

# Lindfield 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 Lindfield Super. It analyses how Lindfield 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.

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 Determination

The Trustee has determined that it is not promoting the financial interests of the beneficiaries invested in its products on the basis that:

- Administration fees and total fees (which includes both administration and investment fees) are more expensive than the peer fund median across all modelled balance points;
- The investment returns and risk-adjusted returns are lower than peer fund medians for short and longer term performance; and
- There have been significant outflows of members and assets higher than that of the median fund across the superannuation industry.

However, it is noted that the majority of the objective assessment factors, being Lindfield Super's options, benefits and facilities, investment strategy, insurance strategy and fees and the basis for setting fees, are considered appropriate for Lindfield Super'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 Lindfield Super in the future and therefore it has made the decision to terminate Lindfield Super in FY22.



# Choice Overview

# Lindfield Super Overview

The Lindfield Superannuation Fund was established in December 2006 as an alternative to the larger superannuation funds available. Lindfield offers members a simple investment menu with a single investment option for Accumulation members - the Growth Investment option. This option focuses on Australian shares, with flexibility to incorporate some international share exposure.

Lindfield is closed to new members.



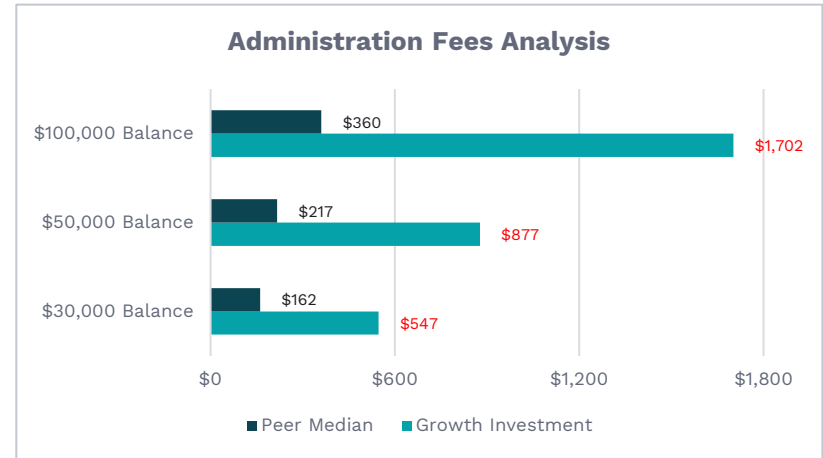
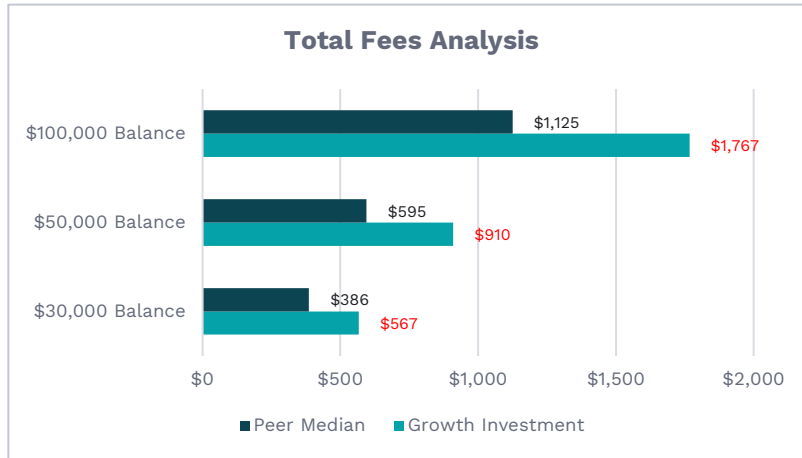


# Choice Assessment

# Fees & Costs Comparison

Lindfield Super's total fees (administration fees plus investment fees), as well as its administration only fees, are compared to peer fund median fees in the charts below. Lindfield Super's investment options are considerably higher cost than the peer fund median when total fees are calculated on \$30,000, \$50,000 and \$100,000 balances. This is driven by the significantly high administration fees.

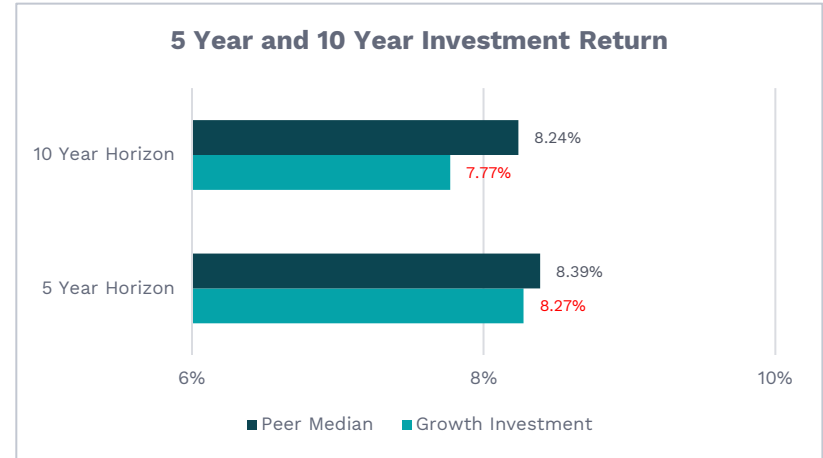
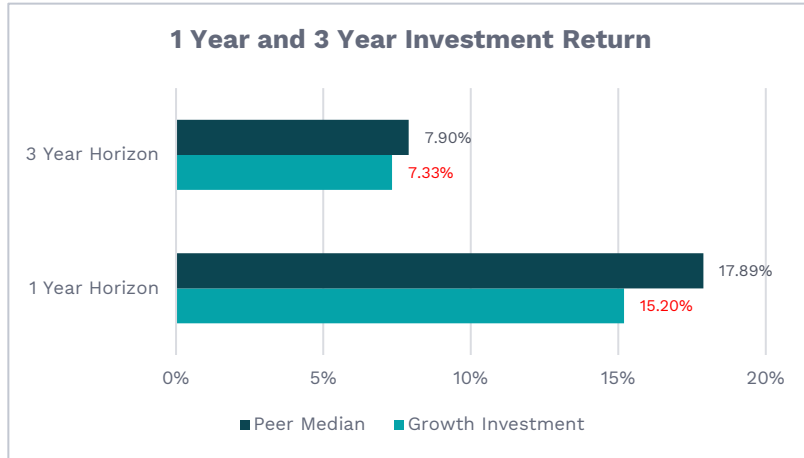
For fees and costs, the Trustee has determined that it is not promoting the financial interests of the beneficiaries as the total fees and administration fees for Lindfield Super at a product level are more expensive than the peer fund median.



# Investment Return Comparison

The graphs below illustrate Lindfield Super's investment performance compared to the relevant peer fund median. Lindfield Super's net investment returns over one, three, five and ten years to 30 June 2021 has underperformed the peer fund median.

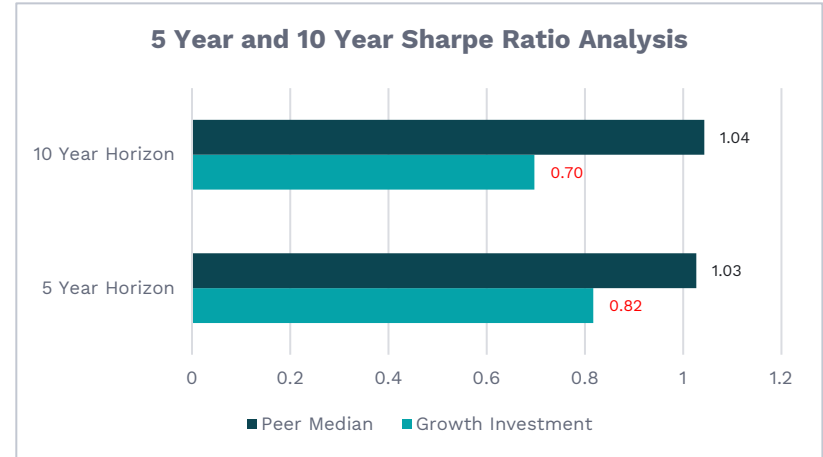
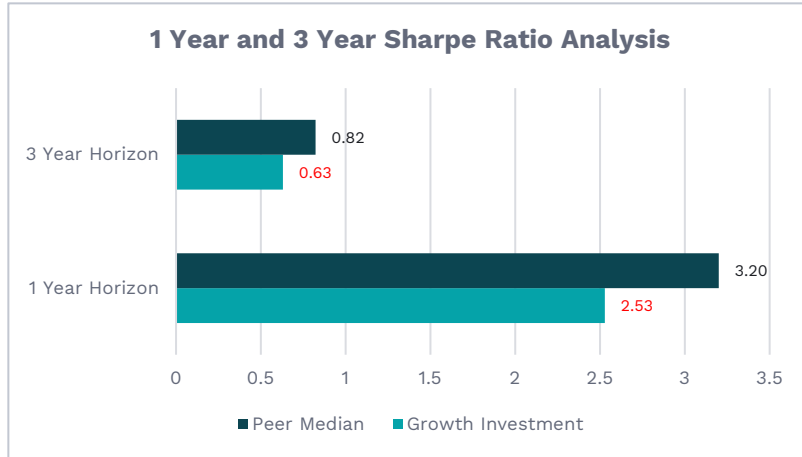
The Trustee has determined it is not promoting the financial interests of the beneficiaries as both short and long term performance are below the relevant peer fund median.



# Investment Risk Comparison

In the following graphs, we measure the performance of Lindfield Super's investment options after adjusting for risk and comparing against 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.

Lindfield Super's Sharpe ratio is lower than the peer median over the one, three, five and ten year timeframes. The Trustee has determined the financial interests of the beneficiaries are not being promoted as risk-adjusted returns are lower than the peer fund median.



## **OPTIONS, FACILITIES & BENEFITS**

Lindfield 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 Lindfield Super via a contact centre.

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

## **INVESTMENT STRATEGY**

Lindfield Super offers a single diversified product with a balanced growth asset allocation. Lindfield Super's Growth investment option is intended to be suitable for members comfortable with accepting short term market/performance volatility in order to achieve higher returns. Lindfield Super's investment strategy has a bias towards Australian securities.

Lindfield Super's actual asset allocation has been maintained within reasonable tolerances to its strategic asset allocation. The growth asset allocation is reasonable for a single strategy fund to suit a variety of risk appetites.

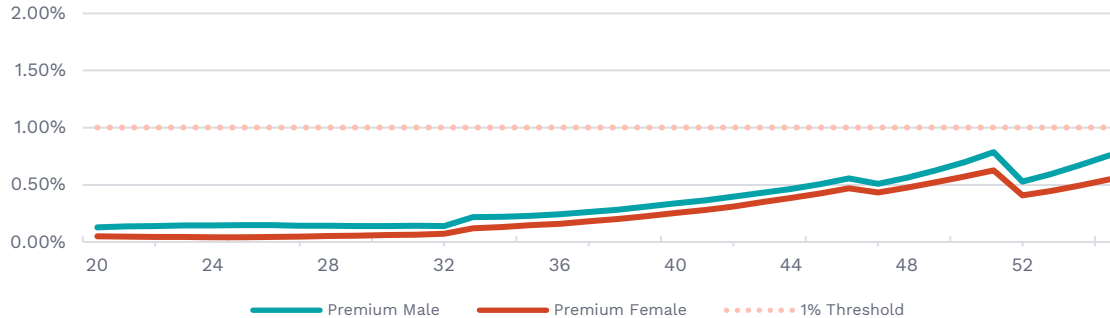
The investment strategy was last reviewed in December 2021. As a result of this review, no changes were made to the investment strategy.

Based on the above, the Trustee has determined that the investment strategy is appropriate for members as it can suit members with varying risk profiles and circumstances.

## INSURANCE STRATEGY & FEES

Lindfield 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 Lindfield Super's premiums\* for Death and TPD insurance cover compares to a 1% of salary\*\* threshold from ages 20 to 55. Whilst Lindfield Super 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 Lindfield 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 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 your salary per annum to prevent your superannuation balance being eroded.

## SCALE

Lindfield Super had 96 members with approximately \$7.56 million in funds under management as at 30 June 2021.

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

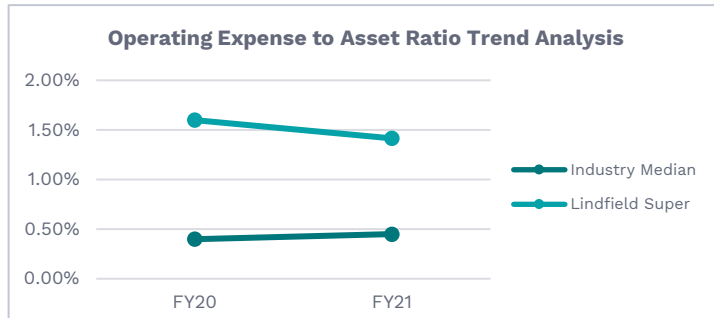
- Funds Under Management ('FUM') grew by 7%, compared to the industry median of 15%
- Net members' benefits flows of -\$451K, compared to the industry median of -\$4M
- Number of member accounts grew by -36%, compared to the industry median of -3%
- Net rollovers into Lindfield Super of -\$778K, compared to the industry median of -\$28M
- Net members' benefit outflow ratio of 209%, compared to the industry median of 107%

From the above, it is clear that Lindfield 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 Lindfield Super in the future and therefore it has made the decision to terminate Lindfield Super in FY22.

## OPERATING COSTS

Lindfield Super's operating expense ratio for FY20 and FY21 is shown in the graph below compared to the industry fund median (derived from APRA data). It is noted that Lindfield Super's operating expense ratio is significantly higher than that of the median fund but has decreased by 0.18% by FY21 while the median fund whereas the median fund operating expense ratio has increased by 0.05% between FY20 and FY21.



Lindfield Super's operating costs are proportionate to the amount of funds under management. It is evident that they are trending down, but further improvements can be made to bring them closer to the industry median.

## 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 a combination of a flat dollar-based fee (\$52 per annum) and a percentage fee of 1.65% per annum. 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 Lindfield Super's members and does not inappropriately erode their retirement balances.





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