

Choice Annual Outcomes Assessment

Each year, we, Mercer Superannuation (Australia) Ltd (MSAL) as Trustee of Virgin Money Super are required to assess Virgin Money Super's Choice performance against other super products and determine whether it promotes the financial interests of its customers¹.

When carrying out this assessment, MSAL considered a number of factors including investment options, investment performance, costs and fees, insurance options and fees of Virgin Money Super, as well as the overall size and scale of MSAL.

The annual assessment is split into three stages – two comparative assessment stages as applied for the 2022 assessments, and a further stage which considers the results of the Australian Prudential Regulation Authority (APRA) Annual Superannuation Performance Test.

For the two comparative assessment stages, the Trustee is required to:

- decide on the weighting of the comparative assessment stages when making its determination – The Trustee has decided to place an equal weighting on both comparative assessment stages; and
- identify the other super products used to undertake the comparison – noting Virgin Money Super is a Choice product, the Trustee has decided to perform comparative assessments against Choice products in the market.

We've assessed the performance of Virgin Money Super and determined that it is continuing to promote the financial interests of customers as at 30 June 2022.

Both comparative assessment stages examine results based on different factors. We summarise the assessment of each factor in the table below.

Factor	Rating
Stage 1	
Net Investment Returns	Customers' financial interests are promoted.
Investment Risk	Customers' financial interests are promoted.
Fees	Customers' financial interests are promoted.
Stage 2	
Options, Benefits and Facilities	Customers' financial interests are promoted.
Investment Strategy	Customers' financial interests are promoted.
Insurance Strategy	Customers' financial interests are promoted.
Insurance Fees	Customers' financial interests are promoted.
Scale	Customers' financial interests are promoted.
Operating Cost	Customers' financial interests are promoted.
Fees Structure	Customers' financial interests are promoted.

¹ SIS Act section 52 (9)

Guide to Reading this Document

Comparison Table Key

Quartile	Colour
Bottom 25% of Choice Products (Bottom Quartile)	
Bottom 50% to 25%of Choice Products (Below Median)	
Top 50% to 75% of Choice Products (Above Median)	
Top 25% of Choice Products (Top Quartile)	

For Fees and Costs, above median refers to the fees being less expensive than the median. Below median refers to the fees being more expensive than the median.

For Returns, above median refers to the returns being higher than the median. Below median refers to the returns being lower than the median.

Stage One

Net Investment Returns

Rating

Customers' financial interests are mostly promoted

Investment returns, after deduction of all fees, costs, and taxes, are mostly below median in the short term.

The table below shows Virgin Money Super net returns over 1, 3 and 5 years, along with how those returns compared to other Choice products².

Choice Product	5-year net return (% p.a.)	3-year net return (% p.a.)	1-year net return (% p.a.)
Indexed Australian Listed Property	4.01%	-2.36%	-10.89%
Indexed Australian Shares	7.21%	4.10%	-4.61%
Indexed Diversified Shares	7.78%	5.76%	-6.05%
Indexed Overseas Shares	9.54%	7.38%	-5.59%
Enhanced Indexed Growth	5.55%	3.46%	-6.18%
Enhanced Indexed Conservative Growth	3.26%	1.47%	-4.71%
Cash	1.02%	0.43%	0.09%

Higher growth Strategic Asset Allocation (SAA) options, such as Indexed Australian Shares and Indexed Diversified Shares, have had better returns over the longer 3 and 5-year periods, ranking above median or top quartile. More defensively geared options ranked bottom quartile over the same periods. Results over 1 year were similar, with lower growth SAA options generally performing better in a year where markets declined.

Overall, when the performance of each option is weighted based on the investment strategy and historical returns, customers' financial interests are promoted.

Investment Risks

Rating

Customers' financial interests are promoted

Overall, customers' financial interests are promoted as Virgin Money Super does not expose customers to levels of investment risk inappropriate for their chosen investment option.

As part of the APRA requirements, the Trustee performs an annual review of each Virgin Money Super investment option to understand the level of investment risk inherent in each option and whether that would be in line with the expectations of the customers who are invested in that option. During the last review in 2021 the Trustee confirmed that it was comfortable with the level of investment risk in each option.

² SuperRatings Return Data as at 30 June 2022

Fees

Rating

Customers' financial interests are promoted

Per annum fees for Virgin Money Super are amongst the lowest when compared to other similar Choice products and would be considered to be promoting the financial interests of customers

All Virgin Money Super option sit above median or top bottom quartile against competitor choice products, having some of the lowest fees in the market³.

Choice Product	Fees (% p.a.) ⁴	Difference to median	Rank and Quartile
Median	0.87%	-	118
Indexed Australian Listed Property	0.87%	0.00%	120
Indexed Australian Shares	0.79%	-0.08%	143
Indexed Diversified Shares	0.80%	-0.07%	139
Indexed Overseas Shares	0.79%	-0.08%	146
Enhanced Indexed Growth	0.85%	-0.02%	127
Enhanced Indexed Conservative Growth	0.86%	-0.01%	122
Cash	0.67%	-0.20%	171

³ SuperRatings Fees Data as at 30 June 2022

⁴ Fees include investment and administration fees; i.e., it is total fees, with APRA data comparing customers using a representative \$50,000 account balance

VMS Investment Option	Class	Number of Options in Class	Rank and Quartile amongst Asset Class	VMS Option Asset Allocation	Class Asset Allocation Median	VMS Fee	Median Class Fee
Indexed Australian Listed Property	Listed Property	3	1	100%	100%	0.87%	0.82%
Indexed Australian Shares	Australian Shares	31	21	100%	100%	0.79%	1.00%
Indexed Diversified Shares	High Growth (91-100)	18	11	100%	100%	0.80%	0.99%
Indexed Overseas Shares	International Shares	31	19	100%	100%	0.79%	0.86%
Enhanced Indexed Growth	Balanced (60-76)	39	24	75%	73%	0.85%	0.89%
Enhanced Indexed Conservative Growth	Capital Stable (20-40)	21	10	35%	35%	0.86%	0.80%
Cash	Cash	17	1	0%	0%	0.67%	0.43%

All Virgin Money Super Choice options sit above median when ranked amongst competitor Choice products. The Cash and Indexed Australian Listed Property options are bottom quartile in their respective asset classes, and Enhanced Indexed Conservative Growth is below median. All other options are above median.

Stage Two

Factor	Rating
	<p>Customers' financial interests are promoted.</p> <p>The trustee assessed the appropriateness of the options, benefits, and facilities in the MST in February 2020, considering customer outcomes, customer services, and any subsequent actions to improve the MST service offering. The assessment was that the options, benefits, and facilities provided in the MST provide significant value for customers.</p>
Options, Benefits and Facilities	<p>Further to this, the Chant West customer outcomes dashboard rated Virgin Money Super 5 out of 5⁵ for quality of Customer Services and Customer Engagement.</p> <p>MST also achieved an overall Net Promoter Score (NPS) of +13⁶, which sits well above our comparative superannuation industry average benchmark and among the top 10 ranked reported super funds⁷. Virgin Money Super also collates their independent NPS scores across the calendar years which achieved an overall NPS of +10.2.</p>
	<p>Customers' financial interests are promoted.</p> <p>An annual review of investments has been completed, and adjustments were made to the investment strategy to improve customer outcomes.</p> <p>Overall, the Trustee is comfortable that the annual review process ensures each investment strategy continues to promote customers' best financial interests.</p>
Investment Strategy	
	<p>Customers' financial interests are promoted.</p> <p>In accordance with the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act)⁸, we have used the Insurance Management Framework to assess the appropriateness of the Insurance Strategy.</p> <p>A benchmarking exercise was last undertaken in 2019 as part of the Virgin Money Super insurance policy renewal process. The benchmarking highlighted that terms, conditions and pricing were reasonable and competitive given the nature and experience of the Virgin Money Super product and resulted in Zurich being re-appointed as the insurer for the product.</p> <p>With the current rate guarantee due to expire 22 April 2023, benchmarking of Virgin Money Super insurance arrangements will again be undertaken as part of the insurance policy renewal process to ensure that insurance benefits remain appropriate for beneficiaries.</p> <p>Furthermore, Virgin Money Super products were rated 4 out of 5 by Chant West⁹.</p> <p>Subsequently, we have determined that our Insurance Strategy supports customer needs.</p>
Insurance Strategy	
	<p>Customers' financial interests are promoted.</p> <p>Again, using the Insurance Management Framework to assess the appropriateness of Insurance Fees, highlighted that for all customers of the Virgin Money Super product, the cost of insurance provided on an automatic basis does not generally exceed 1% of an estimated salary.</p> <p>Given this analysis we have determined that the insurance fees charged in relation to Virgin Money Super do not inappropriately erode the retirement income of customers.</p>
Insurance Fees	

⁵ Chant West Customer Outcomes Dashboard 30 June 2022

⁶ Mercer Super in-house online Customer Sentiment program

⁷ Investment Trends Super Member Engagement Report 2022 – Independent research with 23 major super funds surveying over 7,500 Australians

⁸ APRA Prudential Standard SPS 250 Insurance in Superannuation

⁹ Chant West Customer Outcomes Dashboard 30 June 2022

Factor	Rating
Scale	<p>Customers' financial interests are promoted.</p> <p>In determining scale, and whether the scale of MSAL's operations disadvantages the financial interests of beneficiaries in a particular product, we separately analysed Virgin Money Super against five scale assessment perspectives:</p> <ol style="list-style-type: none"> 1. Operational scale 2. Impact on investment strategy 3. Bargaining power with service providers 4. Staffing 5. Risk pooling. <p>Three categories determined the scale was optimised and the remaining two categories, Operational Scale and Bargaining Power with Service Providers, were determined that scale was obtained, however could be improved on in the future.</p> <p>Additionally, based on analysis of the APRA annual fund-level superannuation statistics as at 30 June 2022, MSAL ranked 18th (of all APRA regulated funds with more than four customers respectively) for number of customer accounts and total assets. Both results are above the median and just outside the top quartile and thus providing strong scale opportunities for customers.</p> <p>Although this annual outcomes assessment is for Virgin Money Super specifically, the product benefits from the full scale of MSAL's operations and therefore the comparison has been completed at the most comparable level for MSAL which is Registrable Superannuation Entity (RSE) level.</p>
Operating Cost	<p>Customers' financial interests are promoted.</p> <p>MSAL outsources all of the functions required to operate the MST in an efficient and effective manner. Therefore, how the operating costs of the MST affect customers' financial interests depends largely on the costs MSAL pays to its service providers.</p> <p>The service providers have contracts that are negotiated regularly and benchmarked to other potential providers.</p>
Fees Structure	<p>Customers' financial interests are promoted.</p> <p>MSAL regularly assesses the appropriateness of the fees charged to Virgin Money Super beneficiaries. The assessment considers; Attribution of costs, Fee discounts or rebates, the structure of the fees charged, fee comparison to comparable products.</p> <p>The most recent assessment determined that Administration Fees, Investment Fees, and Shared Costs were appropriate for Virgin Money Super customers.</p>

Stage 3 Annual Superannuation Performance Test

The annual outcomes assessment also requires regard of the latest determination by APRA of the Virgin Money Super Choice product's performance under the APRA Annual Superannuation Performance Test.

As there has been no APRA Choice Heatmap nor Choice Annual Superannuation Performance Test this year, these could not be taken into consideration in the overall assessment.

Overall Determination

Balancing the Stage 1 and Stage 2 assessments

We are required to balance the Stage 1 and Stage 2 assessments so as to make an overall determination of whether the Virgin Money Super Choice product promotes the financial interests of beneficiaries in the product.

MSAL notes that the Stage 1 assessments look at historic data and includes the net returns analysis, which is an important consideration to assess whether member outcomes are being delivered. The Stage 2 assessments are more forward looking in nature but equally important to assist MSAL make its overall determination. As a result, MSAL has chosen to place an equal weighting on each stage (a 50:50 balance has been applied).

Overall Determination

Based on consideration of the weighted Stage 1 and Stage 2 assessments conducted and given that a Choice APRA Annual Superannuation Performance Test (Stage Three) could not be taken into consideration, it would be appropriate for MSAL to determine that it is promoting the financial interests of Virgin Money Super Choice product customers.