

Legislated Outcomes Assessment Summary - 2024

1. BACKGROUND

REI Super annually undertakes an outcomes assessment to determine whether the financial interests of members who hold a MySuper or Choice product are being promoted in accordance with legislative requirements. The assessment is prepared and documented for REI Super's MySuper and Choice product offerings for the period ended 30 June 2024.

In making its determination REI Super has regard to comparison factors and to the latest performance test determinations made by APRA. REI Super also assesses:

- whether the options, benefits and facilities offered under the product are appropriate to those members,
- whether the investment strategy for the product, including the level of investment risk and the return target, is appropriate to those members,
- whether the insurance strategy for the product is appropriate to those members,
- whether any insurance fees charged in relation to the product inappropriately erode the retirement income of those members,
- whether, because of the scale of REI Super's business operations, members are disadvantaged,
- whether the operating costs of REI Super's business operations are inappropriately affecting the financial interests of members, and
- whether the basis for setting of fees is appropriate for its members.

2. METHODOLOGY

In undertaking the outcomes assessment, REI Super has compared its performance across the key legislated metrics of investment return, level of investment risk and fees & costs with other MySuper products and benchmarks as required by legislation and Superannuation Prudential Standard 515. In relation to its Choice product, comparisons have been made with comparable products (where available) and legislative benchmarks. REI Super has also compared its investment returns with strategic asset allocation (SAA) benchmarks and the investment objectives as communicated to members.

In assessing investment outcomes, REI Super has placed greater emphasis on longer term investment performance.

3. COMPARISON FACTORS - MYSUPER

For REI Super's MySuper product, the comparison of the three prescribed metrics is with all other single strategy MySuper products (including comparable lifecycle products) using data published by APRA. To fully inform the assessment, comparisons are also carried out with the SAA benchmark and investment objective. Consideration is also given to REI Super's Your Future Your Super (YFYS) Performance Test result.

(a) Investment Returns

The investment return analysis is based on performance data from APRA which measures performance for a \$50,000 account balance member after fees, costs and taxes.

Key observations:

- REI Super has matched or outperformed its peers over most periods measured including over the longer term.
- Over one year, three years, five years and ten years, REI Super's net investment return has exceeded that of its SAA benchmark portfolio.
- Over the last ten years, REI Super has met its investment objective of CPI + 3% as communicated to members.

(b) Investment Risk

The investment risk analysis measures the number of negative returns expected over a 20-year period for REI Super compared to the median number of negative returns of other funds. This risk metric is prescribed by APRA and is based in APRA data.

Key observations:

- The level of investment risk is lower than the APRA median.

(c) Fees & Costs

The fees & costs analysis is based on the metric prescribed by APRA and published in the APRA Quarterly Superannuation Product Statistics Report in June 2024.

Key observations:

- REI Super's fees and costs for a representative member are competitive compared to its peers.

(d) Performance Test

Based on APRA's assessment REI Super has passed the 2024 YFYS Performance Test.

Conclusion

In summary, REI Super's analysis shows:

- REI Super's investment returns are competitive when compared with other MySuper products over the longer term.
- REI Super's MySuper product has passed the performance test in 2024 as assessed by APRA.
- REI Super has outperformed its SAA benchmark (using the performance test benchmarks) over the long term.
- The level of investment risk is lower than the median.
- REI Super has outperformed its investment objective over the long term.
- REI Super's fees and costs are competitive when compared to the median.

Given the above it is our opinion that the financial interests of MySuper members are being promoted by REI Super.

4. COMPARISON FACTORS - CHOICE

As at 30 June 2024, REI Super investment products included four multi-sector portfolios and six single-sector portfolios. Most members (over 90%) were invested in REI Super's multi-sector portfolios (Growth & Balanced).

For REI Super's Choice product, the comparison factor analysis was with comparable choice products using data published by APRA and SuperRatings. Comparisons were also carried out with REI Super's SAA benchmark portfolios and investment objectives (as disclosed in our PDS). Consideration was also given to REI Super's Your Future Your Super (YFYS) Performance Test results.

(a) Investment Returns

The investment return analysis is based on the net investment return metric which measures performance after investment fees and taxes.

(i) Multi-Sector Super Options

The performance of REI Super's Growth, Balanced, Stable and Conservative options was compared with relevant peers as reported in the APRA Quarterly Superannuation Product Statistics (QSPS) Report (Sept 2024). The Conservative option strategy was terminated effective 30 June 2024. Comparisons were also made with each product's SAA Benchmark portfolio as reported in the APRA Comprehensive Product Performance Package (2024).

Key observations:

- REI Super's products have in most cases matched or outperformed their SAA Benchmark portfolios over the long term.
- Peer relative performance has been competitive with the majority of investment options at or above the median over the long term.
- Over the last ten years, REI Super has met the investment objectives for Balanced and Growth. Stable and Conservative were particularly impacted by the spike in inflation during 2022 and 2023 and have underperformed as a result.

(ii) Multi-Sector Pension Options

The performance of REI Super's Growth, Balanced, Stable and Conservative options was compared with relevant peers as reported in the APRA Quarterly Superannuation Product Statistics (QSPS) Report (Sept 2024). The Conservative option strategy was terminated effective 30 June 2024. Comparisons were also made with each product's SAA Benchmark portfolio (using the performance test benchmarks).

Key observations:

- REI Super has generally performed in line with its SAA Benchmarks over the long term.
- Compared to its peers longer term performance has been impacted by overweight positions in listed markets. These have been addressed as part of REI Super's recent SAA review.
- Over the last ten years, REI Super has met its investment objectives for all multi-sector investment options except for Conservative which has been particularly impacted by the spike in inflation over the last couple of years.

(iii) Single Sector Options - Super & Pension

The performance of REI Super's Australian Property, Global Property, Australian Shares, International Shares, Bonds and Cash options was compared with relevant peers.

Key observations:

- Over the last ten years, REI Super has met or exceeded its investment objectives (as disclosed in each PDS) for most of its investment options.
- Peer relative performance has been competitive for most investment options given the lower risk profile of our products compared to our peers.

(b) Investment Risk – All Choice Products

The investment risk analysis compares the level of investment risk (based on the Standard Risk Measure adopted by industry) of REI Super's Choice investment options with the level of risk of relevant peers as reported by SuperRatings.

Key observations:

- REI Super products are placed at the lower end of the risk range relative to peers for most options.

(c) Fees & Costs – All Choice Products

The fees & costs analysis compares REI Super's total fees (administration & investment fees for a representative member with a balance of \$50,000) to the median as reported by SuperRatings as at 30 June 2024.

Key observations:

- REI Super fees remain competitive across most REI Super choice investment options.

(d) Performance Test

APRA's 2024 assessment of REI Super's Trustee Directed products against the legislated benchmark resulted in a "pass".

Conclusion

The analysis shows:

- REI Super's trustee-directed products have passed APRA's 2024 YFYS annual performance assessment.
- REI Super's performance has met or exceeded that of its peers, investment objectives and SAA benchmarks over the longer term for the majority of investment options.
- Investment risk levels are generally lower than our peers.
- Fees/costs are competitive when compared with peers as at 30 June 2024.

Given the above, it is our opinion that the financial interests of Choice members overall are being promoted by REI Super.

5. ASSESSMENT FACTORS

(a) Options, Benefits & Facilities Assessment

In assessing whether the options, benefits and facilities are appropriate for members we have considered the following:

- REI Super offers members broad investment choice from a range of investment options to cater for individual investment risk preferences. Our website provides an easy-to-use tool to allow members to assess their risk preferences and suggest the most appropriate investment choice based on their risk profile.
- A suitable insurance offering appropriately designed to meet the needs of members with insurance fees guaranteed until 2027. REI Super offers members insurance choice including insurance cover for Death Only, Death & TPD and Income Protection. Our income protection policy is flexible and allows for the inclusion of sales commissions which are common in the Real Estate industry.
- Insurance claims are handled within the fund by a specialist claims manager offering sensitive and personalised service to members. We work with our insurance partner to provide a personalised approach to insurance claims management where we aim to ensure the claims process is fair, ethical and straightforward as possible. Through our insurer we achieved faster claim decision times compared to the industry average.
- REI Super offers members a range of member services including:
 - Member helpline service: Our member helpline service consistently achieves high monthly Net Promoter Scores.
 - Online investment switching & access to accounts; our website and mobile App enable Members to make changes to their investment preferences and to check their account balance on any device at any time.
 - Member engagement & education; our Business Development Managers conduct Member education sessions and Employer workplace education sessions for staff physically and virtually on a regular basis. We also engage with, and educate, our

Members on a regular and ad-hoc basis through newsletters, electronic direct mail, physical and digital brochures, social media and physical and virtual events.

- Regular updates and communications; We provide regular updates and send regular communications to our members.
- Access to free general and intra fund financial advice.
- Access to comprehensive financial advice.
- Pension payment flexibility.
- REI Super offers members competitive fees across all investment options including a fee rebate for high balances.
- REI Super is prudently managed with a strong focus on governance and risk management designed to safeguard members' retirement savings. Our governance model includes a majority of member elected directors. SuperRatings has assessed our governance capability as excellent.
- SuperRatings has recently assessed and provided REI Super with an overall "Gold" rating across its MySuper and Choice product offerings.
- REI Super compares its features including default investment strategy, drawdown option, pension tax rebate and access to longevity products to similar products on the market. This supports the continuous improvement of our retirement income strategy to better serve our beneficiaries approaching and in retirement.

Conclusion

Given the above it is our considered opinion that REI Super's options, benefits and facilities are appropriate for its members.

(b) Investment Strategy Assessment

REI Super offers super and pension members choice to cater for a range of investment risk profiles. MySuper members are invested in REI Super's Balanced Option. The appropriateness of each investment strategy, including the level of investment risk and the investment objectives, is reviewed regularly by REI Super.

The 2023 investment review undertaken by Willis Towers Watson concluded that each of REI Super's investment strategies was consistent with achieving stated investment objectives.

Conclusion

It is our opinion that REI Super's investment strategy for each product, including the level of risk and return targets, is appropriate.

(c) Insurance Strategy Assessment

REI Super offers eligible members three types of insurance cover, Death Only, Death/TPD and Income Protection insurance. Most insured members (over 73%) are covered for Death/TPD. REI Super's insured members are an average age of 43 years, mostly female (65%), and white collar.

In assessing REI Super's insurance strategy, key considerations include:

Level of Cover

The assessment is based on information sourced from SuperRatings which compares REI Super's insurance offering with that of other comparable funds. In assessing REI Super's insurance strategy and product, SuperRatings has provided a score of 80 - above benchmark relative to peers.

Inappropriate Erosion of Retirement Benefits

REI Super's assessment of its insurance fees (as a percentage of salary) below, highlights that the insurance fees charged to REI Super members are below the industry benchmark of 1% of salary and as such do not inappropriately erode their retirement benefits.

Conclusion

It is our considered opinion that REI Super's insurance strategy for its MySuper and Choice members is appropriate.

(d) Insurance Fees Assessment

Most (98%) of the REI Super insured membership base is categorised as 'white collar' occupational code. The analysis looks at current insurance cost levels as a percentage of members' salaries across several member cohorts.

Overall insurance costs are less than the 1% industry benchmark across the cohorts considered.

Conclusion

It is our opinion that insurance fees charged to REI Super members do not inappropriately erode the retirement income of those members.

(e) Operating Costs

REI Super's operating costs as a % of FUM have been managed prudently at sustainable levels within budget over recent years. This is reflected in REI Super's ability to maintain competitive fee levels.

Conclusion

It is our opinion that the operating costs of REI Super's business operations are not inappropriately affecting the financial interests of members.

(f) Basis of Setting Fees

REI Super's fee structure across all products consists of an asset-based administration fee of 0.25% pa and an investment fee which varies depending on the investment option. A fee rebate of 0.28% of a member's balance for amounts in excess of \$300,000.

Conclusion

REI Super considers the basis for setting fees is fair and reasonable and appropriate for its members.

(g) Scale

- Overall, REI Super fees are competitive when compared with its peers as at 30 June 2024.
- Investment returns over the longer term are competitive and have met or exceeded SAA Benchmark returns and set investment objectives for most members.
- REI Super has passed the performance test across all products assessed by APRA.

Conclusion

It is our opinion that REI Super members are not disadvantaged because of the scale of REI Super's business operations.

6. PRODUCT DETERMINATIONS

- REI Super is satisfied that the financial interests of its MySuper members are being promoted having regard to MySuper product comparisons and benchmarking undertaken including the assessment of key factors.
- REI Super is satisfied that the financial interests of its Choice members are being promoted having regard to Choice product comparisons and benchmarking undertaken including the assessment of key factors.

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