

Grosvenor Pirie Super

Member Outcomes Assessment
For the year ended 30 June 2021

28 February 2022

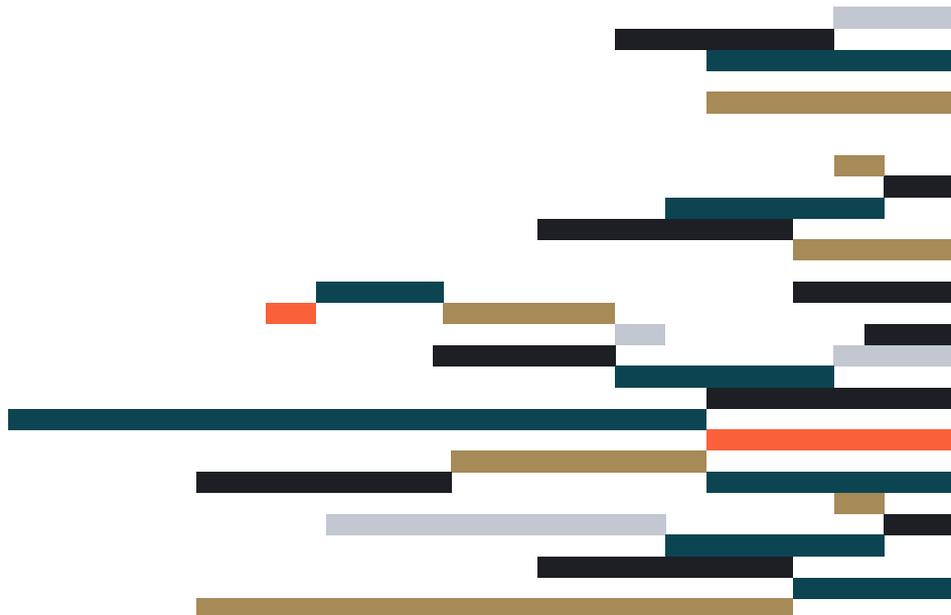
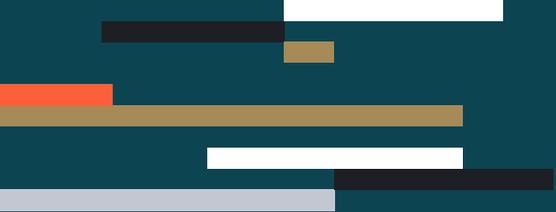


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Introduction

Introduction

What is the Member Outcomes Assessment?

This document will focus on the key outcomes found within the assessment in relation to Grosvenor Pirie Super. It analyses how Grosvenor Pirie Super's products compare to similar products and whether these products are serving the financial interests of the members. The document will present the final conclusions and summary, before going into detail on steps 1 and 2 of the assessment.

The comparative analysis for Grosvenor Pirie Super's Accumulation and Pension products is contained in separate sections within this report, however the assessment of product appropriateness applies across both the Accumulation and Pension products.

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)

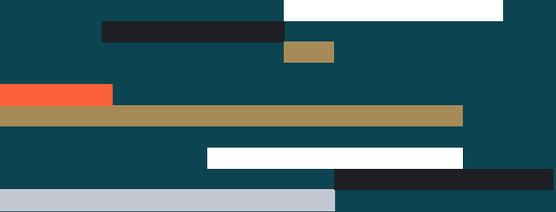
1. Options, benefits and facilities
2. Investment strategy
3. Insurance strategy and fees

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

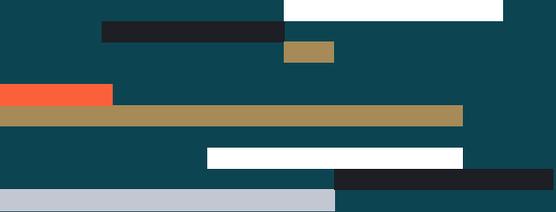
Product Determinations

The Trustee has determined that it is not 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 more expensive than the peer fund median for FY21 across all modelled balance points for the majority of Accumulation options and are materially more expensive for the Pension investment option;
- The investment returns for the Balanced Growth investment option underperformed the peer fund median across all analysed timeframes (one, three, five, and ten years) for both Accumulation and Pension. It is noted that there is no performance data available for the other Accumulation investment options (being Balanced, Growth and Conservative options) as these investment options did not have members invested in them until late in FY21; and
- Investment risk for the Balanced Growth investment option underperformed the peer fund median across all analysed timeframes (one, three, five, and ten years) for both Accumulation and Pension. Again, no data is available for the other Accumulation investment options.

However, it is noted that the objective assessment factors, being Grosvenor Pirie's options, benefits and facilities, investment strategy, scale, operating costs and the basis for setting fees, are considered appropriate for Grosvenor Pirie's members and do not inappropriately erode their retirement balances.

The Trustee has assessed that this sub-plan has little or no prospects for growth. For this reason, it is believed that the Trustee will be unable to achieve satisfactory member outcomes for members of Grosvenor Pirie in the future and therefore it has made the decision to terminate Grosvenor Pirie in FY22.



Choice Overview

Grosvenor Pirie Super Overview

Grosvenor Pirie Super was established in December 2003 and provides choice superannuation products for personal superannuation members in both Accumulation and Pension phase. Grosvenor Pirie Super is currently closed to new members.

During year the ended 30 June 2020, Grosvenor Pirie broadened its investment menu to include three new investment options: Balanced, Growth and Conservative options. The Balanced Growth investment option is closed to new members but continues to hold most of the assets in Grosvenor Pirie Super.

Grosvenor Pirie Super offers four diversified investment options:

Balanced Growth Option

(Accumulation
and Pension)

Balanced Option

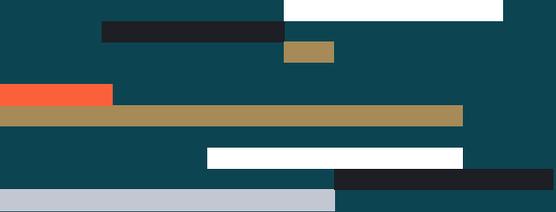
(Accumulation)

Growth Option

(Accumulation)

Conservative Option

(Accumulation)



Accumulation Comparative Assessment

Fees & Costs Comparison: Accumulation

Grosvenor Pirie Super's total fees (administration plus investment fees) for Accumulation members are compared to peer fund median fees in the charts on the following page. For the Growth and Balanced investment options, Grosvenor Pirie is slightly lower cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. However, for the Conservative and Balanced Growth investment options, Grosvenor Pirie is slightly higher cost than the peer fund median for total fees across all modelled balance points (\$30,000, \$50,000 and \$100,000).

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

On page 12, Grosvenor Pirie Super's Accumulation administration fees are compared to the peer fund median administration fees. Across all balance points (\$30,000, \$50,000 and \$100,000) Grosvenor Pirie is more expensive than the peer fund median. This is consistent with APRA's heatmap rating for Grosvenor Pirie's administration fees and indicates that there is an opportunity for improvement on administration fees in order to be more competitive with peers.

For fees and costs, the Trustee has determined that, on balance, it is not promoting the financial interests of the Accumulation product beneficiaries as the total fees for a majority of Grosvenor Pirie Super's investment options are more expensive than the peer fund median.

Fees & Costs Comparison: Accumulation



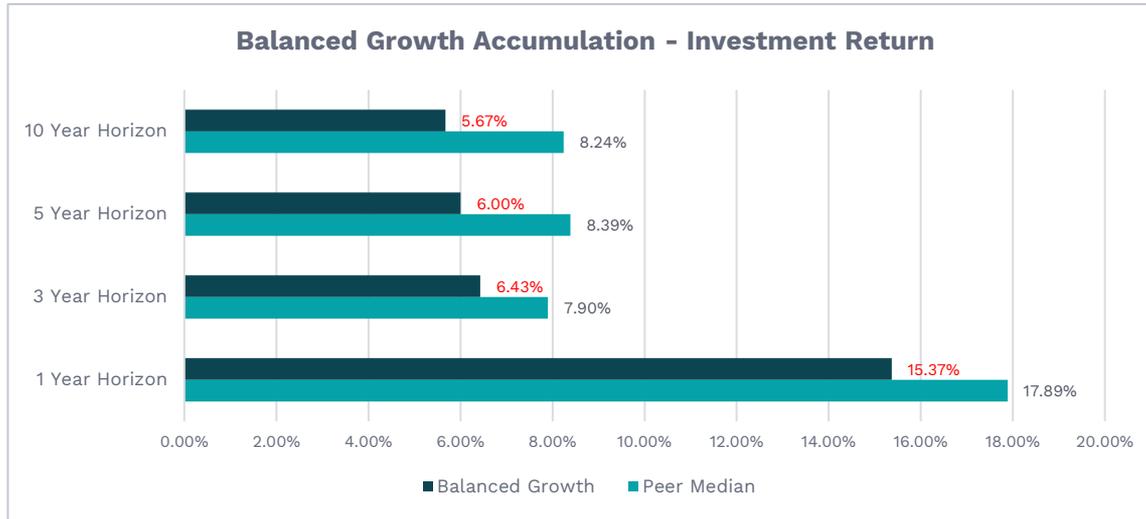
Fees & Costs Comparison: Accumulation



Investment Return Comparison: Accumulation

Grosvenor Pirie's net investment return for its Balanced Growth Accumulation option has underperformed peer fund median over one, three, five and ten years. There is no performance data available for the other Accumulation investment options (being the Balanced, Growth and Conservative options) as these investment options did not have members invested in them until late in FY21.

The Trustee has determined it is not promoting the financial interests of the Accumulation product beneficiaries as the investment returns for all periods underperformed the peer fund median.

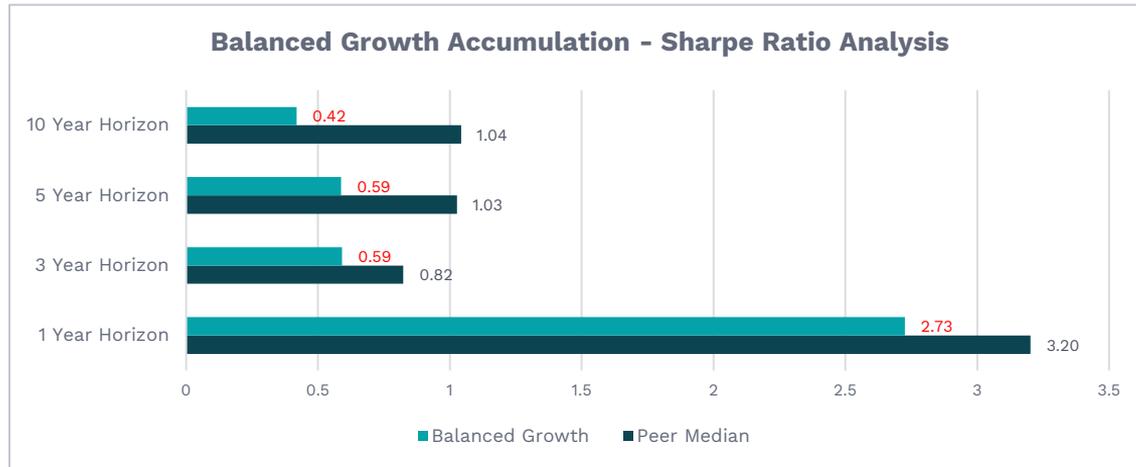


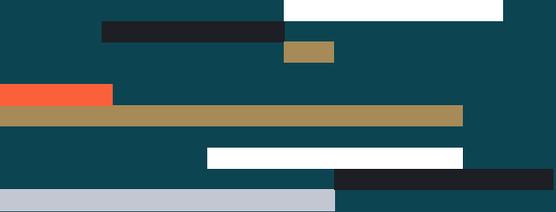
Investment Risk Comparison: Accumulation

In the graph below, we measure the performance of Grosvenor Pirie's Balanced Growth Accumulation investment option after adjusting for risk comparing to the peer fund 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.

Grosvenor Pirie's Sharpe ratio for its Balanced Growth Accumulation option is lower than the peer fund median for one, three, five and ten years. There is no Sharpe ratio data available for the other Accumulation investment options (being the Balanced, Growth and Conservative options) as these investment options did not have members invested in them until late in FY21.

The Trustee has determined it is not promoting the financial interests of the Accumulation product beneficiaries as the Sharpe ratio across all periods are lower than the peer fund median.



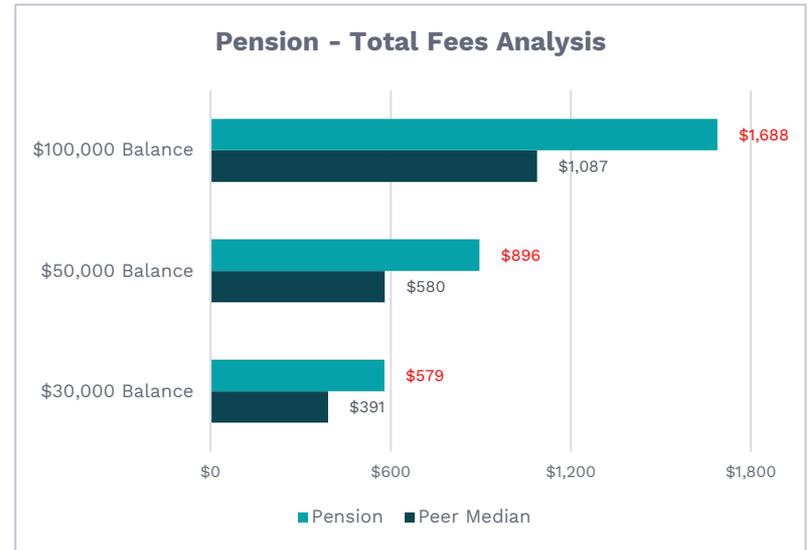
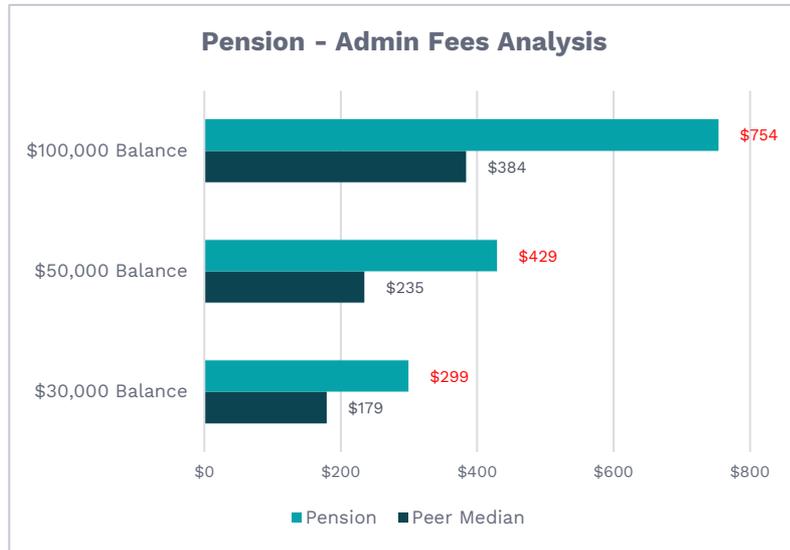


Pension Comparative Assessment

Fees & Costs Comparison: Pension

Grosvenor Pirie's total fees (administration plus investment fees) and standalone administration fees are compared to peer fund median fees in the charts below. For the Balanced Growth investment option for Pension members, Grosvenor Pirie is higher cost than the peer fund median when total fees and admin fees are calculated on \$30,000, \$50,000 and \$100,000 balances.

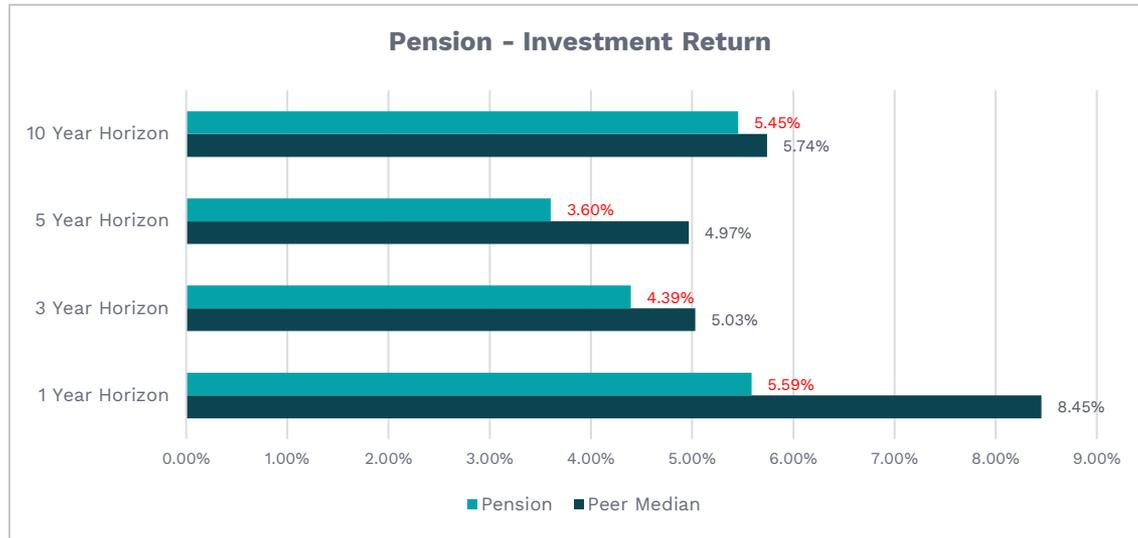
For fees and costs, the Trustee has determined that it is not promoting the financial interests of the Pension product beneficiaries as the total fees for Grosvenor Pirie at a product level are more expensive than the peer fund median.



Investment Return Comparison: Pension

Grosvenor Pirie's net investment return for its Balanced Growth investment option for Pension members has underperformed the peer fund median over one, three, five and ten years.

The Trustee has determined it is not promoting the financial interests of the Pension product beneficiaries as the investment returns for all periods underperformed the peer fund median.

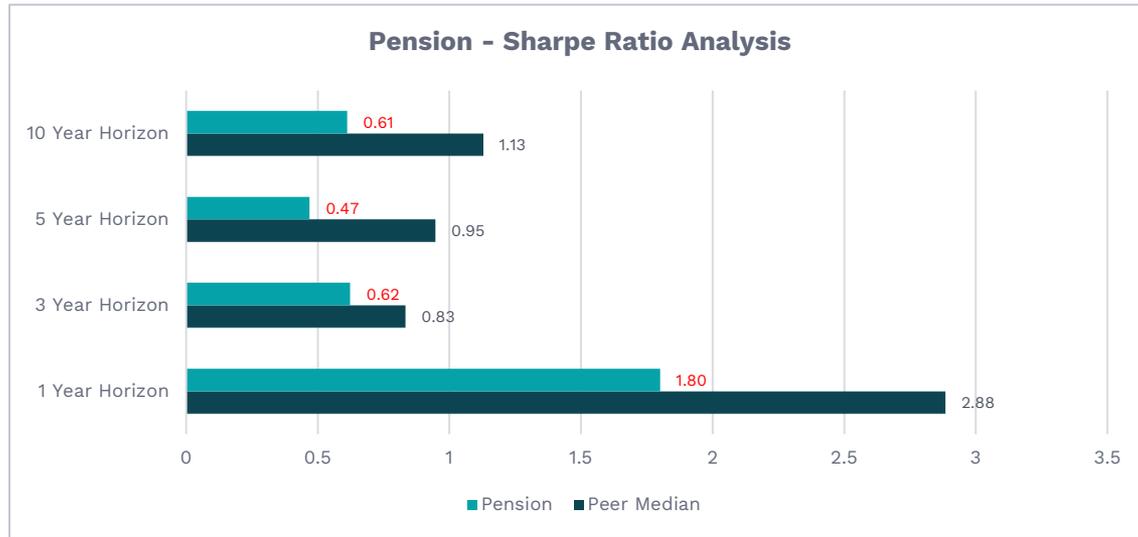


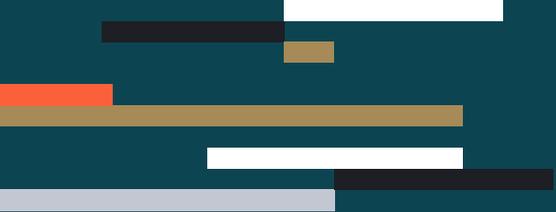
Investment Risk Comparison: Pension

In the following graph, we measure the performance of Grosvenor Pirie's Balanced Growth investment option for Pension after adjusting for risk comparing to the peer fund 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.

Grosvenor Pirie's Sharpe ratio for its Pension option is lower than the peer fund median for one, three, five and ten years.

The Trustee has determined it is not promoting the financial interests of the Pension product beneficiaries as the Sharpe ratio across all periods are lower than the peer fund median.





Product Appropriateness Assessment

OPTIONS, FACILITIES & BENEFITS

Grosvenor Pirie 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.

Members are able to interact with Grosvenor Pirie via the dedicated call centre.

The Trustee has determined that the options, benefits and facilities offered under the product are appropriate to members.

INVESTMENT STRATEGY

Grosvenor Pirie Super's investment menu consists of four diversified options, one of which is available as both an Accumulation and Pension option. During year the ended 30 June 2020, Grosvenor Pirie changed its investment strategy and broadened the investments portfolio to include three new investment options (Balanced, Growth and Conservative investment options), allowing members to decide the level of investment risk they wish to take on. The simple menu of investment options gives enough choice for multiple risk appetites appropriate for the member cohort.

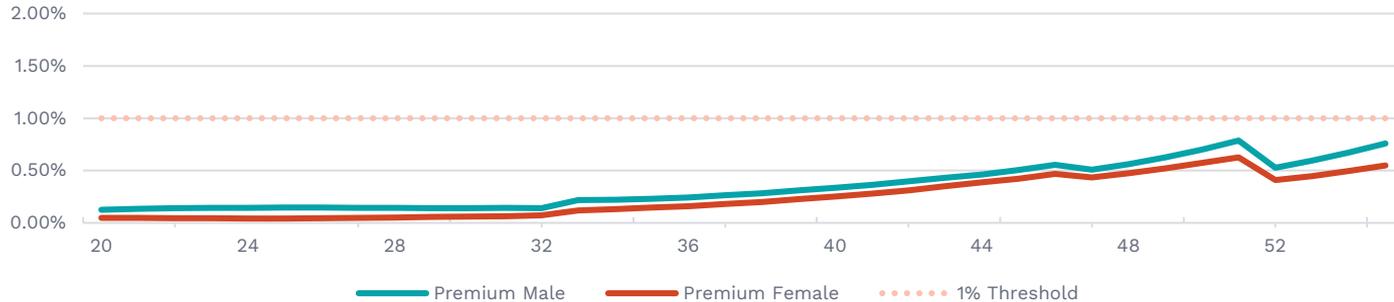
The investment strategy was last reviewed in December 2021. As a result of this review, no changes were made to the investment strategy.

Based on the above, the Trustee has determined that the investment strategy and investment menu is appropriate for members as it provides options for all members who have varying risk profiles and circumstances.

INSURANCE STRATEGY & FEES

Grosvenor Pirie Super provides insurance for members through AIA Australia. Default insurance is not offered so members must opt-in to gain access to insurance.

The following graph shows how Grosvenor Pirie's premiums* for Death and TPD insurance cover compares to a 1% of salary** threshold from ages 20 to 55. Whilst Grosvenor Pirie has not opted into the Insurance in Superannuation Voluntary Code of Practice, the recommended benchmark of 1% of annual salary is still considered. As members become older, the premiums increase, and cover decreases to reflect the rise in health risk. The standard cover starts at \$200,000, rises to \$300,000 at age 33 and then reduces to \$250,000 at 47 and again to \$150,000 at 52.



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

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

**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 your salary per annum to prevent your superannuation balance being eroded.

SCALE

Grosvenor Pirie Super (sub-plan) had 380 members with approximately \$16 million in funds under management as at 30 June 2021.

It is anticipated that Grosvenor Pirie Super will not grow and is unable to achieve greater scale benefits based on its growth during FY21:

- Funds Under Management ('FUM') grew by -16%, compared to the industry median of 15%
- Net members' benefits flows of -\$2M, compared to the industry median of -\$4M
- Number of member accounts grew by -47%, compared to the industry median of -3%
- Net rollovers into Grosvenor Pirie Super (sub-plan) of -\$2M, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 306%, compared to the industry median of 107%

From the above, it is clear that Grosvenor Pirie Super's growth rate is negative and lower than the industry median.

The Trustee has assessed that this sub-plan has little or no prospects for growth. For this reason, it is believed that the Trustee will be unable to achieve satisfactory member outcomes for members of Grosvenor Pirie in the future and therefore it has made the decision to terminate Grosvenor Pirie in FY22.

OPERATING COSTS

Grosvenor Pirie 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 Grosvenor Pirie Super's operating expense ratio is significantly higher than that of the median fund but that this has reduced by 0.30% between FY20 and FY21 whereas the median fund operating expense ratio has increased by 0.05%.



Noting the smaller size of the Fund, the operating costs are considered appropriate for Grosvenor Pirie Super's members and do not inappropriately erode their retirement balances.

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 and a basis points fee. The combination of flat and percentage administration fee structure ensures services available to all members are appropriately shared across the fund membership base.

Fees are charged to members on a monthly basis, therefore ensuring that the cost of maintaining a superannuation account is smoothed over the course of a year rather than members incurring a large impact to their balance at once.

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



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