



Living Super

Year in Review

2020



do your thing



## ING Superannuation Fund – Living Super

Living Super is a product issued out of the ING Superannuation Fund ('the Fund').

### Year in Review 2020

We are required to assess our performance and, based on that assessment, make an annual determination that members' interests have been promoted, in accordance with superannuation laws and standards.

### Summary

We are pleased to have delivered a good year for our Living Super members despite the challenges we have all faced due to COVID-19.

As at 30 June 2020, Living Super had 59,316 members of which close to 80% were active, and \$2.74 billion under management.

After considering our Living Super members' best interests, we delivered the following:

- We reduced the overall Administration fee within Living Super by 0.12%. On a \$50K balance, this equates to a reduction of \$60 per year.
- On 1 July 2020, we introduced two new managed investment options within the Fund – Moderate and Conservative.
- We made changes to the asset allocation of our diversified investment options.
- From 1 July 2020, we excluded tobacco and controversial weapons from our international equities portfolios.
- To help members during the COVID-19 pandemic, we relaxed our Term Deposit guidelines to make it easier for members to get access to their super:
  - We waived the interest rate reduction that normally applies when members break a term deposit held with Living Super before the maturity date; and
  - For all members eligible for early release of superannuation under the COVID-19 criteria (applied for through the ATO), we waived the requirement to provide 31 days' notice to break a term deposit.

We consider that our improved investment menu provides an appropriate mix of options for our members and we continue to build on it based on the outcomes of member research.

As 2020 was a challenging year for financial markets, not all our investment options met their return objectives. However, overall performance for the year is comparable to other peer funds within the industry, with some investment options generating returns above the peer median.

Our insurance options are flexible to meet the differing needs of our members. We are meeting our target of insurance premiums, being less than 1% of average salary.

The basis for our fee structure remains appropriate for Living Super members and our fees are competitive.

Living Super received gold ratings from [SuperRatings](#)<sup>1</sup> for its Super and Pension in 2021. A gold rating means that SuperRatings regard the Fund as a 'good value-for-money' fund.

We are also very proud to have received the Canstar award 'Most Satisfied Customers - Super Fund 2020', based on our communication, customer service, fees, product offering and comprehensive investment menu.

<sup>1</sup> SuperRatings does not issue, sell, guarantee or underwrite this product. Go to [www.superratings.com.au](http://www.superratings.com.au) for details of its ratings criteria.



## Determination

Based on the assessment of the outcomes achieved and evidence contained in this summary, we have determined that:

- members' interests are being promoted;
- the basis for the setting of fees is appropriate for members,
- members have not been disadvantaged due to the scale of, and within, the Trustees' business operations;
- the operating costs of the Trustees' business operations are not inappropriately affecting the financial interests of members;
- the options, benefits and facilities offered under the product are appropriate to members;
- the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members; and
- the insurance strategy for the product is appropriate to members and undergoing regular reviews.

Details of this assessment are outlined below.

## Investments

### Investment returns

To assess our investment performance, we used data from SuperRatings. Each investment option was considered separately and measured against its peer median. It is to be noted that investments in Listed Securities, Cash Hub and Term Deposits have not been considered in this assessment as we do not have historical performance of these products in the same way as we do for managed investments.

The table below shows the investment returns for our Living Super (accumulation) managed options, net of tax and after investment fees to 30 June 2020.

You can find the investment performance of our Pension and Transition to Retirement investment options on our website.



Single-sector investment options			
<b>Australian Fixed Interest</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Living Super Australian Fixed Interest	3.53%	4.58%	3.91%
Objective	4.18%	5.57%	4.77%
Peer Median <sup>^</sup>	3.13%	3.68%	3.67%
<b>Australian Listed Property</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Living Super Australian Listed Property	-18.85%	1.72%	4.10%
Objective	-21.33%	2.00%	4.38%
Peer Median <sup>^</sup>	-6.18%	3.80%	6.17%
<b>Australian Shares</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Living Super Australian Shares	-5.10%	5.60%	6.27%
Objective	-7.68%	5.19%	5.95%
Peer Median <sup>^</sup>	-6.00%	4.99%	6.12%
<b>Cash</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
Living Super Cash	0.80%	1.22%	1.52%
Objective	0.75%	1.24%	1.45%
Peer Median <sup>^</sup>	0.95%	1.42%	1.59%
<b>International Fixed Interest (Hedged)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
Living Super International Fixed Interest (Hedged)	4.94%	4.12%	3.92%
Objective	6.11%	5.19%	4.99%
Peer Median <sup>^</sup>	3.13%	3.68%	3.67%
<b>International Shares (Hedged)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
Living Super International Shared (Hedged)	1.16%	5.38%	6.74%
Objective	1.30%	6.25%	7.34%
Peer Median <sup>^</sup>	3.44%	7.97%	7.44%
<b>International Shares</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
Living Super International Shares	5.11%	9.83%	8.63%
Objective	5.18%	10.75%	9.37%
Peer Median <sup>^</sup>	3.44%	7.97%	7.44%

Diversified investment options			
<b>Balanced* (Closed to new members)</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Living Super Balanced	-1.21%	4.66%	4.79%
Objective	3.97%	3.91%	3.96%
Peer Median <sup>^</sup>	-0.28%	5.30%	5.72%
<b>Growth</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Living Super Growth	-1.22%	5.30%	5.60%
Objective	4.49%	4.43%	4.48%
Peer Median <sup>^</sup>	-0.28%	5.30%	5.72%
<b>High Growth</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Living Super High Growth	-3.37%	6.16%	6.74%
Objective	5.54%	5.47%	5.31%
Peer Median <sup>^</sup>	-1.83%	5.99%	6.72%

<sup>^</sup> Peer median is calculated as the median return of the peer group over each individual reporting period, as reported by SuperRatings. The peer group is defined as funds labelled by SuperRatings as 'Personal' and/or 'Public Offer'. Accumulation (tax-paid) performance is compared. Performance is net of fees included in the unit price / crediting rate but exclusive of fees deducted directly from members' accounts. Australian Fixed Interest and International Fixed Interest (Hedged) are benchmarked to the Diversified Fixed Interest category. International Shares (Hedged) is benchmarked to the International Shares category.

\* From 1 July 2020, the Balanced Option was closed to new members and existing members who were not currently invested in this option. Two new investment options, Moderate and Conservative, were also introduced at 1 July 2020.



While some investment options show negative performance for one year, the peer median was also negative due to the early stages of COVID-19 affecting the results for the year ended 30 June 2020.

The Australian Listed Property and Balanced Investment Options partly achieved their investment objectives; however, were lower than the peer median.

The investment returns for our Australian Fixed Interest and International Fixed Interest investment options were below their objectives, but above the peer median.

Please note that past performance is not a reliable indicator of future performance.

## Level of investment risk

As a choice product, Living Super currently offers a wide range of investment options (diversified and single sector options, ASX300, Exchange Traded Funds (ETF), Listed Investment Companies (LIC), Term Deposits and Cash) so members can select investments that suit their individual investment circumstances. This provides members with access to investments with differing levels of investment risks.

Members can either choose to invest directly, make their own investment choices or engage the services of a financial adviser to assist them with choosing a mix of investments that is appropriate for their situation.

## Investment strategy

A key focus for Living Super is to respond to member and adviser feedback, as well as industry analysis.

In recent times, environmental, social and governance (ESG) investment matters have become more prevalent within the investment area. As a result, in FY20, Living Super excluded controversial weapons and tobacco securities from the International Shares (Hedged) and International Shares single sector options, and any international share investments held within the High Growth, Growth, Balanced, Moderate and Conservative diversified options.

We undertake an annual review of the investment strategy, ensuring that the investment options, their benchmarks, and risk objectives remain appropriate. Following the most recent review, the Balanced Investment Option was closed to new members and two new investment options were introduced, Moderate and Conservative. These new investment options have been designed to complement the Fund's current investment menu and provide members with access to a mix of asset classes with a higher weighting to defensive assets.

Based on the above, the Trustee has determined that the investment strategy for the product, including the level of investment risk and the return target, is appropriate to members.

## Fees and costs

Our aim is to offer our products at competitive fees while maintaining a fee structure that is adequate to ensure we can continue to provide appropriate member services.

We offer a competitive investment and administration fee when considering other like-superannuation funds available in the Australian market<sup>2</sup>.

Our administration fee structure is a mix of a flat fee of \$60 p.a. and a percentage-based fee of 0.50% p.a. on the account balance (capped at \$2,500 p.a.) excluding Term Deposits, the Cash Hub and the Cash option.

This fee structure ensures we receive a minimum fee from all members and scale-based additional fees depending on a member's account balance. As the median account balance within Living Super is \$23,845, which is relatively low, a large proportion of members benefit from this combination of a flat and a percentage-based fee. Removing the percentage-based fee and increasing the flat fee would negatively impact members with a low account balance.

<sup>2</sup> The peer group is based on the MySuper or nearest equivalent investment option of all funds labelled by SuperRatings as 'Personal' and/or 'Public Offer'.

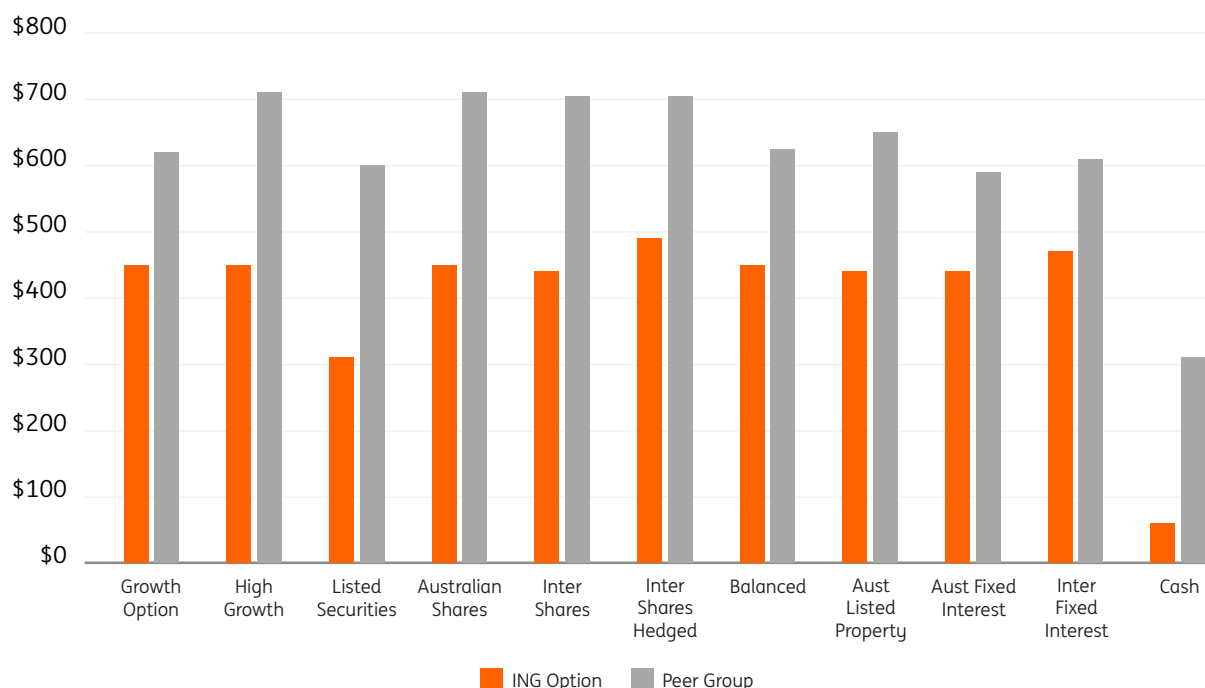


We charge an investment fee of 0.25% p.a. on the account balance in managed investments, excluding the Cash option.

We have conducted testing of members' fees charged per annum on the fee structure in place at 30 June 2020 for the following investment options, based on the account balance of \$50,000.

We used survey data from SuperRatings as the basis for our assessment<sup>3</sup>. Our investment options were measured against their peer group median. Note, no exact equivalent was found for Listed Securities therefore it was measured against the Diversified Shares investment option. The below graph demonstrates that our fees are very competitive and less expensive than the peer group median:

### Total Fee Comparison to Peer Group Investment Option



We have passed through a further fee reduction of 0.02% to members since 30 June 2020 (which equates to \$10 per year on a \$50,000 balance), in addition to the investment options' indirect cost ratios reducing slightly improving the member outcome.

Using the publicly available statistics issued by APRA (the Australian Prudential Regulation Authority), we have measured the operating expense ratio of the Fund against all superannuation funds. The results reveal that Living Super's operating expense ratio is 0.50% p.a. If we add the investment costs of the funds to the ratio, the ratio increases to 0.66% p.a. This is below the median of 0.70% p.a. for retail funds. However, if we look at the total industry, we come out modestly higher than the median of 0.60% p.a.

The above operating expense ratio comparison, however, does not consider the cost of individual members, which may vary due to different investment fees applicable depending on the selected investment options, administration fees having a fixed component, and capping of some of the administration costs.

We note that when comparing fees and costs, it is important to consider the services and facilities offered by the funds.

Therefore, we believe that a fee structure appropriate for our members.

<sup>3</sup> Peer Group - (Industry Public offer, Industry - Personal, Master Trust - Corporate and Master Trust - Personal as classified by SuperRatings).



## Insurance

Our objective is to provide an appropriate insurance offering to meet the differing needs of our members. Through our insurer, MetLife, we are able to provide members with default Automatic insurance cover held within Living Super, with the ability to apply for additional voluntary cover for a tailored insurance solution.

The Trustee, in conjunction with ING, has declared its intention to adopt the 'Insurance in Superannuation Voluntary Code of Practice' and therefore has a target of default insurance annual premiums being less than 1% of members' average annual salary. This target has been achieved for all age groups of members as illustrated in table A below. Table B shows the average annual premium paid by each of the member age groups. As members become older, the premiums increase to reflect the rise in health risk.

Table A	
Member Age group	Percentage of annual salary spent on annual default insurance
25-<30	0.46%
30-<35	0.38%
35-<40	0.40%
40-<45	0.54%
45-<50	0.70%
50-<55	0.89%
55-<60	0.95%
60-<65	0.70%
>=65	0.46%

Table B	
Member Age group	Average annual premium (\$)
25-<30	241
30-<35	252
35-<40	304
40-<45	401
45-<50	509
50-<55	606
55-<60	617
60-<65	405
>=65	225

To ensure that Living Super's insurance pricing remains relevant and competitive, we regularly benchmark our insurance offering with the market.

Based on our analysis, we have determined that that the insurance strategy for the product is appropriate to our members, and that there is no inappropriate erosion of members' retirements income due to the impact of insurance premiums.



## Fund options, benefits and facilities

Our Fund had total members of 59,316 at 30 June 2020 with 47,266 active members (80% of total membership) and \$2.74 billion under management, which indicates that the Fund will continue to have scale to deliver the desired outcomes to members without compromising customer experience.

Living Super engages with its members through digital channels, and assists members in meeting their financial objectives through:

- educational content, including a quarterly newsletter via email, which generally includes a historical performance update, commentary and articles hosted by ING's blog. Over 2020, this email achieved an overall open rate of 42.2%, compared to an industry average of 22.9%.
- engaging digital tools, such as an insurance and retirement planner calculator.
- an online trading platform that provides flexible and wide range of investment options.
- 24/7 access to your Living Super account through ING online banking to:
  - check your super balance and transaction history,
  - review and/or change your investment mix
  - invest in term deposits
  - buy and sell shares, ETFs or LICs;
  - review and update your insurance cover;
  - set up personal and employer contributions, and
  - set up regular pension and/or income payments to your nominated bank account.

In addition to this, in response to user experience research, the Living Super ETF and LIC menu has had a filter overhaul that allows members to sort the ETF/LIC menu by sectors. For example, if a member wishes to invest in ESG-type ETF or LICs, they can use this filter to more easily find what they wish to invest in.

Our members told us they wanted to better understand ETFs, shares and LICs to enable them to customise their investment portfolios.

We listened and provided some initial educational content to help them navigate through the complexities of these investment types. Members and prospective members appreciated this, with our 'Nuts and bolts explainer' of ETFs outperforming every other article on our blog in 2020.

Our ETF portfolio grew 20%, to \$149 million, in the 12 months ending January 2021.

We have assessed that we have promoted the financial interest of our members and we have met our objective to provide value add products, services and facilities.

**For the curious:** Diversa Trustees Limited ABN 49 006 421 638, AFSL 235153, RSE L0000635 is the Trustee of the ING Superannuation Fund ABN 13 355 603 448 (Fund) and the issuer of interests in the Fund. ING Living Super is a product issued out of the Fund. ING, a business name of ING Bank (Australia) Limited ABN 24 000 893 292, AFSL 229823, is the Promoter of the Fund and issuer of this document. Insurance cover is issued by MetLife Insurance Limited ABN 75 004 274 882 AFSL 238096 to the Trustee. For further details about insurance cover, please refer to the Product Disclosure Statement and the associated Product Guide.

Any advice on this notice does not take into account your objectives, financial situation or needs and you should consider whether it is appropriate for you.

You should consider the relevant Product Disclosure Statement, Product Guide and the Financial Services Guide available at [ing.com.au](http://ing.com.au) and the product's appropriateness when deciding whether to acquire, or to continue to hold, a product.

Living Super is not available for U.S. Persons (i.e. persons with U.S. residential, postal or fiscal address, phone number, citizenship, Green Card or any U.S. related proxy).

When choosing your investment options, you should consider the likely investment return, risk and how long you will be investing your super and remember that past performance is not a reliable indicator of future performance. For more information about Shares, ETFs and LICs please see the ING Living Super Product Disclosure Statement and Product Guide available at [ing.com.au](http://ing.com.au). Before you invest in Shares, ETFs and LICs you may wish to consult your financial adviser before deciding if these options meet your objectives, financial situation and needs. ING 3584 03/21

