

Member Outcomes Statement 2021/22

7 March 2023



Trustee product determination

In accordance with the *Superannuation Industry Supervision Act (1993) section 52 (9)*, Brighter Super (the trading name of LGIASuper Trustee as trustee for LGIASuper) has undertaken an assessment of the outcomes we delivered to our members for each defined contribution product and investment options we offered over the financial year ending 30 June 2022.

We asked independent expert Deloitte to undertake a review of our products and investment options, and their performance and features, in the context of other opportunities available to members in the superannuation market.

The review assessed specific factors such as fees and costs, investment returns and risk, options, benefits, facilities, investment strategy, insurance strategy, insurance fees, scale, operating cost and the basis for setting fees, from which we achieved an **overall score of 3.6 out of 5**, up 10% from last year's score of 3.3 (2020/21).

On the basis of this review, Brighter Super has promoted the financial interests of our members over that period.

Within this overall determination, there are areas for improvement, particularly our fees and costs and the performance of certain investment options.

Summary of the review

Over the 2021/2022 financial year we made significant improvements in the outcomes delivered to members. The merger between LGIASuper and Energy Super on 1 July 2021 resulted in the fund growing to \$24b in funds under management and 120,000 members.

This was a significant step towards achieving a size that would ensure our financial sustainability. Over the past year we have worked on aligning our products and services with the aim to remove duplication, save costs, reduce fees and simplify our product offering to all members.

Pleasingly, we have made improvements across all metrics as reviewed by Deloitte and these are summarised below.

Fees and Operating Costs: Based on comparison to the market and peers, Brighter Super offers a good value MySuper product, particularly for members with a \$50,000 balance.

However, some Brighter Super ready-made, single asset class and socially responsible choice options are more expensive than the comparable funds, due to higher indirect costs associated with investment manager performance fees.

Brighter Super continues to work on improving fee outcomes for members across all our choice options. **Score 3 out of 5, ↑ 15% from 2.6** in the previous year (2020/21).

Investment Returns and Risk: Brighter Super's MySuper product has passed the Government's *Your Future, Your*

Super performance test and outperformed the peer and market medians over 1, 3 and 5 years. Choice options have typically performed in line with peers. This follows significant investment and changes into our investment capability, and restructuring of our portfolios.

Score 3 out of 5, ↑ 50% from a score of 2 in (2020/21).

Investment Strategy: Brighter Super offers a broad investment menu, with numerous diversified and single sector options. Member outcomes are a key focus with external investment managers consistently monitored. **Score 4.5 out of 5.** This is the same score as 2020/21.

Options, Benefits and Facilities: Brighter Super scored a Platinum rating on the *SuperRatings Annual Benchmarking Report* with 'well above benchmark' and 'above benchmark' ratings. **Score 4.5 out of 5.** This is the same score as 2020/21.

Insurance Fees: Brighter Super's default Death and Total and Permanent Disablement (TPD) premiums are largely in line with the industry medians, and do not excessively erode member retirement balances. The addition of Income Protection insurance has resulted in premiums increasing at older ages. **Score 3 out of 5.** This is the same score as 2020/21.

Insurance Strategy: Brighter Super's default insurance cover level is broadly aligned with the market. Brighter Super has strong claims handling practices, with high claims acceptance rates for all insurance offerings. **Score 4 out of 5.** This is the same score as 2020/21.

Five point scale:

A five-point scale was used to provide a quantitative measure of our performance comparative to our peers as measured by our independent advisor, Deloitte. with 5 the highest and 1 the lowest score achievable relative to our peers.

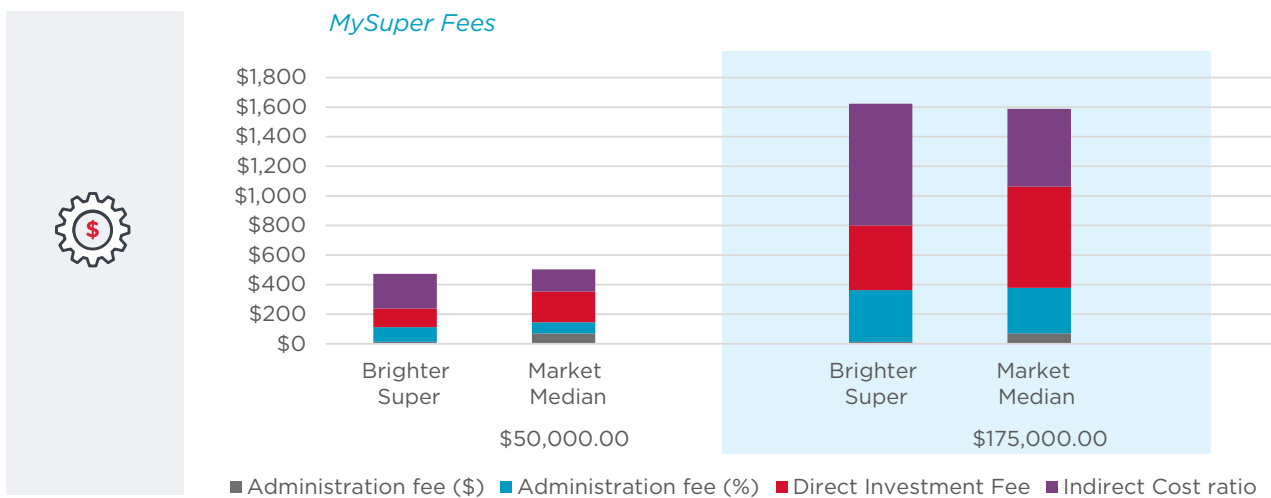
Product summary – comparison factors

Brighter Super's MySuper option

Fees and costs

Brighter Super's MySuper product total fee has been in line with the industry median for all considered account balances over financial year 2021/22. **The graph below highlights Brighter Super's consistent pricing, with particularly good value for those individuals with approximately \$50,000 invested in the MySuper option.**

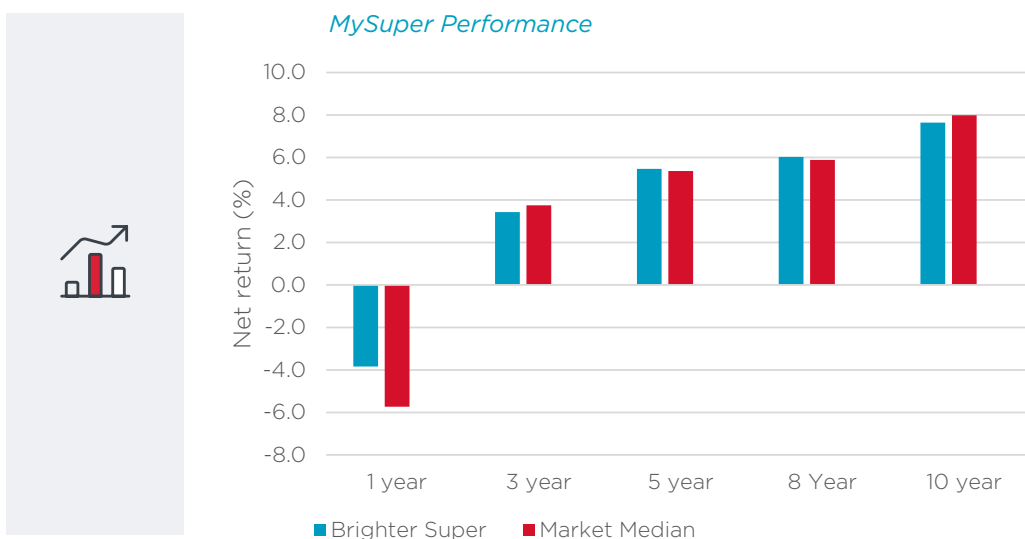
Brighter Super's MySuper **administration fee is lower than the industry median at all account balances** for 2021/22. Brighter Super's investment fee is slightly higher than the industry median. **Brighter Super has a lower direct investment fee** compared to the industry median, however, it has a higher indirect cost ratio compared to the industry median.



Investment performance: net returns¹

Brighter Super's MySuper option outperformed the market median over 1, 5 and 8 year periods.

However, the MySuper option has underperformed the market median marginally over 3 and 10 year periods.



¹ Return net of investment fees, taxes, fixed administration fees and asset-based fees.

Sources: 1. APRA Quarterly MySuper Statistics (June 2022) 2. SuperRatings Fund Crediting Rate Survey June 2022 3, APRA MySuper Heatmap 2022.

APRA Your Future, Your Super Performance test

Brighter Super passed the *Your Future, Your Super* performance test with a result of -0.14%, 0.35% higher than the minimum pass requirement of -0.5%. This is an improvement of 0.24% on our financial year 2020/2021 result. Brighter Super is continuing to make a number of changes to improve the performance of the MySuper product.

At the end of 2021, Brighter Super restructured its Investments team to ensure that there is clearer accountability on the product set, and on each asset class.

This included the recruitment of a new Chief Investment Officer as well as significant investment in the investments risk and performance reporting and governance ecosystem. This has helped to ensure that performance is monitored, those responsible are held to account for performance, and performance improves.

As a result, we have seen a significant improvement to our industry and peer relative performance across MySuper and many of the choice options and Pension options, as noted in the following pages.

Investment risk

Brighter Super's MySuper product has a level of investment risk label of 'high', which is aligned with 55% of MySuper products.

The Standard Risk Measure (SRM) is an estimate of the expected years of negative returns over a 20 year period. Brighter Super's SRM is slightly higher than the industry median but is considered reasonable.



Source: APRA Quarterly MySuper Statistics (June 2022).



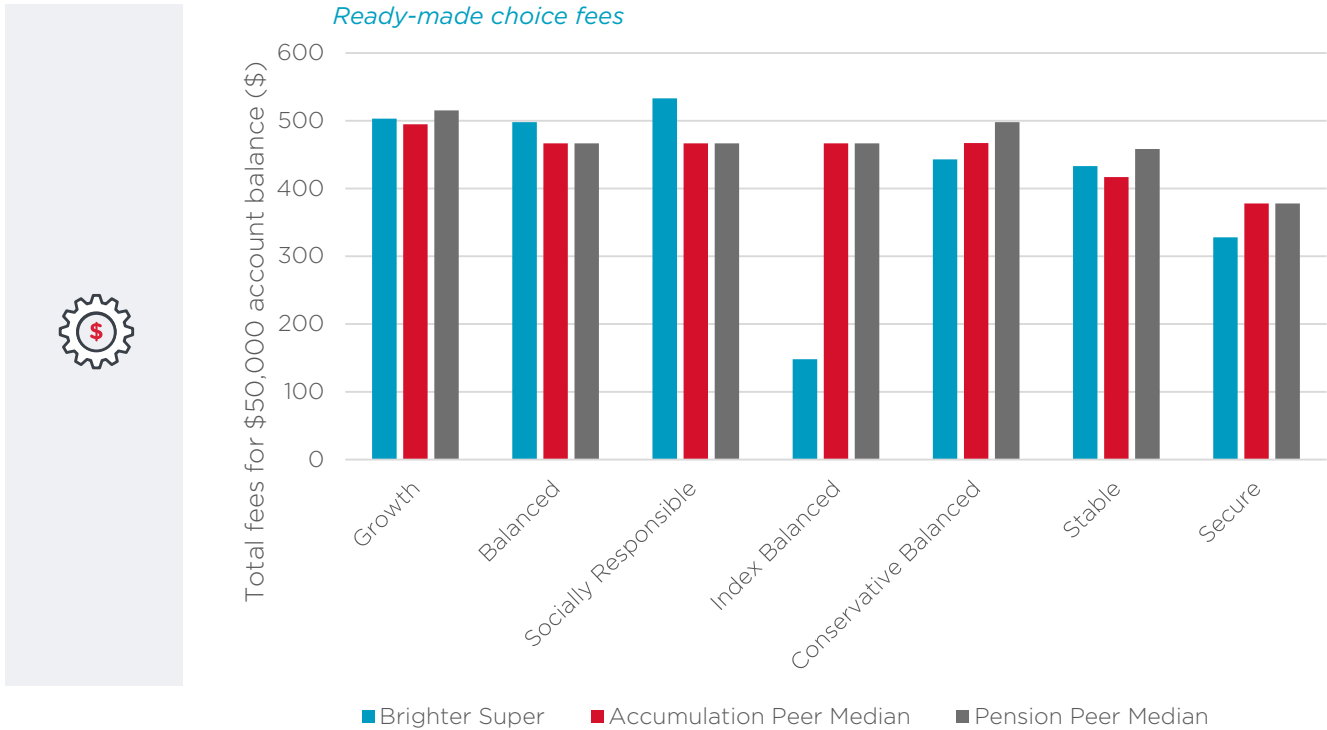
Fees and costs:

Fees and costs are in line with industry medians across all products with exception of some Choice investment options.

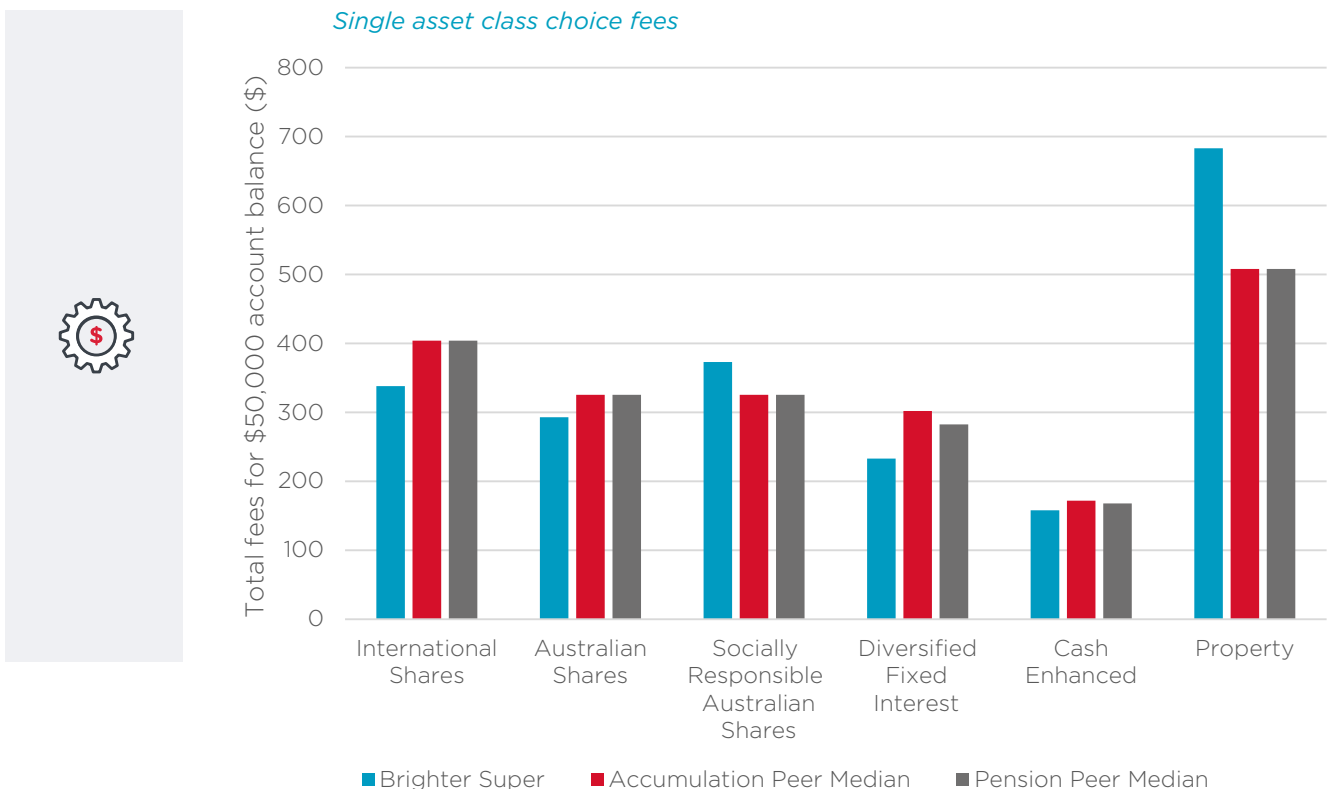
Brighter Super's choice investment options

Fees and costs

Brighter Super's total fees at a **member balance of \$50,000** for ready-made choice options are not dissimilar to the peer group median, **with defensive options typically measuring as better value** and growth options as more expensive. Brighter Super offers better value than the pension peer group in most cases, with the exception of Balanced and Socially Responsible.



Brighter Super's total fees at a member balance of \$50,000 for most single asset class options offer better value than the peer group median across both Accumulation and Pension accounts, with the exception of Property and Socially Responsible Australian Shares.

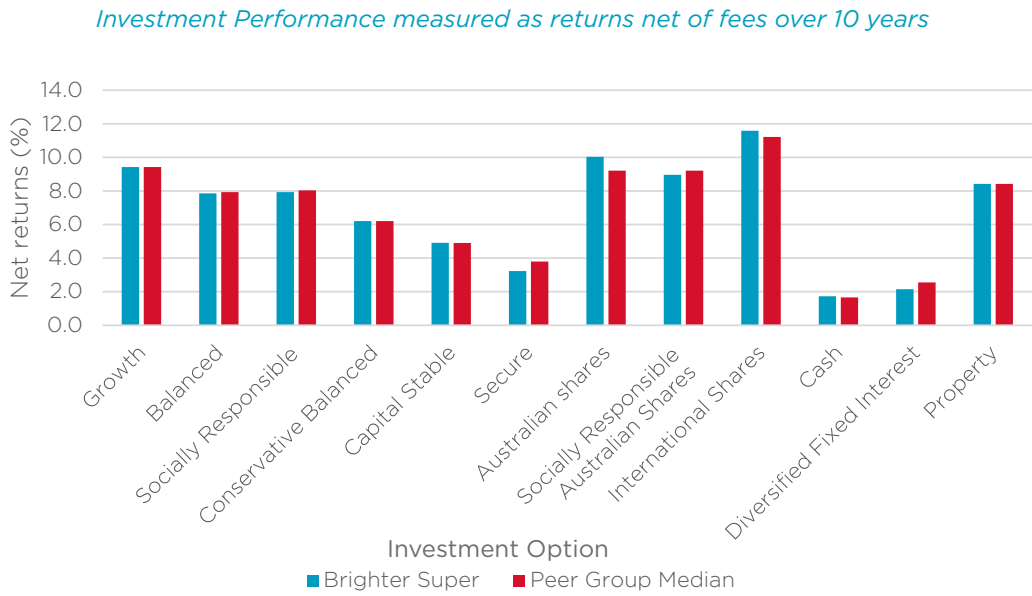


Sources: 1, Fund PDS documents, Fee guides 2. SuperRatings 2022 Fee report.

Investment performance: net returns¹

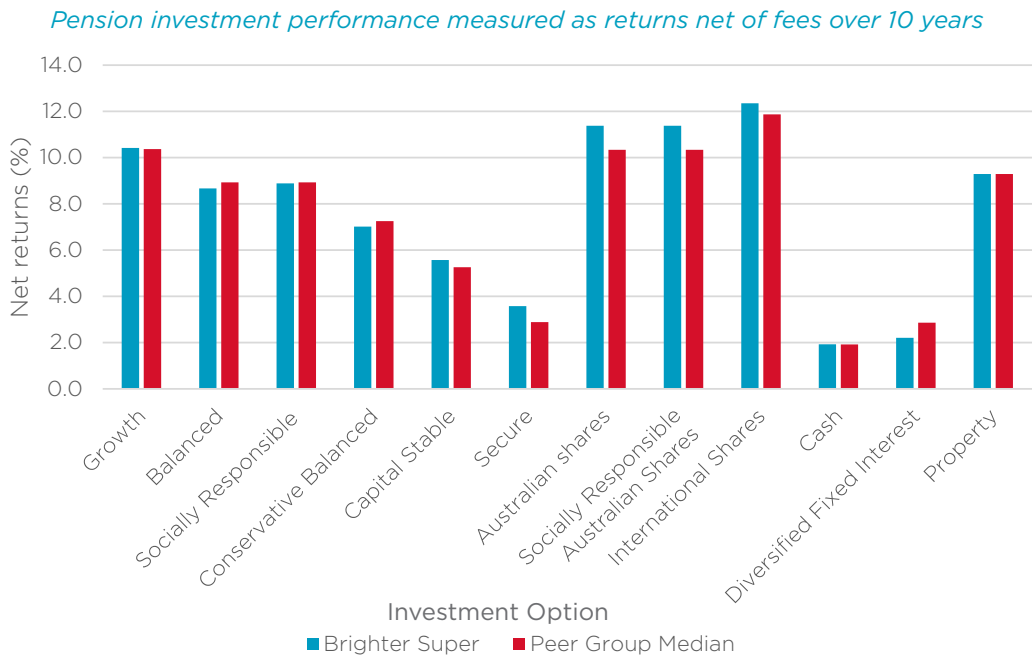
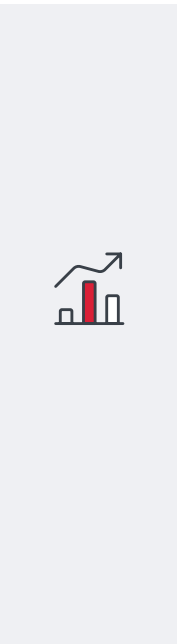
Brighter Super’s ready-made choice investment options have performed generally in line with the peer group, with the exception of Secure.

Brighter Super’s equity portfolios have exceeded the peer group returns, with the exception of the Socially Responsible options. Cash and Diversified Fixed interest have both underperformed the peer group.



Brighter Super’s ready-made choice options for Pension accounts have performed generally in line with the peer group, with Growth, Stable, and Secure outperforming their peers. Balanced, Socially Responsible and Conservative Balanced have underperformed the peer group median.

Most of Brighter Super’s single asset class options for Pension accounts have outperformed the peer group with only Diversified Fixed Interest underperforming their peers.



¹ Return net of investment fees, taxes, fixed administration fees and asset-based fees.

Sources: 1. SuperRatings Fund Crediting Rate Survey (June 2022). 2. SuperRatings Pension Crediting Rate Survey (June 2022).

The majority of Brighter Super’s ready-made choice investment options have outperformed their investment objective over a 10 year period, particularly the higher growth options.

Brighter Super’s **equity** and **fixed interest** options have underperformed against their benchmarks, although this is by a smaller margin than the ready-made choice options outperformance, so this has **shown an overall positive investment result**.

Investment Performance against Objectives over 10 years – measured as Returns Net of Fees and Tax (Gross of Admin Fee)

Option	Brighter Super	Objective	Excess
Growth	9.42	6.27	3.15
Balanced	8.28	5.41	2.87
Socially Responsible	8.23	5.41	2.82
Conservative Balanced	6.50	4.40	2.10
Stable	4.66	4.23	0.43
Secure	3.23	3.72	-0.49
Australian Shares	10.34	11.78	-1.44
Socially Responsible Australian Shares	8.96	9.19	-0.23
International Shares	11.89	13.01	-1.12
Diversified Fixed Interest	2.15	2.24	-0.09
Cash Enhanced	2.01	1.73	0.28
Property	8.42	7.74	0.68

Investment risk

Brighter Super’s ready-made choice options have performed well against the peer group when measuring risk adjusted returns (Sharpe Ratio). **Sharpe Ratios indicate a broadly positive outlook for Brighter Super investment options with a growth focus, while slightly lower risk adjusted returns in more defensive options.**

The Sharpe Ratio shows if an investment option’s returns are reasonable when considering the risk undertaken. It compares the average return to the amount of risk taken to achieve that return. Overall, we consider the **level of investment risk for growth options to be appropriate**, with generally higher risk adjusted returns compared to the peer group.

While defensive options have lower relative risk-adjusted returns to the peer group they are still considered broadly appropriate and in line with market expectations.



Investment performance:

We have seen significant improvement in our industry and peer relative performance across MySuper and many of the choice options, including Pension options.



Investment risk:

Sharpe Ratios indicate a broadly positive outlook for Brighter Super investment options with a growth focus, while slightly lower risk adjusted returns in more defensive options.

Product summary – assessment factors

Options, benefits and facilities

Brighter Super has performed well based on the SuperRatings assessment on options, benefits and facilities.

This determination is based on the results of four key categories including Growth Metrics, Member Servicing and Engagement, Administration and Governance. Across these four categories, Deloitte determined the overall score of 4.5 out of 5, on the basis of SuperRatings assessment of two categories being 'well above benchmark' and two areas considered 'above benchmark'.

SuperRatings Category	SuperRatings Score	Details
Growth Metrics ¹	Above benchmark	SuperRatings considers a number of metrics to determine the benchmark result, Brighter Super has performed well in the majority of cases outpacing the industry median.
Member Servicing and Engagement ¹	Well above benchmark	SuperRatings considered three main areas within this section including Member Education, Advice Services and External Adviser Services. Member Education and Advice Services were assessed as being 'well above benchmark', while External Adviser Services was considered 'at benchmark'.
Administration ¹	Well above benchmark	SuperRatings considered eight areas within this section with four assessed as 'well above benchmark' and four as 'above benchmark'.
Governance ¹	Above benchmark	SuperRatings considered six areas within this section with two assessed as 'well above benchmark', three as 'above benchmark' and one as 'benchmark'. Board and Committee Structure and Risk Management, and Compliance were rated as 'well above benchmark'. Areas rated as 'above benchmark' included Outsourced Monitoring, Reporting & Delegation and Disclosure. Trustee Education was assessed as being at 'benchmark'.

¹ SuperRatings 2022 annual benchmarking report (for FY2021).

4.5 out of 5

Options, benefits and facilities:

Brighter Super scored a Platinum rating on the SuperRatings Annual Benchmarking Report with 'well above benchmark' and 'above benchmark' ratings.

Investment strategy

Brighter Super’s investment menu consolidated the existing LGIA Super and Energy Super options. The options with relatively lower longer-term performance have been closed.

Brighter Super’s investment menu covers a reasonable range of ready-made and single asset class choice options for members.

Brighter Super consolidated investment menu offers two **Socially Responsible** options, with a Diversified and Australian Shares option.



4.5 out of 5

Investment strategy:

Brighter Super offers a broad investment menu, with numerous ready-made and single asset class options. Member outcomes are a key focus with external investment managers consistently monitored.

Insurance strategy and fees

The default Death and Total and Permanent Disablement (TPD) cover follows a broadly similar trend to the market.

The default cover level remains consistent until the member reaches age 35 to reflect their greater insurance needs, before tapering off to maintain affordability and prevent excessive balance erosion as the member ages.

SuperRatings category	SuperRatings score
Automatic Acceptance Levels	Above benchmark
Choice & Flexibility - Death	Above benchmark
Choice & Flexibility - TPD	Above benchmark
Choice & Flexibility - Income Protection	At benchmark

Brighter Super has retained both the LGIASuper and Energy Super legacy insurance products, with both expected to remain intact until at least June 2023. The review found that LGIASuper and Energy Super legacy default death and TPD cover levels are broadly aligned to the industry median.

Brighter Super has **strong claims handling processes**, in line or better than industry standards for approvals and processing.

Brighter Super **has affordable premiums for TPD and Life cover**. The addition of Income Protection (IP) insurance maintains premium affordability, based on industry standards, until the age of 49.

The insurance product for members in the energy industry is affordable after the age of 33 as a result of risk factors and higher incomes. We note many members have employers who cover the cost of cover for Income Protection (IP), keeping the cost of IP premiums within a reasonable range. For those members not covered by their employer, this results in premiums going beyond the industry standard 1% of the salary benchmark.



Insurance strategy:

Brighter Super's default insurance cover level is broadly aligned with the market. Brighter Super has strong claims handling practices, with high claims acceptance rates for all insurance offerings.



Insurance fees:

Brighter Super's default Death and TPD premiums are largely in line with the industry medians, and do not excessively erode member retirement balances. The addition of Income Protection (IP) insurance results in premiums increasing at older ages.

Scale

The review found that Brighter Super’s scale and size does not disadvantage members, based on the above assessments against the industry and peer group.

Fee outcomes, insurance cost outcomes and investment outcomes are all largely in line with the peer group, and options, benefits and facility outcomes exceed the peer group.

APRA’s MySuper Product Heatmap reflects that Brighter Super has improved its market share for providing superannuation benefits. Brighter Super has experienced positive account growth, whilst its peer group median and industry median are both negative. Brighter Super’s net cashflow ratio is in line with its peer group median and better than the industry median.

The merger between LGIASuper and Energy Super materially increased scale, resulting in fee reductions over the period of assessment.

Operating costs

Brighter Super’s total operating expenses per member¹ (\$652 p.a.) are higher than the peer group median (\$314p.a.) and market median (\$334 p.a.).

However operating expenses as a percentage of assets under management (0.31%) are in line with the market median (0.32%). Brighter Super’s operating cost and benefits from consolidation activities post-merger and are yet to be experienced given the recency of the merger.

¹ On a per member basis to ensure costs are considered appropriately at different fund scales and using the total operating expense data published by the Australia Prudential Regulatory Authority.



4 out of 5

Scale:

Brighter Super members have faced no adverse effects from scale, with the fund meeting or exceeding expectations for investment, insurance and service outcomes.

Basis for setting fees and costs

Brighter Super's diversified option fees increase in line with growth asset allocation, driven by a higher indirect cost ratio incurred by external fund managers.

Brighter Super has removed its weekly administration fee of \$1, effective 30 September 2021. This **improves financial interest for low balance accounts but does not shift financial burden to other members with fee caps already in place.**

Brighter super has also moved its administration fee cap down from \$1,575 to \$900.

Total fees are reasonable across the products with the exception of Property which has incurred a considerable indirect cost ratio.



3 out of 5

Basis for setting fees:

Brighter Super's basis for setting fees is appropriate for the majority of its membership base.

What has happened since 30 June 2022?

Moving towards a bright future

Brighter Super has taken significant steps to deliver on member outcomes for all Brighter Super members.

The consolidation of administrators and migration of Energy Super members delivers an improved offering for legacy Energy Super members, and enables scale opportunities to deliver cost savings for all members.

All Brighter Super members have more choice because of the investment menu consolidation, with 13 investment options including a low cost Balanced Index investment option for LGIASuper members and the Property and Secure option for Energy Super members.

Brighter Super members also benefit from consolidation into the best-performing long-term option (for ready-made, single asset class and socially responsible choice options).

Brighter Super now offers the same features across all members, so we can deliver consistent benefits to all Brighter Super members:

- Legacy LGIASuper members can now make non-lapsing nominations.
- Brighter Super members now have access to a new annual auto rebalance feature for their investment strategy.
- Brighter Super members can now opt into indexing their pension payments annually to the Consumer Price Index.
- We now offer a new Retirement Reward for all members.

Existing insurance arrangements and prices will remain in place until 2024 following our decision to appoint Zurich as the insurer for Brighter Super from 1 July 2023, whilst Brighter Super delivers on insurance enhancements.



right by your side

This Important Member Outcomes Statement has been produced by LGIASuper Trustee (ABN 94 085 088 484 AFS Licence No. 230511) as trustee for LGIASuper (ABN 23 053 121 564), trading as Brighter Super. Any questions regarding this statement can be referred to Brighter Super by calling us on 1800 444 396 or by emailing us at info@brightersuper.com.au.