

ING Living Super

Member Outcomes Assessment
For the year ended 30 June 2021

Board approval date 28th February 2022

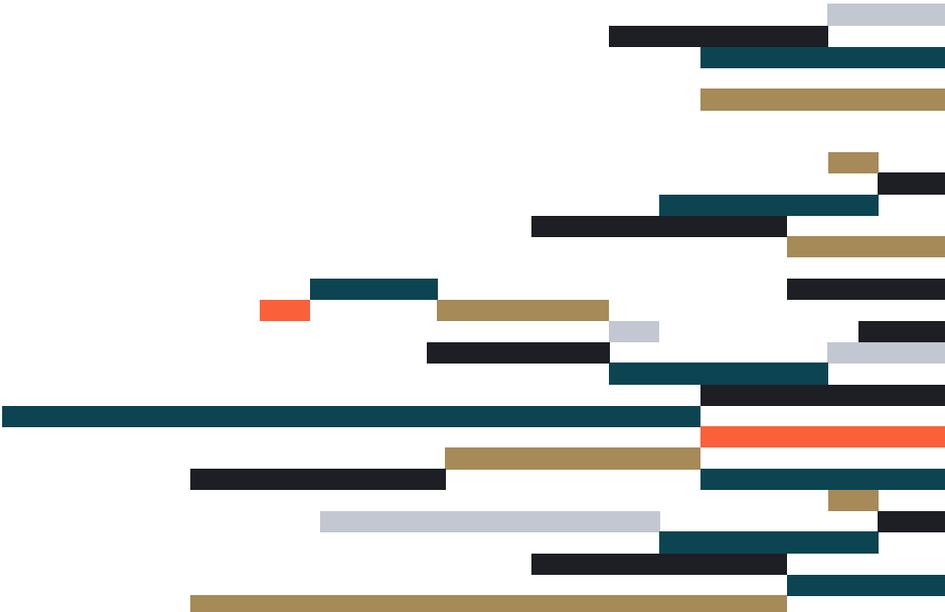
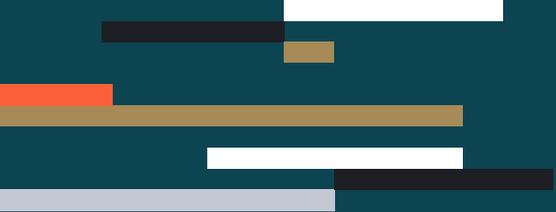


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Introduction

Introduction

What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to ING Living Super. It analyses how ING Living Super's products compare to similar products, and whether these products are serving the financial interests of members.

The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements. This assessment was undertaken in February 2022, and is relevant for the financial year ended 30 June 2021.

Approach for this assessment

Step 1: Measure and compare products



1. Return comparison
A comparison of returns



2. Fee comparison
A comparison of fees



3. Risk comparison
A comparison of investment risk

Step 2: Assess product appropriateness

Assessment of product appropriateness against key factors that can affect superannuation

Section 52 (11)

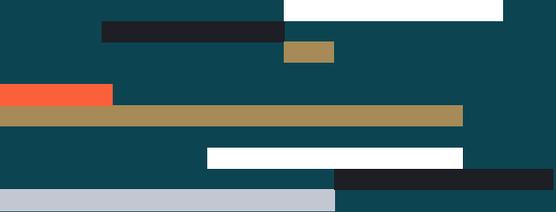
1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

SPS 515

4. Scale
5. Operating costs
6. Basis for setting fees

Step 3: Publish determination

A publication with a determination for each product is required to assess whether the financial interests of the beneficiaries who hold the product are being promoted.



Executive Summary

Product Determinations

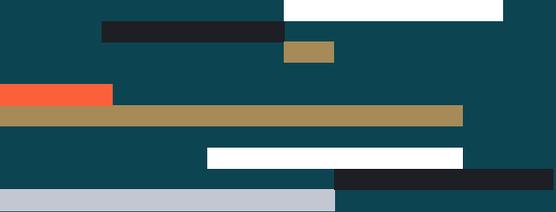
The Trustee has determined that it is promoting the financial interests of the beneficiaries invested in its **Accumulation product** and those invested in its **Pension product** on the basis that:

- Total fees (which includes both administration and investment fees) at a product level are less expensive than the peer median for FY21 across all modelled balance points for all investment options;
- On balance, the net investment returns of most of the ING Living Super's investment options underperformed the peer median on a one year basis, but the majority of investment options performed at or better than the median on a three year and five year basis. The Trustee considers longer-term performance to be more significant due to the long term nature of super.
- A majority of the objective assessment factors, being ING Living Super's options, benefits and facilities, investment strategy, insurance strategy and fees, operating costs and the basis for setting fees, are considered appropriate for ING's members and do not inappropriately erode their retirement balances.

The Trustee notes however, while Total Fees and Costs are considerably lower than peer median, that there is an opportunity for improvement on administration fees for both Accumulation and Pension products in order to be more competitive with peers. In addition, that some uplift will be required to ensure that ING Living Super's investment options continue to perform at or above peers on a three and five year basis

Investment risk on a one year time horizon has underperformed the peer median across all options, and only two investment options outperformed the median on a three year and five year horizon, indicating that improvements need to be made

Scale will need to be considered closely in the future as ING Living Super, although not tiny in overall size, has a growth rate that is below the APRA fund median.



Choice Overview

ING Living Super Overview

ING Living Super was launched in 2012. Members are able to invest in a range of diversified and single sector options, each of which are also offered as a pension (and transition to retirement) product. ING delivers its financial products with a focus on simplicity and good value for customers.

ING Living Super offers twelve managed investment options to its members:

**Balanced
Option**
(Closed to
new members
from 1 July
2020)

**Conservative
Option**

**Moderate
Option**

Growth Option

**High Growth
Option**

Cash Option

**Australian
Shares Option**

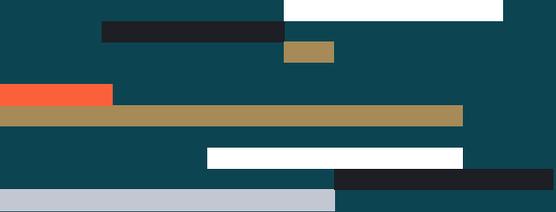
**International
Shares Option**

**International
Shares
(Hedged)
Option**

**Australian
Listed
Property
Option**

**Australian
Fixed Interest
Option**

**International
Fixed Interest
(Hedged)
Option**



Choice Assessment

Fees & Costs Comparison: Accumulation

Total Fees

ING Living Super's total fees (administration fee plus investment fees) are compared to peer median fees in the charts on the next page. ING Living Super's investment options are considerably lower cost than the peer median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

The Trustee notes that this is consistent with APRA's heatmap (as at 30 June 2021) which rated ING Living Super as having more competitive fees overall than the median fund on a total fees basis for \$50,000 and \$100,000 balances.

Administration Fees

On pages 12 and 14, ING Living Super's Accumulation administration fees are also compared to peer median administration fee. ING Living Super is higher cost across a majority of investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

The Trustee notes that this is consistent with APRA's heatmap which rated ING Living Super as having less competitive administration fees than the median fund on a total administration fees basis for \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product as the total fees for ING Living Super at a product level are less expensive than the peer median. The Trustee notes however, that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

Total Fees & Costs Comparison: Accumulation Diversified Options

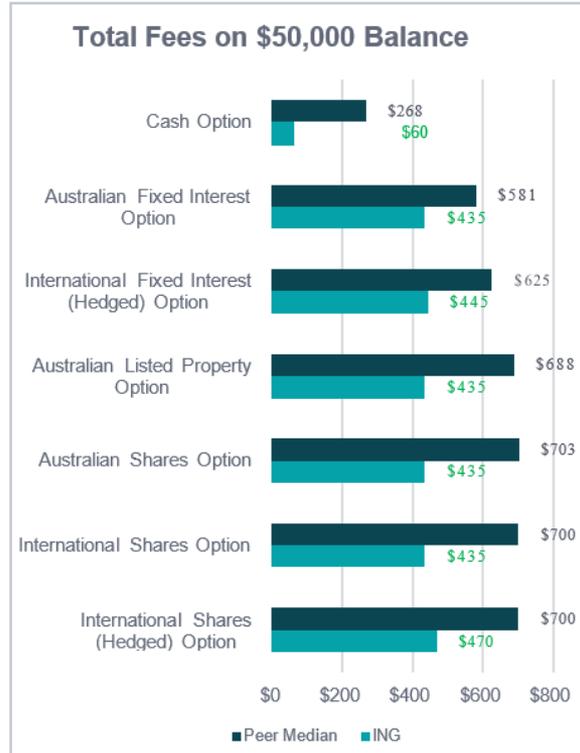


Administration Fees Comparison: Accumulation Diversified Options



Source: Peer median is derived from SuperRatings 30 June 2021 median data for the relevant asset class - SuperRatings High Growth (91-100% growth assets) for ING's High Growth option, Conservative Balanced (41-59% growth assets) for ING's Moderate option, Capital Stable (20-40% growth assets) for ING's Conservative option and Balanced (60-76% growth assets) for ING's Balanced option and Growth option

Total Fees & Costs Comparison: Accumulation Single Sector Options



Administration Fees Comparison: Accumulation Single Sector Options



Fees & Costs Comparison: Pension

Total Fees

ING Living Super's total fees (administration fee plus investment fees) for its Pension product are compared to peer median fees in the charts on the next page. ING Living Super's options are considerably lower cost than the peer median when total fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

Administration Fees

On pages 17 and 19, ING Living Super's Pension administration fees are also compared to the peer median fee. ING Living Super is higher cost than the median across a majority of investment options when administration fees are calculated on a \$30,000, \$50,000 and \$100,000 balances.

On balance, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as the total fees for ING Living Super at a product level are less expensive than the peer median. The Trustee notes however, that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

Total Fees & Costs Comparison: Pension Diversified Options

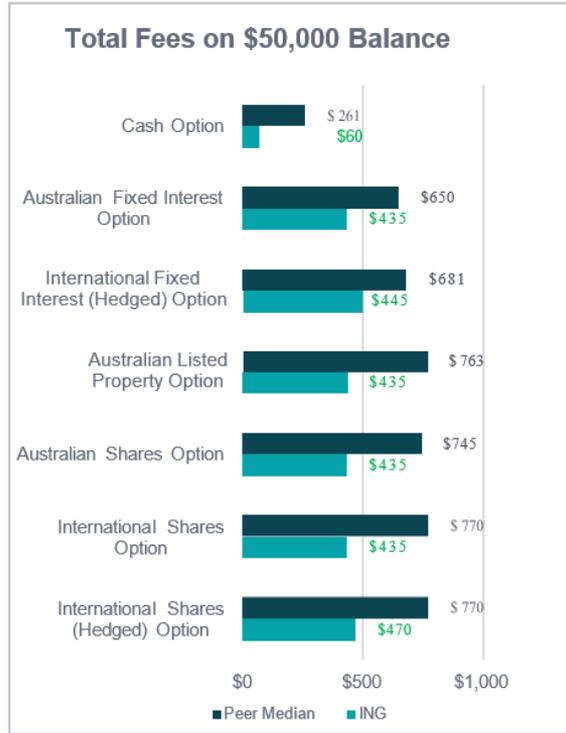


Administration Fees Comparison: Pension Diversified Options



Source: Peer median is derived from SuperRatings 30 June 2021 median data for the relevant asset class - High Growth (91-100% growth assets) for ING's High Growth option, Conservative Balanced (41-59% growth assets) for ING's Moderate option, Capital Stable (20-40% growth assets) for ING's Conservative option and Balanced (60-76% growth assets) for ING's Balanced & Growth options

Total Fees & Costs Comparison: Pension Single Sector Options



Administration Fees Comparison: Pension Single Sector Options



Investment Return Comparison: Accumulation

Diversified Options

ING Living Super's diversified options' net investment returns over a one year period to 30 June 2021 have mostly underperformed the peer median. However, ING's diversified Growth and High growth net investment options smooth out over a three year and five year time periods performing in line or outperforming their relevant medians. ING Living Super's Balanced option underperformed its peer medians through all periods.

We note that there is no investment return data available for ING's Moderate investment option and Conservative investment option as these options were only launched during July 2020, so do not yet have a one, three or five year performance history.

ING Living Super's diversified options have all outperformed APRA's strategic asset allocation Benchmark over seven years, which will be used for the Your Super Your Future performance test.

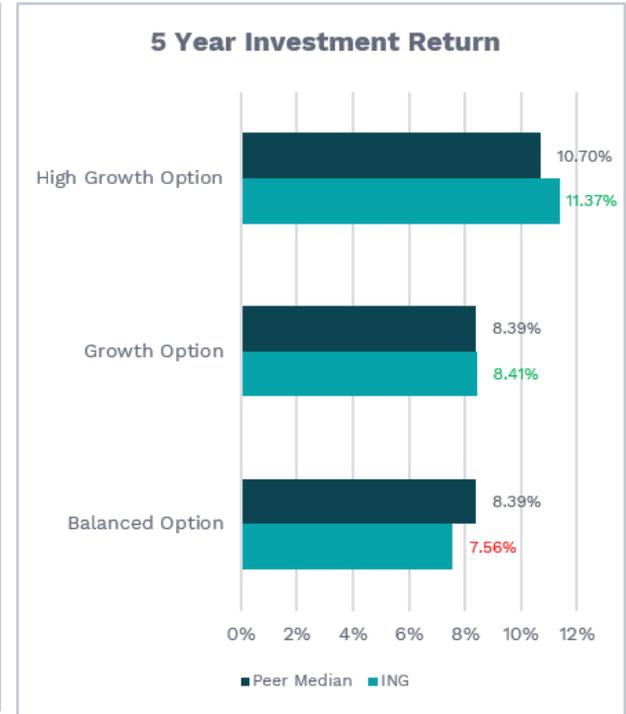
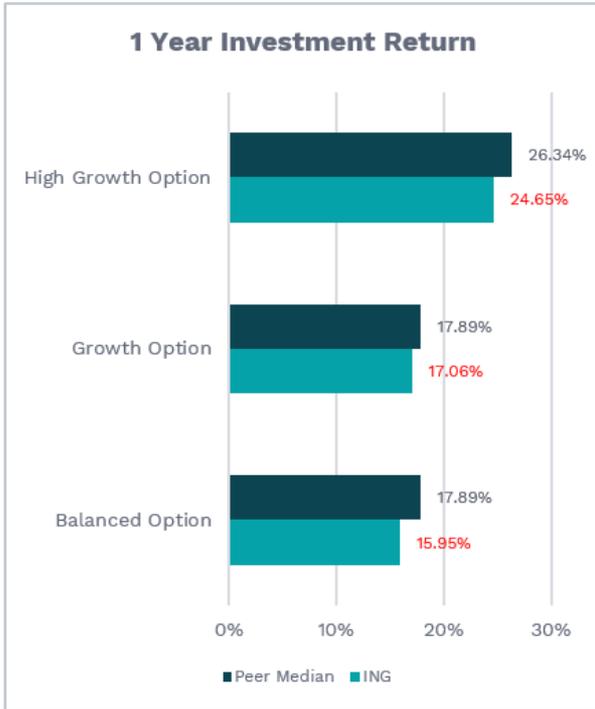
Single Sector Options

A majority of ING Living Super's single sector investment options outperformed the peer median over the three year timeframe. However, when compared to the peer median underperformance is evident for a majority of ING's single sector investment options in relation to the one year investment performance, as well as the five year investment performance.

On balance across all investment options, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Accumulation product as three and five year investment returns exceed the peer median.

The Trustee notes an opportunity to improve the Balanced investment option's returns for the Accumulation product, as well as opportunities to uplift the short term performance across all investment options.

30 June 2021 Investment Return Comparison: Accumulation Diversified Options



Investment Return Comparison: Accumulation

When assessing investment returns, two metrics are used – APRA’s 7 year Strategic Asset Allocation (SAA) benchmark (which is used for APRA’s performance heatmap), and APRA’s Simple Reference Portfolios (SRPs). For more information, please refer to [APRA’s website](#).

Net Investment Returns for all three of ING Living Super’s diversified investment options (see Column 1 below) (excluding the Conservative and Moderate options which were established at 1 July 2020) outperformed their APRA 7-year SAA benchmarks as shown below in Column 2. This comparison is designed to show you the value of ING Living Super’s product selection in the past 7 years*.

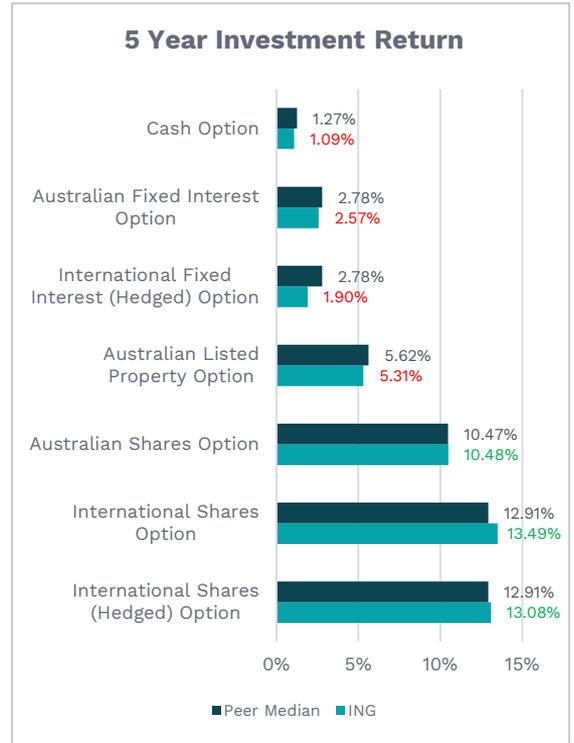
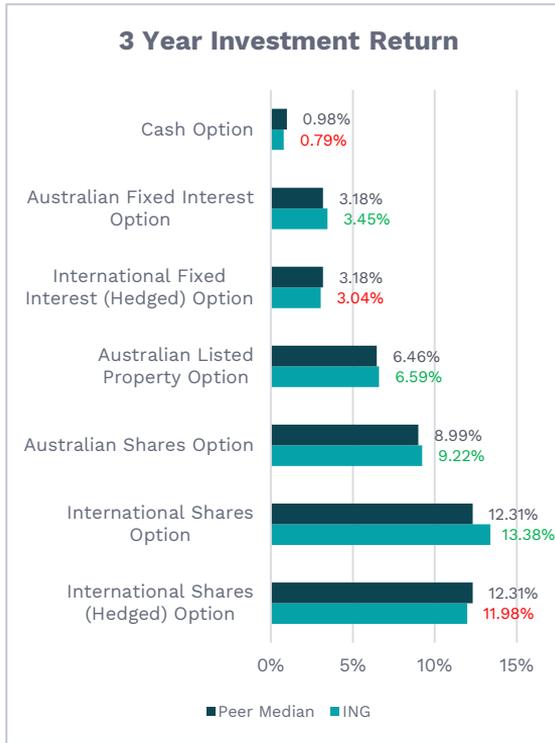
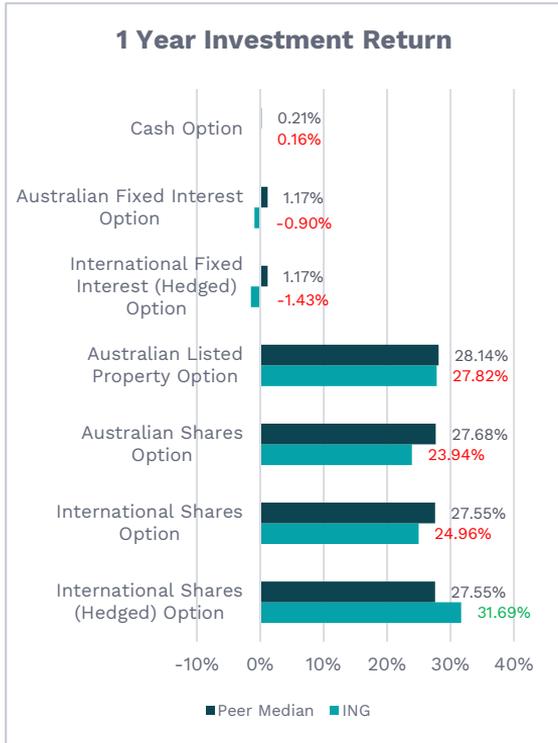
When comparing with the SRPs, the Balanced and Growth options underperformed, whilst the High Growth Option slightly outperformed as shown below in Column 3. This comparison is designed to show you the value of ING Living Super’s asset allocation in the past 7 years**.

Choice option name	Column 1 Actual 7 year Net Investment Return (NIR) p.a.	Column 2 7 year NIR p.a. compared to SAA Benchmark Portfolio p.a.	Column 3 7 year NIR p.a. compared to Simple Reference Portfolio p.a.
ING Living Super - Balanced Option	6.67%	0.25%	-0.57%
ING Living Super - Growth Option	7.73%	0.05%	-0.28%
ING Living Super - High Growth Option	9.87%	0.32%	0.12%

*ING’s investment option performance against a benchmark with identical asset allocation constructed from APRA prescribed indices net of APRA’s tax and fee assumptions.

**ING’s investment option performance against APRA’s simple reference portfolios weighted to the options growth and defensive asset allocations.

30 June 2021 Investment Return Comparison: Accumulation Single Sector Options



Source: Peer median is derived from SuperRatings 30 June 2021 median data for the relevant asset class -SuperRatings Property for ING's Australian Listed Property option, International Shares for ING's International Shares option and ING's International Shares (Hedged) option, Cash for ING's Cash option, Australian Shares for ING's Australian Shares option, and Diversified Fixed Interest for ING's Australian Fixed Interest option and ING's International Fixed Interest (Hedged) option. It is noted that the SuperRatings Diversified Fixed Income benchmark is used for ING's Australian Fixed Income investment option and ING's International Fixed Income (Hedged) investment option. This assumes that the Diversified Fixed Income benchmark is diversified by corporate and government bonds but the median does not consider the geography of the underlying assets or the impact of the hedging.

Investment Return Comparison: Pension

Diversified Options

ING Living Super's diversified options' net investment returns over a one year period to 30 June 2021 have mostly underperformed the peer median. However, ING's diversified Growth and High growth investment options smooth out over a three year and five year time periods performing in line or outperforming their relevant medians. ING Living Super's Balanced option has underperformed its peer medians through all periods.

We note that there is no investment return data available for ING's Moderate investment option and Conservative investment option as these options were only launched during July 2020, so do not yet have a one, three or five year performance history.

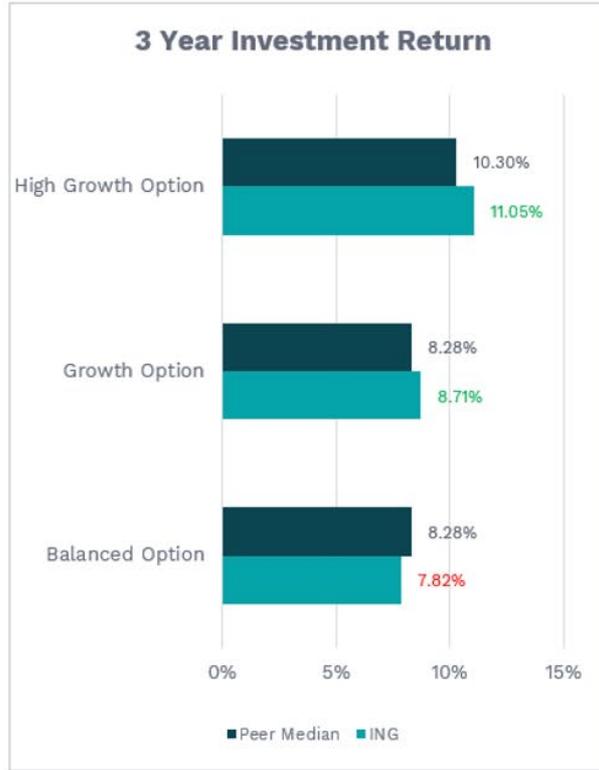
Single Sector Options

A majority of ING Living Super's single sector investment options outperform the peer median over the three year timeframe. However, underperformance compared to the peer median is evident for a majority of ING's single sector investment options in relation to one and five year investment performance.

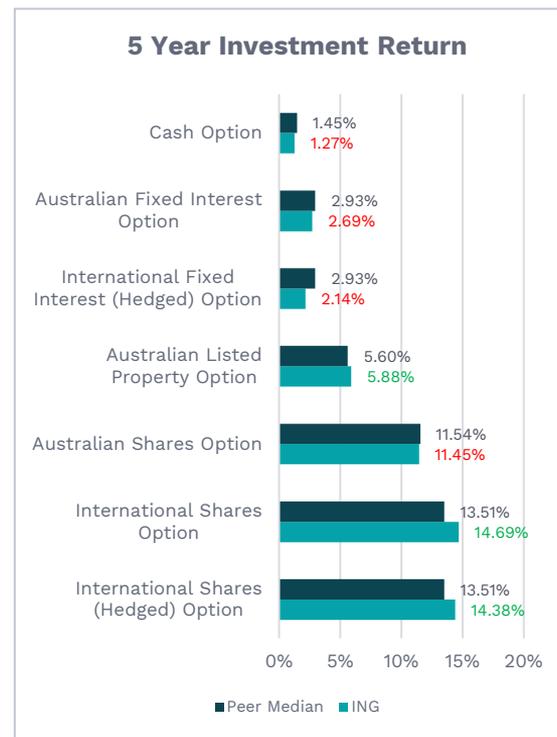
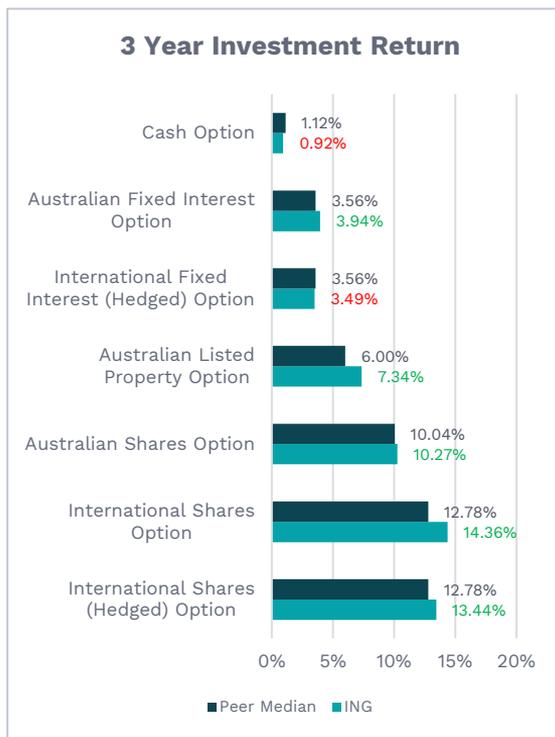
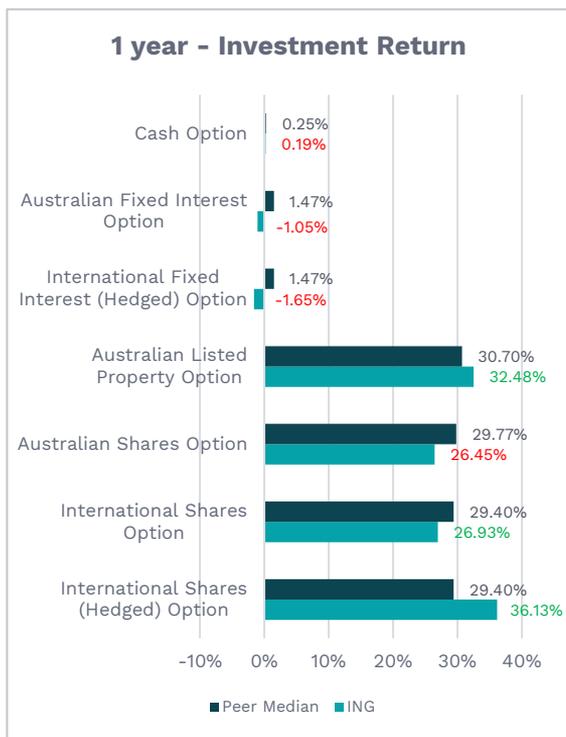
On balance across all investment options, the Trustee has determined it is promoting the financial interests of the beneficiaries of its Pension product as three and five year investment returns either exceed or equal the peer median.

The Trustee notes an opportunity to improve the Balanced investment option's returns for the Pension product, as well as opportunities to uplift the short term performance across all investment options

30 June 2021 Investment Return Comparison: Pension Diversified Options



30 June 2021 Investment Return Comparison: Pension Single Sector Options



Source: Peer median is derived from SuperRatings 30 June 2021 median data for the relevant asset class - SuperRatings Property for ING's Australian Listed Property option, International Shares for ING's International Shares option and ING's International Shares (Hedged) option, Cash for ING's Cash option, Australian Shares for ING's Australian Shares option, and Diversified Fixed Interest for ING's Australian Fixed Interest option and ING's International Fixed Interest (Hedged) option. It is noted that the SuperRatings Diversified Fixed Income benchmark is used for ING's Australian Fixed Income investment option and ING's International Fixed Income (Hedged) investment option. This assumes that the Diversified Fixed Income benchmark is diversified by corporate and government bonds but the median does not consider the geography of the underlying assets or the impact of the hedging.

Investment Risk Comparison

In the following graphs, we measure the performance of ING's investment options after adjusting for risk comparing to the peer median. To do this, we apply a Sharpe ratio calculation which is a standardised measure of risk-adjusted returns. The higher the ratio, the greater the investment return relative to the amount of risk taken, representing the additional amount of return that an investor receives per unit of increase in risk.

ING Living Super's Sharpe ratio is lower than the peer median for the majority of diversified investment options (across both Accumulation and Pension products) over the one year, three year and five year timeframes. However, the Growth and High Growth investment options for the Pension product performed at or close to median for the three year and five year periods.

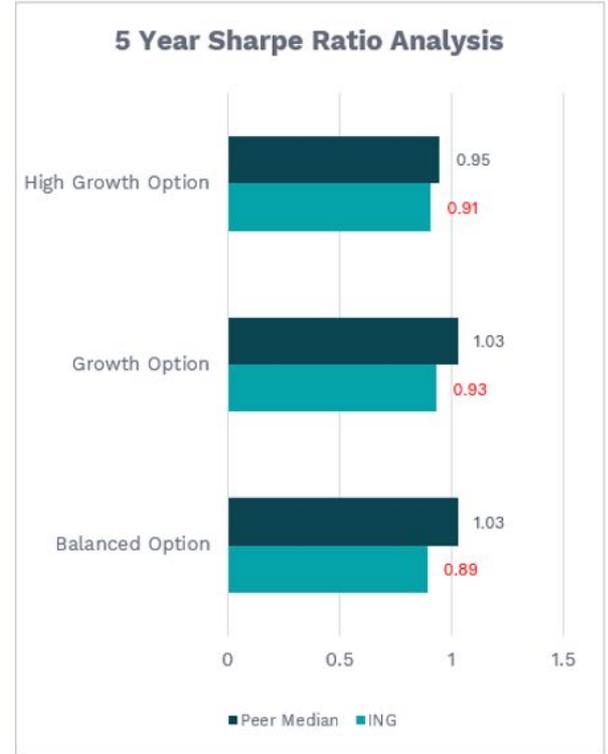
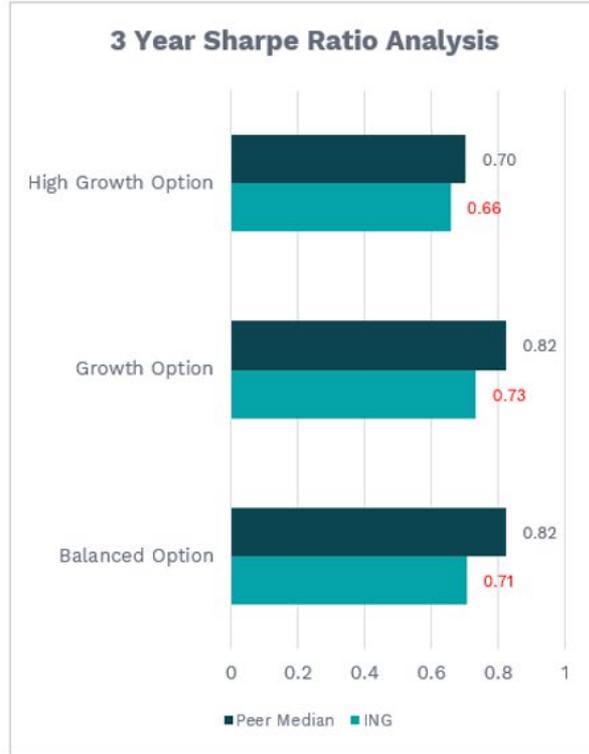
We note that there is no investment risk data available for ING's Moderate investment option and Conservative investment option as these were launched on 1 July 2020, so do not yet have a one, three or five year performance history to consider.

ING Living Super's risk adjusted returns are lower than the median for all single asset sector options for the one year period. The risk adjusted returns for three and five year periods are also lower than the period with the exception of unhedged shares asset classes. For both the three year and five year timeframes, the Australian Shares and International Shares investment options outperformed the median.

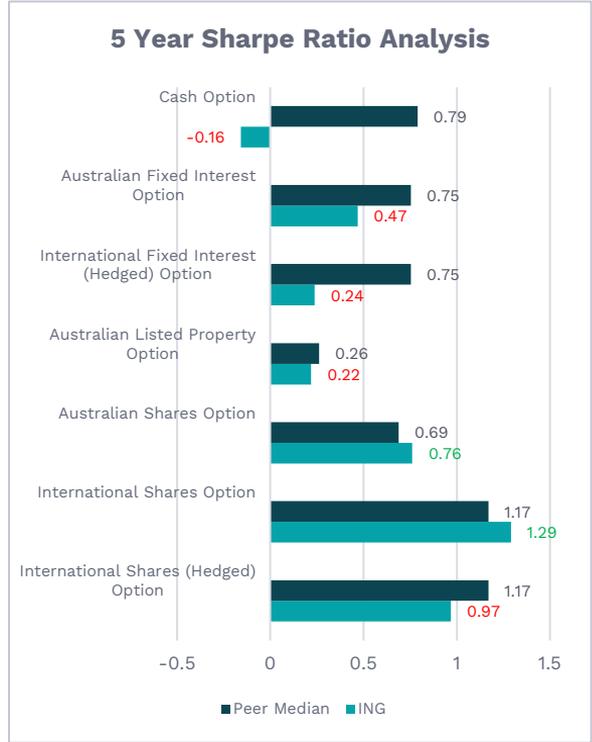
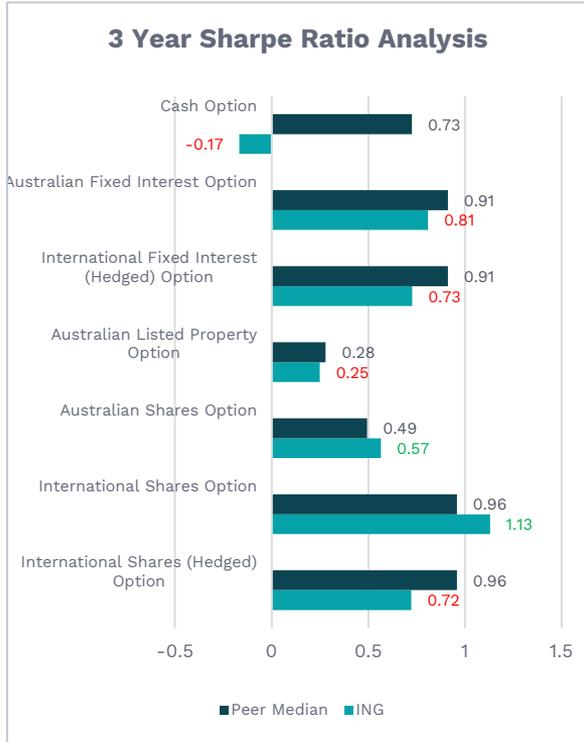
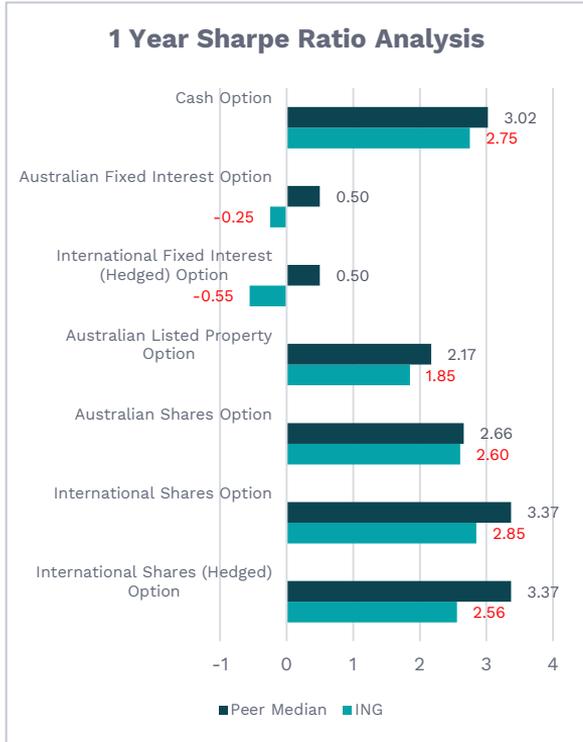
Note that the Sharpe ratio analysis for the single sector investment options is shown separately from the diversified investment options.

On balance, the Trustee has determined it is not promoting the financial interests of the beneficiaries of both its Accumulation and Pension product as the investment risk for longer dated returns is below peer medians for a majority of investment options. However, due to the long term nature of superannuation, risk-adjusted investment performance can be improved upon to ensure that members' financial interests are being promoted. It is noted that ING Living Super's risk adjusted returns with the exception of the Cash asset class are not materially lower than their peer medians.

30 June 2021 Investment Risk Comparison: Accumulation Diversified Options

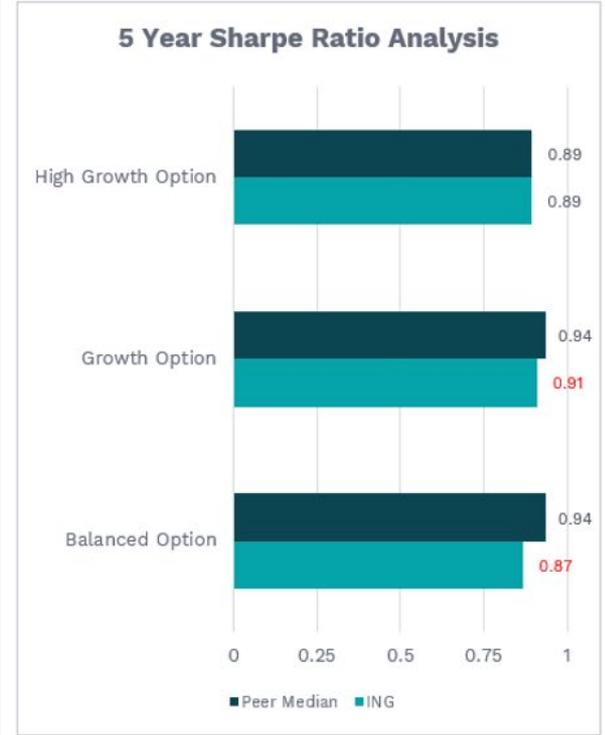


30 June 2021 Investment Risk Comparison: Accumulation Single Sector Options

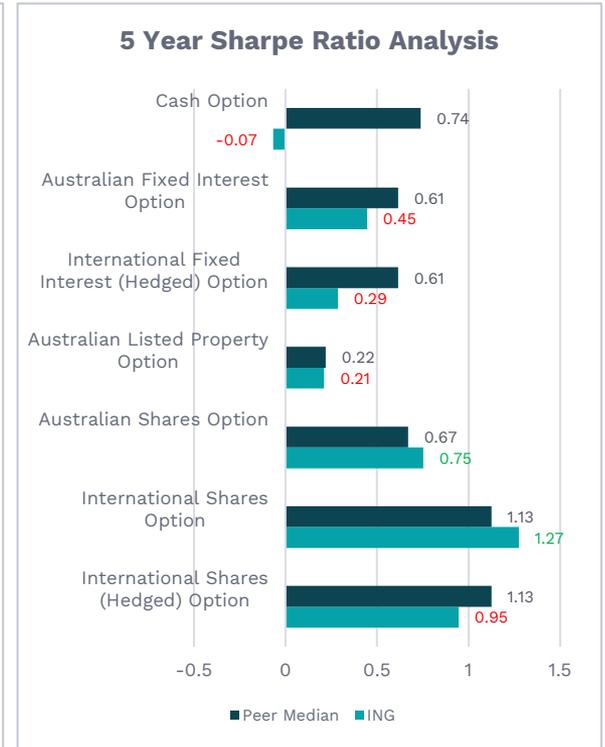
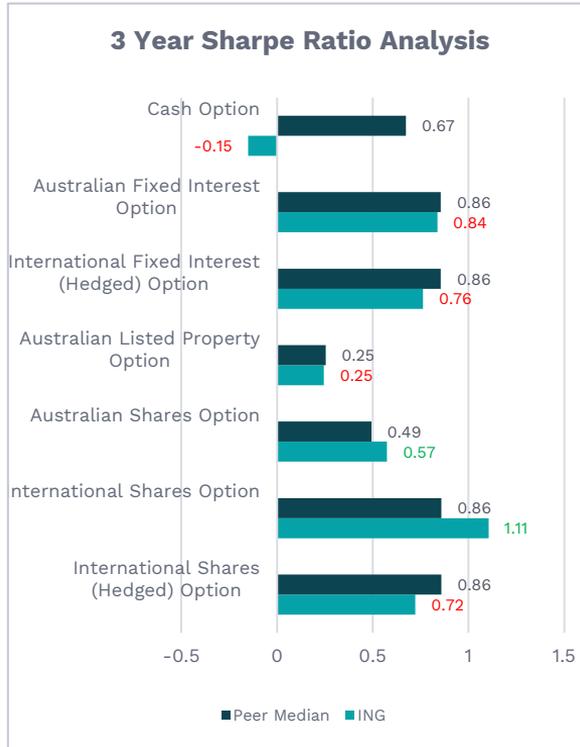
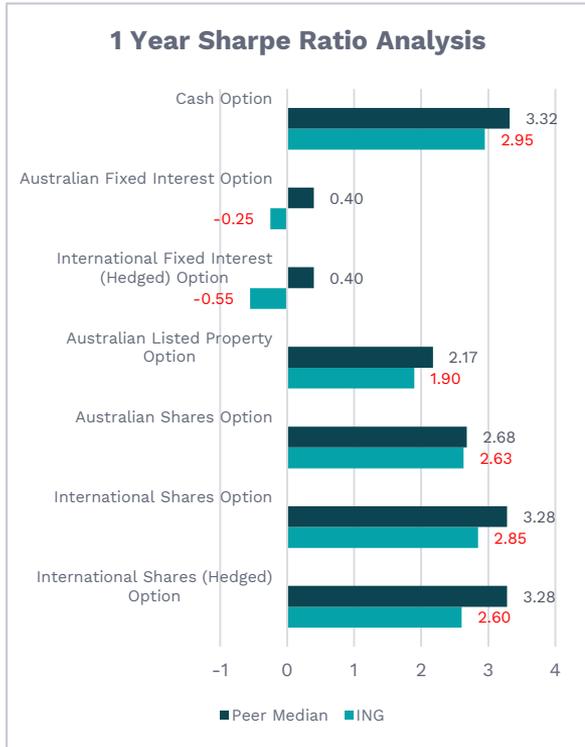


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30 June 2021 Investment Risk Comparison: Pension Diversified Options



30 June 2021 Investment Risk Comparison: Pension Single Sector Options



OPTIONS, FACILITIES & BENEFITS

ING Living Super offers a range of services and products to all members in order to assist them with engaging with their superannuation so that they can maximise their balance and optimise their retirement outcomes.

ING 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 2021, this email achieved an overall open rate of 37.1%, compared to an industry average of 21.6%.
- engaging digital tools, such as an insurance calculator.
- an online platform for trading in ASX-listed securities.
- 24/7 access through ING online banking

During FY21, ING recorded a customer effort score of 4.35/5 for the Living Super application process, whereby a higher score indicates an easier process.

INVESTMENT STRATEGY

The investment strategy was last reviewed in December 2020, and no changes were recommended to the investment objectives or risk objectives at this time.

ING Living Super considers its improved investment menu to provide an appropriate mix of options for the membership and continues to build on it based on the outcomes of member research.

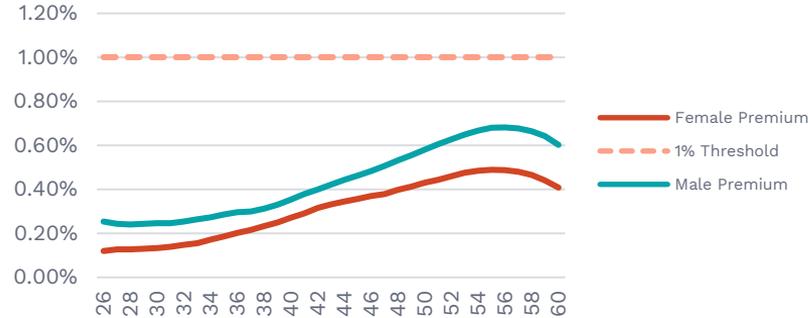
New Conservative and Moderate investment options were launched on 1 July 2020, and the Balanced investment option soft-closed on 1 July 2020 which increases the membership investment option diversity across the Fund.

During FY21, ING Living Super also enhanced its website, including redesigning the "Search ETFs, Shares and LICs" page to allow visitors to locate current information easily.

INSURANCE STRATEGY & FEES

ING provides insurance for members through Metlife. Automatic cover for Death and TPD is provided, and members can have this cover tailored to have additional voluntary cover, as ING Living Super's members. ING Living Super has simplified its insurance offer to allow members to retain their original occupational rating for insurance purposes, even when moving into a higher risk occupation, thereby reducing cost of insurance to members in these situations.

The following graph shows how ING Living Super's premiums* for Automatic Death and Total and Permanent Disability insurance cover compares to a 1% of salary** threshold from ages 26 to 60. As members become older, the premiums increase to reflect the rise in health risk. As shown below, ING Living Super is meeting its target of insurance premiums, being less than 1% of average salary.



During FY21 there was a reduction in the insurance administration fee to offset increase in insurance premiums, from 16.7% to 14.17%. While this did not result in an actual reduction to member premiums, it directly resulted in a premium increase not occurring.

Based on our analysis, the Trustee has determined that that the insurance strategy for the product is appropriate for ING Living Super's members, and that there is no inappropriate erosion of members' retirement income due to the impact of insurance premiums.

*Death and TPD rates based on automatic cover for non-smoking males/females in white collar occupations in NSW.

**Based on \$90,000 annual salary as a proxy for ABS average full-time persons weekly total cash earnings of \$1,835.40 (May 2021). The generally held view in superannuation is that insurance premiums shouldn't cost more than 1% of salary per annum to prevent superannuation balances being eroded.

SCALE

ING Living Super had 56,270 members with approximately \$3.1 billion in funds under management as at 30 June 2021.

These figures are indicative of ING Living Super's relatively small size in the industry, with funds under \$10 billion in size generally considered small. Further, it is anticipated that ING Living Super will slightly decrease in scale based on the following growth metrics during FY21:

- Funds Under Management ('FUM') grew by 14%, compared to the industry median of 15%
- Net members' benefits flows of +\$3.8M, compared to the industry median of -\$4M
- Number of member accounts grew by -5%, compared to the industry median of -3%
- Net rollovers into ING Living Super of -\$92M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 91%, compared to the industry median of 107%

From the above, it is apparent that ING Living Super's growth rate is not higher than the industry median. Should this trend continue, this may put ING Living Super in a position to consider other measures to better meet members' financial interests in the medium to long term.

In addition, there is an ongoing ability to access resources at scale as a result of ING Living Super's operating model leveraging outsourced administrator and an outsourced trustee.

It is concluded that members are not disadvantaged due to the scale of, and within, the Trustee's business operations.

BASIS FOR SETTING FEES

The basis for setting fees is considered appropriate for members and promotes their financial interests, while not inappropriately eroding retirement balances.

The administration fee is comprised of the combination of a flat dollar-based fee (\$60 per annum) and a basis points fee (0.50% per annum of the account balance). Note that the basis points fee does not apply to the Cash option, and the overall administration fee is capped at \$2,500 per annum. Additionally, an investment fee of 0.25% per annum on the account balance applies to all investment options except the Cash option. An example of fees is shown at right, taken directly from the [Living Super PDS](#). The basis points fee component and fee cap of the administration fee ensure members are charged reasonably, which means the retirement balances of lower account balance members won't be eroded and ensures services available to all members are appropriately shared across the fund membership base.

Administration fees are charged to members on a monthly basis and investment fees are factored into the unit price. This ensures that the cost of maintaining a superannuation account is spread over the course of a year rather than members incurring a large impact to their balance at once.

It is noted that during FY21, ING Living Super removed the Operational Risk Financial Requirement ('ORFR') fee of 0.02% p.a. that was previously charged as part of the Administration Fee within the Fund.

The basis for setting fees is considered appropriate for ING Living Super's members and does not inappropriately erode their retirement balances.

Example of annual fees and costs for ING Living Super's Growth option

The table below gives an example of how the fees and costs for the Growth option for this superannuation product can affect your super investment over a one-year period. You should use this table to compare this superannuation product with other super products.

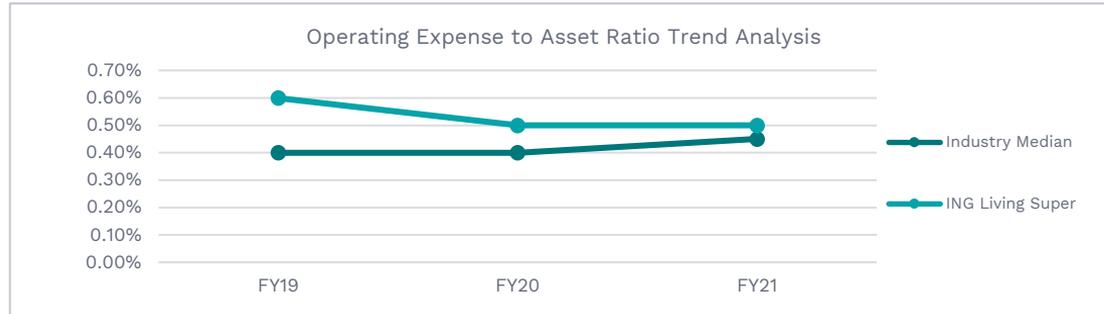
Example - ING Living Super's Growth investment option		Balance of \$50,000
Investment fees	0.25% p.a. on your account balance invested in the Growth option	For every \$50,000 you have in this superannuation product, you will be charged \$125 each year
PLUS Administration fees	\$5 per month (or \$60 p.a.) from when your account balance exceeds zero Plus, 0.50% p.a. (0.50% p.a. on your account balance invested in the Growth option capped at \$2,500 p.a.)	And , \$60 each year regardless of your balance And , for every \$50,000 you have in this superannuation product you will be charged \$250 every year
PLUS Indirect costs for the superannuation product	0.02%	And , indirect costs of \$10 will be deducted from your investment each year
EQUALS Cost of product		If your balance was \$50,000, then for that year you will be charged fees of \$445** for the superannuation product

Note: **Additional fees may apply **and** if you leave the superannuation entity, you may be charged a **buy-sell spread** which also applies whenever you make a contribution, exit, rollover or switch investments. The **buy-sell spread** for exiting is **0.07%** (this will equal **\$35** for every \$50,000 you withdraw).

The terms used in the fee tables above have the meanings given to them in the Superannuation Industry (Supervision) Act 1993 (Cth) and Corporations Regulations 2001 (Cth). You can view those definitions in section 12 'Glossary' of the [Product Guide](#) and the [Defined Fees Guide](#).

OPERATING COSTS

ING Living Super's operating expense to asset ratio trend is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that ING Living Super's operating expense ratio was significantly higher than that of the median fund in FY19 but has substantially reduced by FY21 to be consistent with the median.



The operating costs are considered appropriate for ING Living Super's members and do not inappropriately erode their retirement balances.



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