appropriate taking into account ANZ Staff Super’s membership profile (where the average age and account balances are higher than they would be for other MySuper products) and anticipated risk tolerance of members invested in this option.

In the Rainmaker Monthly Investment Performance Report (June 2023), our Balanced Growth (MySuper) investment option ranked 2nd quartile for returns over 10 years and 3rd quartile over 1, 3 and 5 years.

The Trustee will continue to monitor the performance of the investment options and continually review its strategy and investment management arrangements and build resilience to sustainably enhance returns while managing risk to appropriate levels.

Fees and costs

Our objective in relation to fees and costs is to provide quality, value for money products and services at a competitive cost.

APRA’s Quarterly MySuper Statistics (June 2023) showed the annual administration and investment fees and costs for a representative member (balance of \$50,000) in a generic MySuper product ranged from \$237 to \$694. ANZ Staff Super’s fees and costs as shown in these statistics totalled \$313 for Employee Section members or \$353 for Personal/Partner Section members. These are the fifth lowest total fees and costs.

¹ This return target is an estimate of the expected return above inflation (after fees, costs and tax) over a 10-year period.

Insurance strategy

Our objective is to provide cover that balances members' likely insurance needs and the cost of cover and to allow flexibility for members to tailor their insurance arrangements to suit their needs.

ANZ Staff Super's default death and Total and Permanent Disablement (TPD) cover for Employee Section members is generally 3 times Total Employment Cost (TEC) or salary. Employee Section members can apply to have a higher or lower level of death and TPD cover – increases are subject to acceptance by the Insurer. We are comfortable that this strategy is appropriate for these members.

Erosion of account balances by insurance premiums

Our objective is to maintain premiums at competitive levels for the cover, terms and conditions offered. We seek to offer default cover of types and at levels appropriate to the relevant membership profile which doesn't inappropriately erode members' retirement savings. To achieve this objective, we seek to keep the premiums for default cover less than 1% of salary.

ANZ Staff Super's premiums for Employee Section members' default cover is less than 1% of salary at all ages.

Options, benefits and facilities

ANZ Staff Super provides appropriate options, benefits and facilities for our members and are consistent with the ranges offered by other superannuation funds. In making this assessment, we've reviewed the offerings of other major corporate funds (such as Telstra Super, Qantas Super and Commonwealth Bank Group Super) and a number of public offer funds (such as Australian Super, CBUS, Hesta, Aware Super, HostPlus, Equip Super, UniSuper and Australian Retirement Trust).

Choice

Performance against investment objectives and expected investment risk profile

Our objective is to provide a range of investment options with well-balanced risk/return profiles achieving competitive returns.

Our four options have the following investment return objectives and levels of investment risk:

Investment option	Investment return objective	Level of investment risk (estimated frequency of negative returns over 20 years)
Aggressive Growth	Achieve net returns that exceed CPI increases, on average, by at least 3.0% p.a. over rolling 10 year periods	5
Balanced Growth	Achieve net returns that exceed CPI increases, on average, by at least 2.5% p.a. over rolling 10 year periods	3.9
Cautious	Achieve net returns that exceed CPI increases, on average, by at least 1.0% p.a. over rolling 10 year periods	1.6
Cash	To equal or exceed the RBA cash rate over rolling 1 year periods	0

Over the 10 years to 30 June 2023, our investment options all achieved their investment objectives:

	Average net investment return*	Investment return objective	Excess
Aggressive Growth			
- Employee, Personal, Partner Section members and Transition to Retirement pensions	8.8% p.a.	5.7% p.a.	3.1% p.a.
- Other Retirement Section members	9.6% p.a.	5.7% p.a.	3.9% p.a.
Balanced Growth			
- Employee, Personal, Partner Section members and Transition to Retirement pensions	7.0% p.a.	5.2% p.a.	1.8% p.a.
- Other Retirement Section members	7.7% p.a.	5.2% p.a.	2.5% p.a.
Cautious			
- Employee, Personal, Partner Section members and Transition to Retirement pensions	4.4% p.a.	3.7% p.a.	0.7% p.a.
- Other Retirement Section members	5.0% p.a.	3.7% p.a.	1.3% p.a.
Cash			
- Employee, Personal, Partner Section members and Transition to Retirement pensions	1.5% p.a.	1.5% p.a.	0.0% p.a.
- Other Retirement Section members	1.9% p.a.	1.5% p.a.	0.4% p.a.

* After account management fees, investment costs and, where applicable, tax

Over the 20 years to 31 December 2022:

- **Aggressive Growth** experienced 4 years where net investment returns were negative,
- **Balanced Growth** 4 years where net investment returns were negative, and
- **Cautious** 2 years where net investment returns were negative.

Cash did not experience negative returns in any year during this period. The experience of all our options is consistent with their investment risk profiles.

Comparative net investment returns

The Rainmaker Monthly Investment Performance Report for June 2023 provided the following rankings for our investment options:

	June 2023 results			
	Aggressive Growth	Balanced Growth	Cautious	Cash
1 year return (%)	11.6	8.0	4.5	2.9
Quartile	2nd	3rd	3rd	1st
3 year return (%)	9.4	6.5	2.9	1.3
Quartile	2nd	3rd	3rd	1st
5 year return (%)	6.8	5.1	3.1	1.3
Quartile	2nd	3rd	3rd	1st
10 year return (%)	8.8	7.0	4.4	1.5
Quartile	1st	2nd	2nd	1st

Fees and costs

Administration and investment fees and costs

The Chant West Fee Survey (June 2023) includes the rankings for a range of sample account balances - \$25,000, \$50,000, \$100,000, \$250,000, \$500,000 and \$750,000.

For the Aggressive Growth option, our Employee Section ranked 1st for the lowest administration fees and investment costs for balances of \$25,000, \$50,000 and \$100,000, 3rd lowest for balances of \$250,000 and \$500,000, and 2nd lowest for a balance of \$700,000. Our fees and costs would rank from 3rd to 7th lowest across the range of balances for the Personal and Partner Sections and 2nd to 6th lowest across the range of balances for the Retirement Section.

For the Balanced Growth option, our Employee Section ranked lowest for balances of \$25,000 and \$50,000, 2nd lowest for a balance of \$100,000, and 3rd or 4th lowest for the other balances. Depending on the balance, our fees and costs would rank 3rd to 10th lowest across the range of balances for the Personal and Partner Sections and 2nd to 8th lowest for the Retirement Section.

For the Cautious option, our Employee Section ranked 1st to 4th lowest across the balances. Our fees and costs would rank from 3rd to 14th lowest across the range of balances for the Personal and Partner Sections and 2nd to 8th lowest for the Retirement Section.

The Chant West Fee Survey included around 80 products in each of the investment risk categories.

Insurance premiums

In the Chant West Insurance Premium Survey (July 2023), ANZ Staff Super's Employee Section again rated no. 1 overall for the lowest death and TPD insurance premiums based on the indices developed by Chant West to assess market competitiveness. For male members aged 25, 40 and 55, it was ranked no. 1 for the lowest premiums. For female members, it was ranked no. 3 for the lowest premiums at age 25 and no. 1 at ages 40 and 55.

Other

Scale, operating costs & relative level of fees and costs

We regularly analyse changes in the number of accounts, membership profile and holdings together with the financial analysis of the coverage of operating costs.

At 30 June 2023, ANZ Staff Super had around 29,467 members and assets around \$6.2 billion. At this scale, ANZ Staff Super is able to achieve competitive returns across its options and rank highly for competitive fees, costs and insurance premiums so there is no evidence that our members are being disadvantaged by ANZ Staff Super's scale.

Our competitive fees and costs show that our operating costs are not inappropriately affecting the financial interests of our members.

Basis for setting fees

Both administration fees and investment costs are applied on a cost recovery basis only. We believe that this is an appropriate basis for setting these fees.

Overall

Having considered the outcomes achieved for ANZ Staff Super in absolute terms and relative to other funds, the Trustee determined that it is promoting the financial interests of our members who hold ANZ Staff Super's MySuper and Choice products. ANZ Staff Super has adequate scale to deliver a range of benefits to members with competitively low fees and costs which indicate that its operating costs do not inappropriately affect its members' interests. Overall the Trustee is comfortable that ANZ Staff Super is operating in members' best financial interests.