

MySuper 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 MySuper products performance against other 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 annual Australian Prudential Regulation Authority (APRA) 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 MySuper is a MySuper product, the Trustee has decided to perform comparative assessments against all MySuper products in the market.*

We've assessed the performance of Virgin Money MySuper 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	Members' financial interests are promoted.
Investment Risk	Members' financial interests are promoted.
Fees	Members' financial interests are promoted.
Stage 2	
Options, Benefits and Facilities	Members' financial interests are promoted.
Investment Strategy	Members' financial interests are promoted.
Insurance Strategy	Members' financial interests are promoted.
Insurance Fees	Members' financial interests are promoted.
Scale	Members' financial interests are promoted.
Operating Cost	Members' financial interests are promoted.
Fees Structure	Members' financial interests are promoted.

¹ SIS Act section 52 (9)

Guide to Reading this Document

Comparison Table Key

Quartile	Colour
Bottom 25% of MySuper Products (Bottom Quartile)	
Bottom 50% to 25%of MySuper Products (Below Median)	
Top 50% to 75% of MySuper Products (Above Median)	
Top 25% of MySuper 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 promoted	Investment returns, after deduction of all fees, costs, and taxes, are performing as intended.

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

Lifecycle Stage	1-year net return (% p.a.) ³	3-year annualised net return (% p.a.)	5-year annualised net return (% p.a.)	Stage of glidepath
Born prior to 1949	-6.03	1.39	3.60	Post-glide
Born 1949 to 1953	-5.64	1.57	3.81	Post-glide
Born 1954 to 1958	-5.53	2.10	4.42	In-glide
Born 1959 to 1963	-6.10	2.67	5.04	In-glide
Born 1964 to 1968	-6.61	3.24	5.67	In-glide
Born 1969 to 1973	-7.16	3.60	6.06	Pre-glide
Born 1974 to 1978	-7.13	3.74	6.12	Pre-glide
Born 1979 to 1983	-7.21	3.77	6.16	Pre-glide
Born 1984 to 1988	-7.07	3.79	6.17	Pre-glide
Born 1989 to 1993	-7.05	3.75	6.13	Pre-glide
Born 1994 to 1998	-6.84	3.73	6.10	Pre-glide
Born 1999 to 2003	-6.84	3.66	5.94	Pre-glide
Born 2004 to 2008	-6.85	3.65		Pre-glide
Born 2009 to 2013	-6.94	3.84	6.24	Pre-glide
Born 2014 to 2018	-6.70	3.86	5.92	Pre-glide

The pre-glide Lifecycle stages continue to outperform the medians over 3 and 5 years however underperformed over 1 year.

There was underperformance relative to composite benchmarks over the 1, 3 and 5-year periods for all but two in-glide and post-glide Lifecycle stages primarily due to the asset allocation impact of being underweight in the alternatives asset classes such as unlisted assets that performed considerably better than listed markets.

The in-glide and post-glide cohorts have an increasingly reduced proportion of assets invested in growth type asset classes as customers age, consistent with the primary focus on reducing downside risk for cohort customers

In order to better help us determine whether in-glide and post-glide Virgin Money Super MySuper cohorts are promoting customers' interests, we have considered net returns taking risk into account. For each post-glide and in-glide cohort, we have measured the level of investment risk based on the allocation to growth assets. We then combined the net returns with the level of investment risk to determine risk-adjusted net returns, which were then compared with all MySuper products. Results from the comparative assessment are shown in the table below:

² The APRA MySuper Heatmap included 434 products as at 30 June 2022. This includes single diversified and all lifestyle stages

³ Values only provided for options funded as at 30 June 2022

Lifecycle Stage	Stage of glidepath	Growth allocation %	Number of Products within Band	1-year net return (% p.a.) ⁴		3-year annualised net return (% p.a.)		5-year annualised net return (% p.a.)	
				Quartile (vs all MySuper products)	Quartile (within band)	Quartile (vs all MySuper products)	Quartile (within band)	Quartile (vs all MySuper products)	Quartile (within band)
Born prior to 1949	Post-glide	47%	43	Below Median	Above Median	Bottom quartile	Above Median	Bottom quartile	Above Median
Born 1949 to 1953	Post-glide	76%	89	Below Median	Below Median	Bottom quartile	Bottom quartile	Bottom quartile	Bottom quartile
Born 1954 to 1958	In-glide	76%	89	Above Median	Below Median	Bottom quartile	Bottom quartile	Below Median	Bottom quartile
Born 1959 to 1963	In-glide	76%	89	Below Median	Bottom quartile	Below Median	Bottom quartile	Below Median	Below Median
Born 1964 to 1968	In-glide	76%	89	Below Median	Bottom quartile	Below Median	Below Median	Above Median	Above Median
Born 1969 to 1973	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 1974 to 1978	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 1979 to 1983	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 1984 to 1988	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 1989 to 1993	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 1994 to 1998	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 1999 to 2003	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Above Median
Born 2004 to 2008	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median		
Born 2009 to 2013	Pre-glide	87%	165	Bottom quartile	Bottom quartile	Above Median	Below Median	Top quartile	Top quartile
Born 2014 to 2018	Pre-glide	87%	165	Below Median	Below Median	Above Median	Below Median	Top quartile	Above Median

The results by risk band show below median and largely bottom quartile over both 1 and 3 years show the performance over 5 years improves with 11 out of the 15 LifeStage Tracker stages being above median and 7 out of 15 being in the top quartile.

⁴ Values only provided for options funded as at 30 June 2022

APRA considers assessing performance over longer time periods is most relevant as this is more consistent with the long-term nature of most customers' investment in superannuation.

Overall, when the performance of each lifecycle stage is weighted based on the value of assets, customers' financial interests are promoted.

Investment Risks

Rating

Customers' financial interests are promoted

Compared with other MySuper products the level of investment risk in Virgin Money MySuper is in line with the glidepath strategy.

The Virgin Money Super MySuper product takes on more investment risk in early years when the customers are further from retirement and then transitions to a lower risk investment strategy. Compared to other MySuper products it is doing as it is intended as the (pre/in/post-glide) cohorts tie in with the level of investment risk respectively.

Lifecycle Stage	Estimated number of negative net investment returns over a 20-year period	Rank amongst all products ⁵	Stage of glidepath
Born prior to 1949	3.50	313	Post-glide
Born 1949 to 1953	3.80	283	Post-glide
Born 1954 to 1958	4.30	196	In-glide
Born 1959 to 1963	4.80	125	In-glide
Born 1964 to 1968	5.10	95	In-glide
Born 1969 to 1973	5.30	82	Pre-glide
Born 1974 to 1978	5.30	82	Pre-glide
Born 1979 to 1983	5.30	82	Pre-glide
Born 1984 to 1988	5.30	82	Pre-glide
Born 1989 to 1993	5.30	82	Pre-glide
Born 1994 to 1998	5.30	82	Pre-glide
Born 1999 to 2003	5.30	82	Pre-glide
Born 2004 to 2008	5.30	82	Pre-glide
Born 2009 to 2013	5.30	82	Pre-glide
Born 2014 to 2018	5.30	82	Pre-glide

The standard risk measure produces a higher risk metric for Virgin Money Super MySuper compared to the other lifecycle products offered by MSAL because it is passively invested. MSAL approved this higher level of investment risk as part of its investment strategy for this product.

The in-glide and pre-glide cohorts for Virgin Money MySuper have a level of investment risk that is higher relative to all other MySuper products, which is to be expected given the glidepath strategy supports taking additional risk for cohorts of customers who are many years from retirement. The in-glide and pre-glide cohorts therefore gradually rank from higher to lower, in line with the glidepath risk strategy.

⁵ Single diversified and all lifestyle stages. The APRA MySuper Heatmap included 434 products as at 30 June 2022

The reducing level of investment risk in the post-glide cohort final position is also in line with the glidepath strategy, thus having a level of investment risk that is lower relative to all other MySuper products.

Overall, customers' financial interests are promoted as Virgin Money MySuper does not expose customers to significantly higher levels of investment risk when compared with all MySuper products.

Fees

Rating	Rating
Customers' financial interests are promoted	The per annum fees for each Virgin Money Super MySuper product LifeStage Tracker stage rank above median (less expensive). While Virgin Money Super MySuper has a high administration fee in comparison to other product the investment fee is sufficiently low to result in the product having low total fees. The low investment fee is a result of a fully passive investment strategy, whereas most competitors adopt some active management.

The table below shows Virgin Money MySuper fees, along with how those fees compared to all other MySuper products⁶.

Lifecycle Stage	Fees (% p.a.) ⁷	Difference to Median	Rank and Quartile amongst all products
Median	0.98	-	218
Born prior to 1949	0.73	-0.25	358
Born 1949 to 1953	0.73	-0.25	358
Born 1954 to 1958	0.72	-0.26	372
Born 1959 to 1963	0.73	-0.25	358
Born 1964 to 1968	0.73	-0.25	358
Born 1969 to 1973	0.73	-0.25	358
Born 1974 to 1978	0.73	-0.25	358
Born 1979 to 1983	0.73	-0.25	358
Born 1984 to 1988	0.73	-0.25	358
Born 1989 to 1993	0.73	-0.25	358
Born 1994 to 1998	0.73	-0.25	358
Born 1999 to 2003	0.73	-0.25	358
Born 2004 to 2008	0.73	-0.25	358
Born 2009 to 2013	0.73	-0.25	358
Born 2014 to 2018	0.73	-0.25	358

All Virgin Money Super MySuper options sit in the top quartile against all MySuper products, having some of the lowest fees in the market.

Overall, customers' financial interests are promoted as the majority of Virgin Money MySuper fees are amongst the lowest when compared with all MySuper products.

⁶ The APRA MySuper Heatmap included 434 products as at 30 June 2022. This includes single diversified and all lifestyle stages

⁷ Fees include investment and administration fees; i.e., it is total fees, with APRA data comparing customers using a representative \$50,000 account balance Data as at 30 June 2022

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 member outcomes, member 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 member outcomes dashboard rated Virgin Money Super 5 out of 5⁸ for quality of Member Services and Member Engagement.</p> <p>MST also achieved an overall Net Promoter Score (NPS) of +13⁹, which sits well above our comparative superannuation industry average benchmark and among the top 10 ranked reported super funds¹⁰. 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 member 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)¹¹, we have used the Insurance Management Framework¹⁰ 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, our products were rated 4 out of 5 by Chant West¹².</p> <p>Subsequently we have determined that our Insurance Strategy supports member 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 MySuper 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 MySuper do not inappropriately erode the retirement income of customers.</p>
Insurance Fees	

⁸ Chant West Member Outcomes Dashboard 30 June 2022

⁹ Mercer Super in-house online Customer Sentiment program

¹⁰ Investment Trends Super Member Engagement Report 2022 – Independent research with 23 major super funds surveying over 7,500 Australians

¹¹ APRA Prudential Standard SPS 250 Insurance in Superannuation

¹² Chant West Member 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 MySuper 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 members respectively) for number of member 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 MySuper 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 members' 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 MySuper 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 MySuper customers.</p>

Stage 3 Annual Superannuation Performance Assessment

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

The APRA MySuper Heatmap released in December 2022 indicated that Virgin Money MySuper passed the APRA Annual Superannuation Performance Test as at 30 June 2022.

Accordingly, the APRA Annual Superannuation Performance Test result supports a view that MSAL is promoting the financial interests of Virgin Money MySuper product customers.

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 MySuper product promotes the financial interests of beneficiaries.

We note 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 us in making an overall determination. As a result, we have 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 the result of the APRA Annual Superannuation Performance Test, it would be appropriate for us to determine that we are promoting the financial interests of Virgin Money MySuper product customers.