

# Member Outcomes Assessment

## Choice options

For the year ended 30 June 2024

Legal Super Pty Ltd ABN 37 004 455 789 AFSL 246315 as Trustee for legalsuper ABN 60 346 078 879

### Purpose of this document

Section 52(9) of the Superannuation Industry (Supervision) Act 1993 (“SIS Act”) requires RSE licensees to annually determine for each MySuper, Choice and Pension product whether the financial interests of the members that hold the product are being promoted.

This document sets out the annual Member Outcomes Assessment for legalsuper’s Choice product for the year ended 30 June 2024. It compares the returns, fees and costs and investment risk for legalsuper’s Choice product with comparable products, as well as the other attributes that contribute to good long-term outcomes. It also concludes that the financial interests of its members are being promoted by the Trustee.

### Assessment

In determining for each product whether the financial interests of the beneficiaries of the entity who hold the product are being promoted, the Trustee has regard to the requirements of the SIS Act and Superannuation Prudential Standard 515 (SPS 515) including the following factors. The overall determination is based on a balanced review of each of these factors and their impact on members’ financial interests, shown in order of importance.

- a) the net return for the product over various time frames, with a focus on long term returns (after the deduction of fees, costs and taxes) ;
- b) the fees and costs that affect the return;
- c) the level of investment risk for the product;
- d) whether the options, benefits and facilities offered under the product are appropriate to those beneficiaries;
- e) whether the investment strategy for the product, including the level of investment risk and the return target, is appropriate to those beneficiaries; and
- f) whether the insurance strategy for the product is appropriate to those beneficiaries;
- g) whether any insurance fees charged in relation to the product inappropriately erode the retirement income of those beneficiaries; and
- h) any other relevant matters, including the matters set out in SPS 515, (a. whether, because of the scale of, and within, the RSE licensee’s business operations, those beneficiaries are disadvantaged; b. whether the operating costs of the RSE licensee’s business operations are inappropriately affecting the financial interests of those beneficiaries; and c. whether the basis for the setting of fees is appropriate for those beneficiaries.)

## Trustee determination

Having had regard to the matters set out in sections 52(9)-(11) of the SIS Act for the year ended 30 June 2024, Legal Super Pty Ltd as Trustee of legalsuper has determined that the financial interests of members of its Choice product are being promoted by the Trustee.

## Introduction

The Trustee is responsible for the investment arrangements of legalsuper and for formulating a long-term investment strategy for legalsuper's Choice product in addition to individual investment strategies (investment options) made available to members.

In investing the savings of its members, legalsuper is guided by the following investment goal and core investment beliefs.

### Investment goal

The investment goal of legalsuper is to produce investment products that consistently deliver competitive long-term, risk-adjusted returns for members.

### Investment beliefs

1. We believe that optimal decision-making leads to strong member outcomes and is facilitated by appropriate governance structures.
2. We believe that rigorous research of both the expected benefits and potential risks of investment opportunities leads to strong member outcomes.
3. We believe our key comparative advantages are a long-term mindset and our size, and that we can improve member outcomes by exploiting these.
4. We believe that real long-term returns are most important. However, we recognise members have choices and returns relative to peers, are also important.
5. We recognise the need to take risk for the Fund to achieve its return objectives. Risk is only taken when we think we will be appropriately rewarded for it, and is managed through asset allocation, manager selection, overlays and portfolio construction.
6. We aim to capture most of the upside in strong markets, and to minimise losses.
7. We believe that asset allocation dictates most of the return and volatility of returns, and that the expected long-term returns and risks are best established through strategic asset allocation.
8. We believe that markets move through cycles and by taking a dynamic approach to managing asset allocation, where we have high conviction, we aim to improve the probability of achieving the Fund's return and risk objectives.
9. We outsource our asset management to appropriately qualified investment managers. We employ passive managers, and also active managers where we have a high level of conviction in their ability to add value net of fees and costs.
10. We believe that environmental (including climate change), social and governance opportunities and risks exist and should be taken into consideration to the extent we can practically do so and within the context of optimising net risk-adjusted returns.

## Trustee determination:

Trustee determinations are set out below and cover the following areas:

- Comparisons with comparable products of other regulated superannuation funds
- Options, benefits and facilities offered to members
- legalsuper's Investment strategy
- legalsuper's Insurance strategy
- Other relevant matters, including sustainability outcomes and scale, and
- Operating costs

## Choice option comparisons

legalsuper offered 10 Choice investment products (not including the Direct Investment Option) as at 30 June 2024:

- 3 single asset class options: Cash, Australian Shares & Overseas Shares
- 7 blended asset class options: Conservative, Conservative Balanced, Balanced Index, Balanced SRI, Balanced, Growth & High Growth

### 1. Returns (net of fees, cost and taxes)

The table below shows the extent to which one, five and ten year returns for each investment option exceeded or underperformed the median of comparative options in the relevant SuperRatings universe. A plus symbol indicates returns met or exceeded the median and a minus symbol indicates returns were below the median.

Note, the median returns comparator for overseas shares includes funds with different levels of hedging compared to legalsuper's approach and this needs to be kept in mind when comparing legalsuper's return with the median. The level of hedging for all comparable overseas shares options is not publicly available.

| Investment option versus median | 1 year (%) | 5 years (%) | 10 years (%) |
|---------------------------------|------------|-------------|--------------|
| Cash                            | -0.33      | -0.25       | -0.27        |
| Conservative                    | -0.79      | +0.01       | -0.22        |
| Conservative Balanced           | -1.26      | -0.92       | -0.31        |
| Balanced                        | -1.23      | +0.03       | +0.01        |
| Balanced Index                  | +0.49      | -0.92       | -0.46        |
| Balanced SRI                    | -2.83      | -1.12       | -1.40        |
| Growth                          | -1.54      | -0.43       | -0.27        |
| High Growth                     | -1.72      | -0.51       | -0.15        |
| Australian Shares               | -2.55      | -1.48       | -0.52        |
| Overseas Shares                 | -1.44      | +0.21       | -0.14        |

\* Source – SuperRatings Fund Crediting Rate Survey 30 June 2024

**Please note: Past performance is not a guide to future performance.**

1-year returns to 30 June 2024 were below the relevant SuperRatings median for all investment options except Balanced Index. The primary drivers of underperformance relative to peers include asset allocation and manager-specific factors. A relative underweight to Overseas shares versus Australian shares detracted from performance, as Overseas shares outperformed their Australian counterparts during the period. Additionally, the portfolio's overweight allocation to the Australian unlisted property sector weighed on returns amid broader property market weakness. Manager underperformance in Australian shares and Emerging markets also contributed to relative underperformance, along with the underperformance of small-cap stocks versus large caps within the Australian shares sector.

Performance to 30 June 2024 of investment options over the longer terms of 5 and 10 years is shown in the table above against the relevant SuperRatings median for each option.

Since June 2024, the strong performance by our overseas shares sector has boosted returns to 31 December 2024, leading to top quartile positive returns for both the financial year to date and over the one-year period for all investment options except Australian Shares and Cash.

## 2. Fees and costs

- As at 30 June 2024, legalsuper’s fees for all Choice options are noted in the table below based on \$50,000 and \$250,000 account balances.
- The median fee level for each investment option universe decreased over the year to 30 June 2024. Most legalsuper Choice options are above the median for both \$50,000 and \$250,000 account balances, except for the Balanced Index option.
- The fee levels reflect higher levels of personal service to members via our national Client Service Manager team.

The following table shows legalsuper’s fees and costs per annum as at 30 June 2024 for each Choice investment option when compared with the SuperRatings median for the relevant All Funds universe.

| Investment option     | legalsuper fee based on \$50,000 account balance | SuperRatings All Fund median fee based on \$50,000 account balance | legalsuper fee based on \$250,000 account balance | SuperRatings All Fund median fee based on \$250,000 account balance |
|-----------------------|--|--|---|---|
| Cash                  | \$248  | \$225  | \$968   | \$852   |
| Conservative          | \$488  | \$483  | \$2168  | \$2073  |
| Conservative Balanced | \$518  | \$490  | \$2318  | \$2000  |
| Balanced              | \$598  | \$559  | \$2718  | \$2405  |
| Balanced Index        | \$298  | \$515  | \$1218  | \$1835  |
| Balanced SRI          | \$558  | \$434  | \$2518  | \$1945  |
| Growth                | \$593  | \$534  | \$2693  | \$2277  |
| High Growth           | \$578  | \$555  | \$2618  | \$2535  |
| Australian Shares     | \$553  | \$484  | \$2493  | \$2003  |
| Overseas Shares       | \$463  | \$442  | \$2043  | \$1835  |

Source: SuperRatings Member Outcomes report - 30 June 2024

As measured by APRA’s 20250130 - Annual MySuper statistics back series June 2014 to June 2024, legalsuper’s administration fee is above the median of funds in the APRA statistics. This analysis aligns with the SuperRatings data from the Member Outcomes report and is consistent across multiple account balances from \$5,000 to \$500,000. It should be noted that, along with several other funds, legalsuper offers an administration fee rebate cap for large balances. Such a cap provides incentive for high balance members to stay with legalsuper and make additional super contributions. When assessing the split between flat and variable administration fees, legalsuper’s \$67.60 per annum flat administration fee in June 2024 was below the All Fund median of \$78.00 per annum, however the variable fee of 0.29% per annum is above the All Fund median of \$0.25% per annum.

It should be noted that the flat administration fee was reduced on 30 November 2024 from \$1.30 per week to \$0.99 per week (\$51.48 per annum), lower than most comparable funds. This exemplifies legalsuper’s ongoing efforts to lower fees where possible, while maintaining quality service and products for members.

### 3. Investment risk

Each investment option has a different level of risk reflected in different allocations to growth and defensive assets. The target and estimated level of investment risk for each option is set out below:

| Name of investment option | Risk profile      |
|---------------------------|-------------------|
| Cash                      | very low          |
| Conservative              | low to medium     |
| Conservative Balanced     | medium            |
| Balanced                  | medium to high    |
| Growth                    | high              |
| High Growth               | high              |
| Australian Shares         | very high         |
| Overseas Shares           | high              |
| Balanced Index            | high              |
| Balanced SRI              | high              |
| Direct Investment Option  | low to very high* |

This reflects the investment strategy adopted by the Trustee and is consistent with the median investment risk for products of comparable super funds with equivalent return targets.

\*The Direct Investment Option offers investments in assets from low risk cash and term deposits to high risk listed securities.

## Options, Benefits and Facilities offered to Members

### Independently awarded & highly rated

The strength of legalsuper’s overall offering is evidenced by high ratings from major rating agencies. legalsuper was awarded a SuperRatings Gold rating for its MySuper, employer sponsored, personal, and pension products in 2024/25. We were also awarded the ‘Best default insurance’ award by SuperRatings for 2024/25 in recognition of the work we have done to provide high value insurance, tailored to our members’ needs. This is the second year in a row we have received this award.

### Higher personal service for members/beneficiaries

legalsuper offers higher levels of personal service to members via our national Client Service Manager team. Our team helps members in their goal of building their savings for retirement (e.g. provision of factual information and general advice about legalsuper superannuation products, as well as intra-fund advice on a limited range of topics). Our team met with both members and employers to answer their questions and provide information and support to increase their understanding of superannuation and also facilitate workplace seminars and one-on-one consultations. This information and support provides real value to members to help them make beneficial decisions regarding their superannuation account.

Meetings with members were facilitated in a face-to-face setting, or remotely online.

- 1,961 meeting meetings were facilitated for the year;
- 13,271 emails to members;
- 3,090 phone calls with members.

## Direct investment option | more control for members in how they invest

In response to the level of member-directed investment choice, legalsuper offers a Direct Investment Option (DIO) whereby members can invest directly in S&P/ASX300 shares, a range of Exchange Traded Funds, Listed Investment Companies, and/or Term Deposits. DIO members have access to a dividend reinvestment plan and can also take advantage of a range of corporate actions.

## Information, tools & other support

Our website makes available for members an extensive range of superannuation, investment, insurance, and retirement-focused material. It also includes a range of tools and calculators to assist members with engaging with their super including a retirement income forecaster, insurance needs calculator and insurance fee calculator. Members can also log on to their personal account to check or update account details or transact on their account.

## Retirement income products and member support

legalsuper launched its Retirement Income Strategy on 1 July 2022 and it has been updated each year since, outlining the support provided to Fund members leading up to and throughout retirement. In particular, the Trustee recognises the importance of assisting Fund members approaching retirement to consider their retirement income needs and opportunities.

legalsuper's retirement incomes products give members access to various pension options including:

- a Transition to Retirement pension,
- an account-based pension option for those who have retired and want a flexible income stream in retirement, allowing for commutations or lump sum withdrawals if the need arises.
- two guaranteed income accounts are also available to provide a form of longevity insurance and fixed regular income payments – the Lifetime Guaranteed Income Account and the Fixed Term Guaranteed Income Account.

legalsuper members receive age-based retirement-related guidance to help them prepare for retirement. This includes emails, seminars, webinars, education material, Member Service Manager phone support and online tools and calculators. Over the past 12 months legalsuper has increased the quantity and quality of these assistance tools in recognition of the growing need by members for help in achieving a dignified retirement.

Management has conducted analysis on members' projected retirement income relative to the ASFA "comfortable" standard. The results of this analysis show that approximately only 20% of members will reach the ASFA "comfortable" standard at retirement. Management notes that this low percentage is resulted by the inclusion of all members with an accumulation account, therefore a significant percentage of members are projected to not achieve a comfortable retirement balance because of a range of factors including:

- SG contributions being made elsewhere;
- Inactive members;
- Zero balance members who have not yet closed;
- Insurance-only type members (that have made partial rollouts to SMSFs but retained their insurance).

## Research & insights

legalsuper regularly researches member views and needs and seeks member feedback. This research, and the insights gained, inform the ongoing development of our products and services to ensure they are appropriate for the needs of our members.

**Conclusion:** The options, benefits and facilities offered are appropriate to the members/beneficiaries of the Choice product.

## Investment strategy

### Investment strategy

The investment strategy, level of investment risk and return targets have been formulated having regard to a range of considerations including the demographics of legalsuper's members and liquidity requirements.

The investment strategy is predicated on delivering competitive performance measured against a core peer group of funds while at the same time differentiating performance with a high level of active management, niche/specialist investment opportunities and a focus on innovation and technology which drive long-term performance. The execution of the strategy is guided by legalsuper's investment goals and beliefs as outlined earlier in this document.

The Trustee monitors the effectiveness of its investment strategy over both short and longer-term time-periods.

### Environmental, social & governance

Investment beliefs have been adopted by the Trustee which recognise that ESG opportunities and risks exist and should be taken into consideration to the extent practical and within the context of optimising net risk-adjusted returns.

Many of legalsuper's incumbent investment managers have regard to ESG considerations in building and managing their investment mandates.

legalsuper also offers an ESG option (Balanced Socially Responsible) which has an exposure to securities in industries which demonstrate leading ESG considerations and ethical practices and a wider range of exclusions (fossil fuels, alcohol, gambling and others).

**Conclusion:** The investment strategy, including level of investment risk and returns targets, are appropriate to the Choice members / beneficiaries of legalsuper as disclosed in legalsuper's PDS.

## Insurance strategy

We combine our deep & growing understanding of our members' insurance needs with our insurer's capacity to work with us to design & deliver insurance options tailored for the particular needs of the legal community.

### Highly rated and award winning

SuperRatings has assessed legalsuper's insurance cover and costs as "Excellent" which is a rating of "Well Above Benchmark". Insurance is not available for the pension product.

legalsuper's insurance product was recognised as offering the 'Best default insurance' out of all superannuation funds; winning the industry award by SuperRatings for both 2023/24 and 2024/25, in recognition of the work we have done to provide high value insurance, tailored to our members' needs.

## Designed to protect member savings

Default Death and Total & Permanent Disability (TPD) insurance has been designed to address the following:

- trade-offs between affordability and insurance needs, and
- cost of insurance for members is reasonable based on the level of cover offered and does not result in any material erosion of a member's retirement benefit.

## Comprehensive review by specialist insurance consultant

In the period from 2022 to 2024, Deloitte Consulting Pty Ltd were engaged to assist with a review of legalsuper's insurance arrangements, encompassing default cover amounts, TPD definitions and premium rates. Deloitte concluded that legalsuper's insurance fees were fair and also provided recommendations of improving affordability, better meeting members insurance needs and addressing issues with TPD definitions that had been identified by ASIC as an industry issue.

Deloitte also completed the following analysis within this period:

- A comparison of the recommendations with peers regarding cost
- A comparison with peers regarding cover amounts
- A comparison with peers regarding TPD definitions
- A review of services provided by the group insurer to assist member processes (claims and underwriting)
- A review of pricing to confirm the Group Insurer's approach to claims experience and pricing more broadly.

As part of the analysis, a specific mental health TPD definition was introduced in recognition of mental health being the main claimed disability cause for our members and legalsuper has sought to address some cross-subsidies within the insurance design.

Insurance arrangements remain in place that provide:

Default Death and TPD premiums are less than 1% of salary across most ages noting that members younger than age 25 do not receive default cover unless they opt in.

Cover ceases where a member's account has not received a contribution or rollover for a period of 16 months unless the member has made an election to maintain cover beyond this period, ensuring that premiums do not excessively erode account balances for those who have not received employer contributions for an extended period.

legalsuper seeks to continuously make improvements to the claims and underwriting process in order to improve member servicing and experience, particularly during difficult times.

**Conclusion:** The insurance strategy for legalsuper's Choice product is appropriate for its members/beneficiaries and its insurance fees are not inappropriately eroding the retirement incomes of members/beneficiaries.

## Other relevant matters

### Sustainability outcomes

For the year to 30 June 2024, SuperRatings Member Outcomes data shows that growth in the number of legalsuper members of 5.49% was above the universe median of 1.49%. legalsuper's market share has increased in this time by 0.70%, above the SuperRatings median of -0.30%.



## Scale

### legalsuper has acquired scale through its partners

legalsuper has sufficient scale to negotiate competitive services and fee structures with large and specialist skilled and resourced outsourced providers including investment managers, fund administrator, custodian and insurer. Material outsourced providers are periodically subject to tender or reviewed to ensure services and fees are competitive. To the best of our knowledge, there have been no instances where members/beneficiaries have been disadvantaged by legalsuper's size and scale.

legalsuper's cost per member decreased in the year to 30 June 2024, as measured by SuperRatings in their Member Outcomes analysis. This demonstrates legalsuper's ongoing efforts to ensure costs are managed in the best interests of members. The decrease runs counter to the increase in the All Fund median as costs per member have risen across the universe of funds over the 12 months to 30 June 2024.

### As a smaller fund, legalsuper is more nimble and able to access niche investment opportunities

At 30 June 2024 legalsuper managed \$6.00 billion on behalf of 43,849 members, with an average account balance of \$136,855, just above the SuperRatings Member Outcomes median of \$134,840. As a smaller fund, legalsuper can be nimble in identifying and securing investment opportunities that are less accessible to larger funds and make a material contribution to overall performance. legalsuper makes investment decisions more efficiently and quickly and takes decisive and timely action to add or remove investments from the portfolio.

**Conclusion:** Choice Members/beneficiaries are not disadvantaged by legalsuper's size and scale. legalsuper's smaller size means it can deliver higher levels of personal service to members/beneficiaries compared to larger super funds.

## Operating Costs

### Specialisation in the legal sector means we avoid trying to be all things to all people

With a clearly defined target market (the Australian legal sector), legalsuper does not advertise broadly. This contrasts with many other super funds which spend material amounts on advertising and promotion. Instead of advertising, legalsuper supports the continuing professional development (CPD) programs of law societies across Australia. In addition to lifting legalsuper's brand profile in the legal community, this support advances the career development of legal professionals and their capacity to boost their retirement savings and provide valuable feedback about member needs.

As white-collar professionals, legalsuper's membership is more homogenous than other funds and provides advantages when designing and delivering cost effective and sustainable products and services for members. Our service and member communications are more tailored and personal, and the level of face-to-face contact that legalsuper has with its members is higher than most other funds, especially very large funds.

### Rigorous operating cost management

legalsuper is rigorously focused on keeping its operating costs to a minimum while maintaining good governance, risk management and member service levels. An annual operating cost budget is reviewed by the Board's Administration & Insurance Committee and then approved by the Board. This includes robust discussion and questioning to ensure all expenditure is incurred in members' best financial interests. A regular Pricing Committee reviews and suggests opportunities to reduce member fees where appropriate.

The Fund's operating cost increased for the 12 months to 30 June 2024, predominantly due to increased industry wide regulatory demands. Cost per member is higher than the All Fund Median as measured by SuperRatings, as we pride ourselves on providing a higher level of personalised service to members, as evidenced by us giving more seminars per member than other funds.

The Trustee reduced the fixed administration fee rate in November 2024. Investment fees are the subject of ongoing reviews and negotiation, especially at times when new investment managers are being appointed.

**Conclusion:** Based on our comparison of fees with comparable funds and rigorous management of operating costs we conclude that our operating costs are such that our Choice member fees are fair value.

Having had regard to the matters set out in sections 52(9)-(11) of the SIS Act for the year ended 30 June 2024, Legal Super Pty Ltd as Trustee of legalsuper has determined that the financial interests of members of its Choice product are being promoted by the Trustee.

**The information in this page is of a general nature and does not take into account your objectives, financial situation or needs. Before deciding if legalsuper is right for you, please read the Product Disclosure Statement (PDS) and Target Market Determination (TMD). We encourage you to obtain personal advice from a licensed financial adviser before making any decision based on this website. legalsuper handles information in accordance with its Privacy Policy. The relevant PDS, TMD, and Privacy Policy are available on this website. Past performance is not a guide to future performance. Legal Super Pty Ltd ABN 37 004 455 789 AFSL 246315 as the Trustee for legalsuper ABN 60 346 078 879.**