

Lindfield Super

Product Summary

2019-2020

We have assessed our performance and, based on that assessment, made an annual determination that members' interests have been promoted, in accordance with superannuation laws and standards.

1 Summary

The 2019-2020 financial year was an unprecedented year with challenges arising from prolonged drought conditions, the worst bushfire season on record, and the onset of COVID-19 in February 2020, which impacted businesses and communities on a global scale.

The Trustee's strategic objective is to deliver quality, value for money outcomes for members, achieving sustainability and success over the long term, and helping individuals meet their superannuation needs over a specified time horizon. Lindfield Superannuation Fund ("the Fund") faced many challenges during the year ended 30 June 2020. Many of our members suffered financial hardship because of lockdowns caused by impact of COVID-19 and the Fund experienced a large amount of withdrawals via the government COVID-19 early release initiative, reducing the membership by 18%. The funds under management are low and we acknowledge the need to achieve better scale and efficiencies and we are working on consolidation opportunities.

The Fund offers one investment option Growth. On the positive side, it delivered strong performance results to our members. We finished with a return of 7.31% per annum over the period of 10 years in comparison to a peer group median of 7.14% over the same period to 30 June 2020.

We continue to serve our members to the highest standards and remain committed to better member outcomes and have implemented the following improvements since 30 June 2020:

- New insurance premium rate table (removal of Insurance Administration Fee) from 1 November 2020. We have stopped charging the administration fee included in the premiums;
- Implementation of GreenID, for electronic identification verification checks for members; and
- Transition to daily unit pricing, from weekly, which has significantly enhanced the member experience.

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.

2 Member Services and Product options

The 2020 financial year was a year in which we focused on supporting members and taking care of our less fortunate members, whether that was due to hardship or having a low account balance.

Our website provides members with servicing documents, which were updated during the year, as well as access to the member portal. This enables members to check their account balance, transactions and update their personal details.

We have been monitoring the Fund and our objective is to seek consolidation opportunities to drive operational and administrative scale to ensure members' outcomes continue to be achieved.

Based on the above we have determined that member services and product options were achieved during the year and we are currently working on the strategy to ensure that member outcomes continue to be attained.

3 Investment

3.1 Investment Strategy

We maintained our investment strategy to provide members with an investment option that takes into account the following criteria:

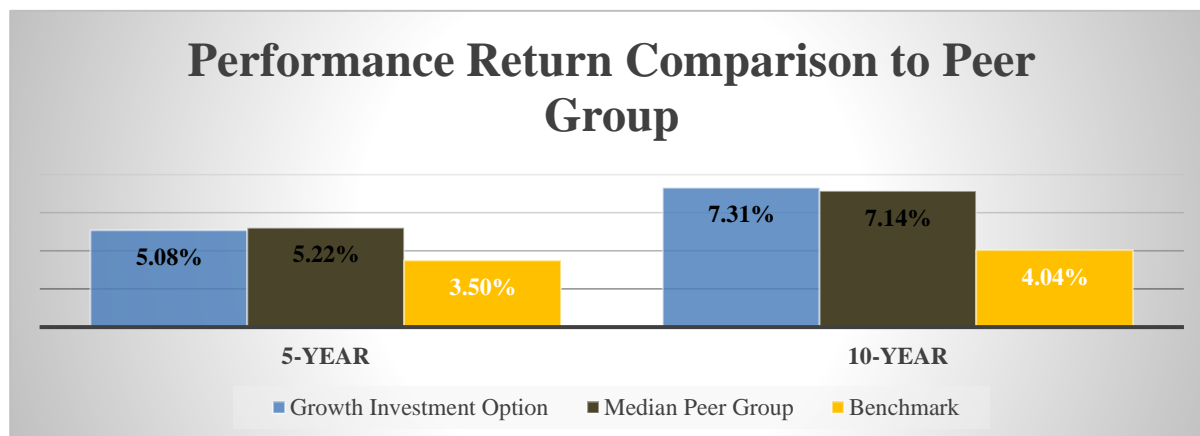
- The risk involved in making, holding and realising investments, and the likely return from those investments, having regard to the Fund's objectives and its expected cash flow requirements,
- The composition of the Fund's investments as a whole, including the extent to which the investments are diverse or involve the option of being exposed to risks from inadequate diversification,
- The liquidity of the Fund's investments, having regard to its expected cash flow requirements, and
- the ability of the Fund to discharge its existing and prospective liabilities.

We have determined our investment objective to be the rate of inflation (Consumer Price Index) plus an additional amount of 2.25%.

We used survey data from SuperRatings as the basis of our assessment of our investment option. SuperRatings specialise in ratings and research for the super industry and compare funds across a range of quantitative and qualitative factors.

Our peer group is based on Industry Public Offer, Industry Personal, Master Trust – Personal, Master Trust – Corporate as per SuperRatings classification and option type of Balanced Investment with the growth asset allocation between 60% to 76%.

The below graph shows that Lindfield Growth Option delivered higher return¹ than its peer group over the period of 10 years. The benchmark for both periods (5 and 10 years) was exceeded.



3.2 Level of Investment Risk

As a choice product, the Fund investment strategy is to provide a diverse mix of assets in growth assets such as shares and defensive assets including cash and fixed interest. This provides members with an investment strategy that is intended to be suitable for members comfortable with accepting short term market/performance volatility in order to achieve higher returns.

We believe that the investment strategy and the risk and the return target are appropriate for our member cohort.

4 Fees and Costs

Our aim is to maintain an adequate fee structure to ensure that member services can be appropriately delivered.

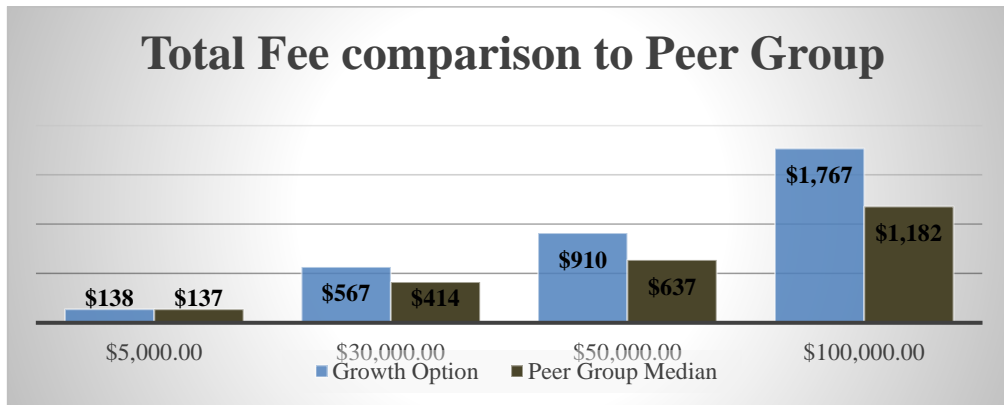
During the year all members were charged an administration fee as a mix of flat fee of \$52 per annum and a percentage fee of 1.65% per annum plus an investment fee, including investment indirect fees of 0.065%.

A combination of flat fee and percentage fee was chosen to take into account the fact that the Fund has a wide range of account balances with an average balance of \$44,000, thereby ensuring that all members contribute to the operational costs of the Fund and higher account balances benefit from the fixed fee.

In order to better understand an individual member's account, we have conducted testing of members' total fees charged per annum on the fee structure in place at 30 June 2020 at various balances.

We used survey data from SuperRatings as the basis of this assessment. We measured our fees against the peer group median (Industry Public Offer, Industry Personal, Master Trust – Personal, Master Trust – Corporate as per SuperRatings classification).

¹ Returns are net of all investment fees, administration fees and taxes, excluding member direct fees. Returns are calculated using changes in the unit price. Past performance should not be relied upon as an indication of future.



The graph shows that our total fees charged were above the peer group median.

We have further measured our costs by calculating the operating expense ratio of the Fund against all superannuation funds using the publicly available statistics issued by APRA (Australian Prudential Regulation Authority). The results reveal that the Fund’s operating expense ratio is 1.60%, this is above median of 0.60% for retail funds.

We acknowledge that our fees and operating expense ratio for the financial year were high when compared against other funds yet believe this will improve through our consolidation strategy that we are working on.

5 Insurance

AIA Australia Limited is the issuer of life insurance policies. Members are able to opt-in to Life, TPD and Income Protection Insurance. Members are also able to transfer cover from their old fund to their Lindfield Super Fund account.

As cover is voluntary, there has not been high levels of uptake in the fund.

Additionally, as members must opt-in to accept the default insurance offering, after considering their personal situation and needs, and the cost of the cover, as such, we do not look to measure the impact of insurance eroding your retirement income, and have determined that there is no inappropriate erosion of members’ retirements income due to the impact of insurance premiums.

Since 30 June 2020 we have reduced the premiums costs by the administration fee of to our members to further provide for better member outcome.