

Guild Retirement Fund Member Outcomes Assessment 2019–2020



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Introduction

What is the Member Outcomes Assessment?

Each year we are required to assess our performance and, based on the results of that assessment, make an annual determination that we are promoting the financial interests of our members.

The assessment is designed to help members understand how the Fund's products compared to other fund's products, across investments, fees and insurance. Figure 1 provides an outline of the assessment framework that funds must follow.

The Guild Retirement Fund (GRF) has completed the Member Outcomes Assessment for the year ended 30 June 2020.

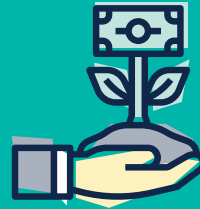
This document provides a summary of the key outcomes of the assessment of the Fund's products: MySuper, Choice and Pension/TTR products. It provides detail about the findings from Steps 1 and 2 of the assessment.

All data is reported in accordance with APRA requirements.

Figure 1: Outline of the assessment framework that funds must follow

Assessment approach

STEP 1: Measure and compare products



1. Return comparison

A comparison of investment returns



2. Fee comparison

A comparison of fees and costs



3. Risk comparison

A comparison of asset allocations and risk targets

STEP 2: Assess product appropriateness

Assessment of the following factors that can affect superannuation

Section 52(11) of the Superannuation Industry (Supervision) Act (SIS Act)

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

APRA Superannuation Prudential Standard 515 Strategic Planning and Member Outcomes (SPS 515)

4. Scale
5. Operating costs
6. Basis of setting fees

STEP 3: Conclude

A publication with determinations of each product is required to see whether the financial interests of the beneficiaries who hold the product are being promoted.

Product determinations

MySuper

The Trustee has determined that the financial interests of GRF's MySuper beneficiaries are being promoted, based on a balance of factors, with a higher weighting provided to Investment Returns and Fees.

Investment returns for MySuper members across all life stages were above or close to the median over 3 and 5 year period up to FY 19/20. Market volatility due to COVID-19 impacted the 1 year returns, particularly for the Building Lifestage. However, the strong rebound in FY 20/21 has resulted in the Building and Growing Lifestages being amongst the top quartile for performance.

Investment Risk is higher than many peer MySuper products but is considered appropriate for the GRF membership because GRF members are younger than the distribution ages of the peer group funds. This strategy allows members to achieve higher long term returns through a higher exposure to growth assets over a longer investment timeframe.

MySuper fees and costs at a product level are more expensive than the median, however it is to be noted that the Trustee undertook a reduction to investment fees in March 2020 and will be undertaking several further initiatives from FY 21/22 to reduce investment fees for its membership.

All of the objective assessment factors (options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and basis of setting fees) are considered to be appropriate.

Choice

The Trustee has determined that the financial interests of GRF's Choice beneficiaries are being promoted, based on a balance of factors, with a higher weighting provided to Investment Returns and Fees.

The majority of investment options available for Choice members have performed above the median or close to the median in the short to medium term. The majority of Choice members are invested in the Growth and Balanced options, which have consistently performed well across both the short and medium terms. The Australian Shares, Property Securities and Secure options have underperformed and while relative performance has improved in FY21, changes to the investment strategy will occur in FY 21/22. It is noted that these underperforming investment options only impact a small number of Choice members.

Investment risk for the different options is in line with peers and is considered appropriate for the membership base as an alternative to the higher risk Building and Growing MySuper options.

Choice Fees and costs are higher than the peer group. As a consequence, the Trustee is planning to apply investment fee reductions across all investment options in the short term and reductions to the administration fee in the medium term.

All of the objective assessment factors (options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and basis of setting fees) are considered to be appropriate.

Pension/TTR

The Trustee has determined that the financial interests of GRF's Pension beneficiaries are not being promoted, based on a balance of factors, with a higher weighting provided to Investment Returns and Fees. ***Substantial work is being undertaken by the Trustee to address Pension fees and investment returns.***

While the investment returns have improved over 1 year, the majority of investment options for Pension members have underperformed over a 3- and 5-year period. Significant changes will be made to the investment strategy and structure of the options in FY 21/22 to address the underperformance.

Investment risk for the different options is in line with peers and is considered appropriate for the membership base.

Fees and costs are higher than the peer group. As a consequence, the Trustee is planning to apply investment fee reductions across all investment options and reductions to the administration fee to align these with the MySuper product in the short term.

All of the objective assessment factors (options, benefits and facilities, investment strategy, insurance strategy and fees, scale, operating costs and basis of setting fees) are considered to be appropriate.

Comparison: MySuper





MySuper Return comparison

The Trustee has determined it is promoting the financial interests of the beneficiaries invested in its MySuper product, as all the life stages are above or close to the median in the medium term. The market volatility impacts on the short term returns in FY 19/20, have rebounded in FY 20/21 and the Building and Growing Lifestages are among the top performers, year to date.

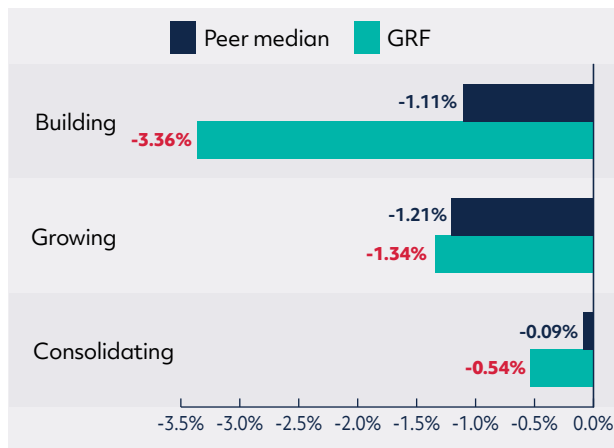
The **Building** lifestage has outperformed over the 5 year period and is close to the median on the 3 year return. While investment performance was down for the period ending 30 June 2020, it rebounded strongly in FY 20/21 from the extreme market volatility that occurred towards the end of the 2019/20 financial year.

The **Growing** lifestage returns are close to median over the 3 and 5 year periods. While investment performance was down for the period ending 30 June 2020, it rebounded strongly in FY 20/21 from the extreme market volatility that occurred towards the end of the 2019/20 financial year.

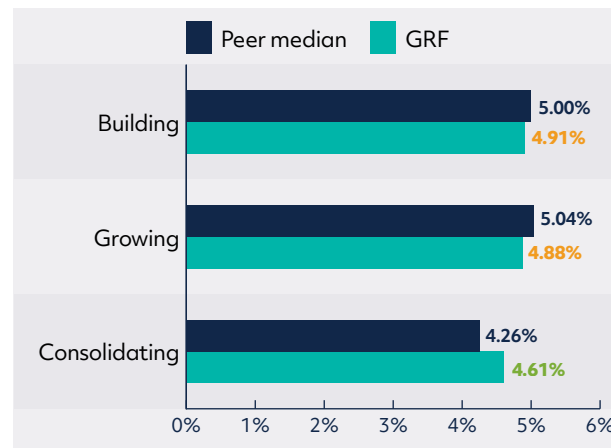
The **Consolidating** lifestage return has performed well over the short to medium term and is above the median over the 3 and 5 year periods.

GRF's MySuper Product has also exceeded the return target commitments made to members in the product disclosure statement for its MySuper product over a 3 and 5 year period for FY 19/20.

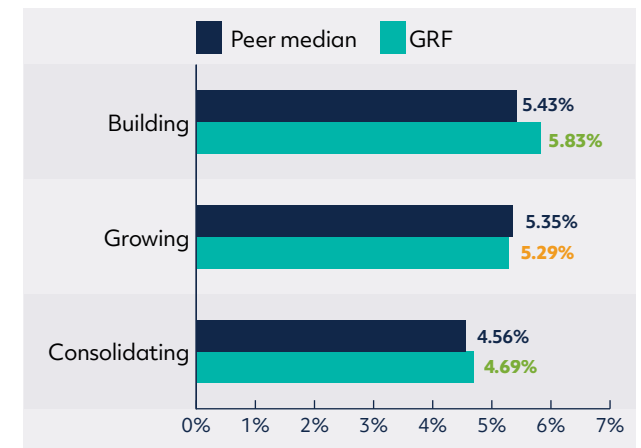
1 year performance



3 year performance



5 year performance



Rating key: ■ = Above median ■ = Close to median ■ = Significantly below median

Source: APRA MySuper Quarterly Statistics "One/Three/Five year net return (rep member)".



MySuper Fee comparison

The Trustee has determined that it is not promoting the financial interests of the beneficiaries invested in its MySuper product, as the total fees at a product level are more expensive than the median for FY 19/20. To address this and reduce costs the Fund has undertaken and will continue to undertake initiatives to reduce both investment and administration fees.

- The % administration fees for all life stages are lower cost than the median peer fee (against all MySuper products).
- The \$ based flat fee is marginally more expensive than the median peer fee in FY 19/20.
- The Investment fees for Building and Growing are significantly more expensive than the median due to the higher allocation to growth assets, whilst the Consolidating Life stage is at median.
- Overall fees for Building and Consolidating lifestages are close to the median, whereas the Growing Lifestage is significantly more expensive than the median.
- An overall product level assessment was completed on total fees and costs, where GRF's MySuper product was more expensive than the median.

Initiatives being undertaken to lower fees

The changes to GRF's administration operating model and administration service provider will result in reducing operating costs. Consequently, the Trustee anticipates fee reductions over the short to medium term for both fee types – investments and administration.

In FY 21/22 GRF will also look to provide a reduction to investment fees through changing its investment strategy to a more passive approach.

Rating key:

- = Lower cost than median peer fee
- = Close to median peer fee
- = Significantly higher than peer fee

Source: Summarised four quarters from APRA MySuper Quarterly Statistics, June 2020.

IMF + ICR	GRF	Median peer fee
Building Lifestage	0.85	0.66
Growing Lifestage	0.90	0.65
Consolidating Lifestage	0.83	0.83

Admin Fees	GRF	Median peer fee
Building Lifestage	% 0.15	0.20
	\$ 0.20	0.15
Growing Lifestage	% 0.15	0.24
	\$ 0.20	0.16
Consolidating Lifestage	% 0.15	0.24
	\$ 0.20	0.16

Total fees and costs (rep member)	GRF	Median peer fee
Building Lifestage	1.20	1.08
Growing Lifestage	1.25	1.05
Consolidating Lifestage	1.18	1.04



MySuper Risk comparison

The Trustee has determined it is promoting the financial interests of the beneficiaries invested in its MySuper product. GRF's product level investment risk category is comparable with most MySuper products and is considered appropriate for the membership based on the MySuper Investment strategy for the Fund.

At a lifestage level, the investment risk bands are listed below:

- The level of investment risk for Building Lifestage is at the highest end of the risk category, this lifestage could only be compared to 1 other peer group fund. GRF have deliberately set this level of risk for members in this lifestage. The Fund has deliberately set this risk level for its younger than average membership base.
- The level of investment risk for Growing Lifestage is at High, which has 145 peers for comparison.
- The level of investment risk for Consolidating Lifestage is at Medium to High, which has 55 peers for comparison.

APRA Investment Risk table

Risk Label	Estimated number of negative annual returns over any 20-year period
Very low	Less than 0.5
Low	0.5 to less than 1
Low to Medium	1 to less than 2
Medium	2 to less than 3
Medium to High	3 to less than 4
High	4 to less than 6
Very High	6 or greater

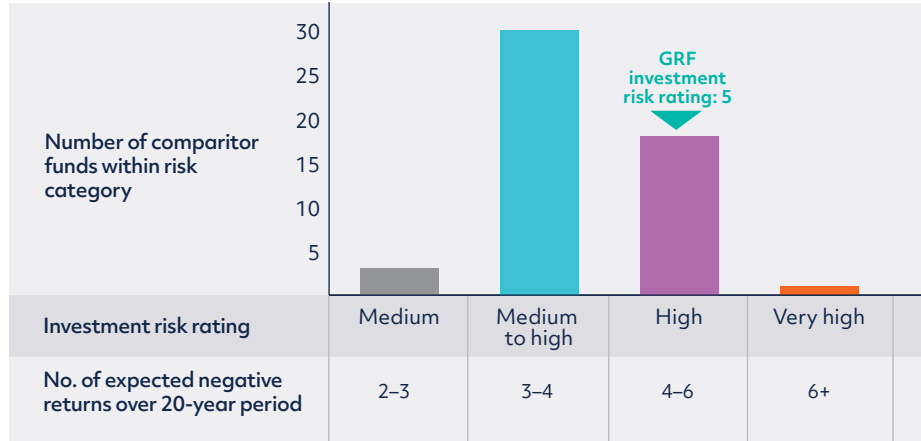
GRF's product level investment risk is estimated to have 5 years of negative returns over a 20 year period at an aggregate product level.



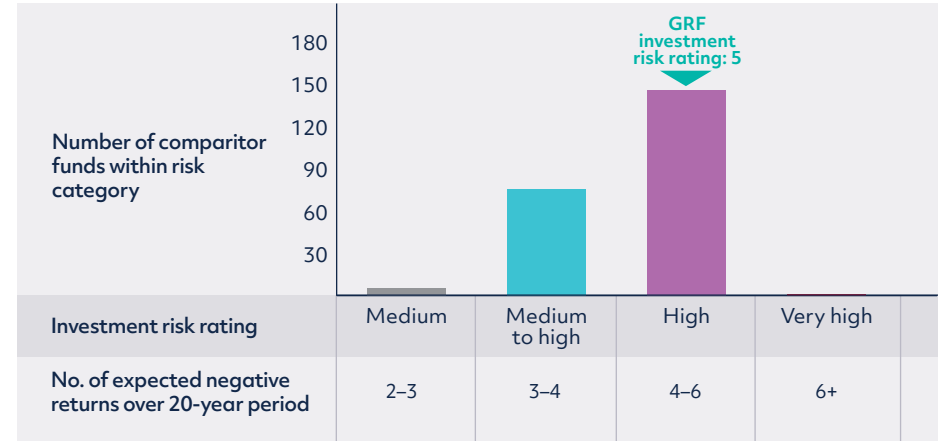


MySuper Risk comparison

Comparator funds within risk category – Product level

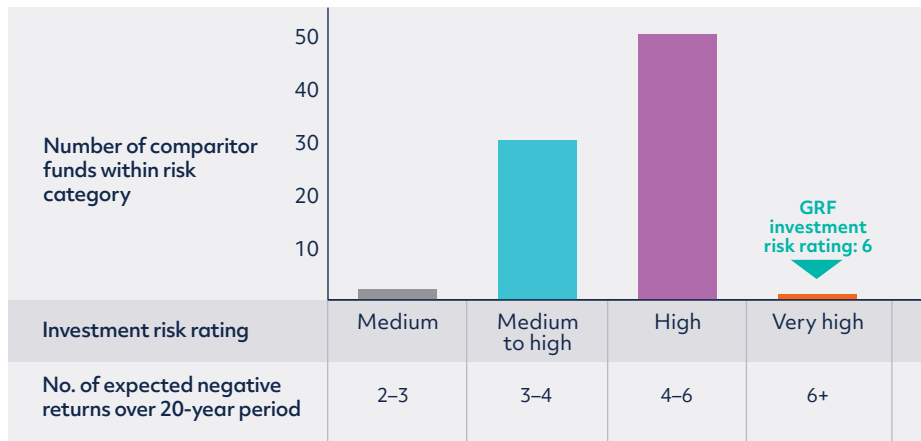


Comparator funds within risk category – Growing Lifestage



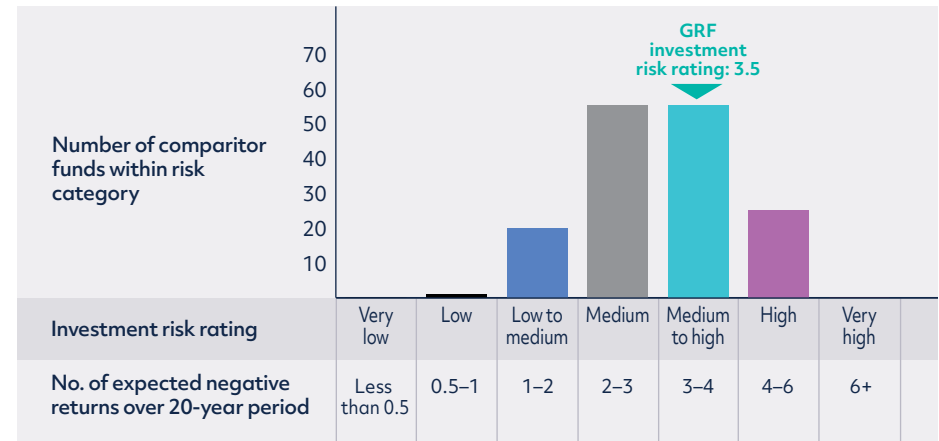
The level of investment risk for Growing Lifestage is at High, which has 145 peers for comparison.

Comparator funds within risk category – Building Lifestage



The level of investment risk for Building Lifestage is at 6 – the highest end of the risk category. This lifestage could only be compared to 1 other peer group fund. GRF have deliberately set this level of risk for members in this lifestage.

Comparator funds within risk category – Consolidating Lifestage



The level of investment risk for Consolidating Lifestage is at Medium to High, which has 55 peers for comparison.

Comparison: Choice and Pension





Choice Return comparison

The Trustee has determined it is promoting the financial interests of the members invested in its Choice options, as the majority of the investment options have performed above or close to the median over the short to medium term. The majority of Choice members are invested in the Growth, Balanced and Conservative options (totalling almost 60% of the Choice product membership), which have consistently performed well across both the short and medium term. The short term 1 year performance for the High Growth, Growth, Balanced and Conservative options is above median, and is expected to uplift the medium term performance in future assessments.

Choice options are designed for members who would like to tailor their investment needs based on their risk appetite. Choice options currently offered by the Guild Retirement Fund have different investment strategies, objectives and asset allocation which impact the level of returns and costs.

The Choice options menu include 4 diversified options (Conservative, Balanced, Growth and High Growth) and 4 single sector options (Secure, Property Securities, Australian Shares and International Shares (unhedged)).

Choice options have exceeded the return target commitments made to members in the Product Disclosure Statement for its diversified options over a 3 and 5 year period for FY 19/20.

The tables on the next page compare the net returns over a 1, 3 and 5 year period against peer group funds.





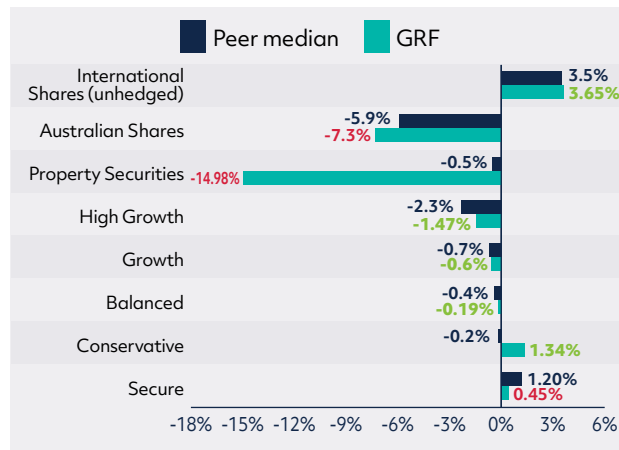
Choice Return comparison (continued)

- In the **Diversified** sector options – Conservative, Balanced and Growth options have performed above median over the short to medium term (1 and 3 year periods) and are above or close to median over the 5 year period. The High Growth option performed above the median over the 1 year period and is close to median over the 5 year period.

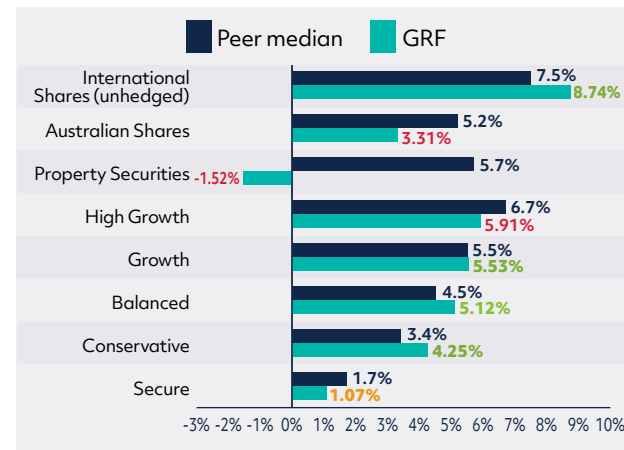
- In the **Single** sector options – International Shares has consistently outperformed the peer group median. Property Securities has consistently underperformed, and the underlying investment manager will be changed imminently as a result of this underperformance. The Secure option has also underperformed, and the underlying

investment manager will be reviewed, along with the implementation of Dynamic Asset Allocation strategy (in place of Strategic Asset Allocation) in FY 21/22. Additionally, investment fees were reduced in FY20/21 to help improve the net returns.

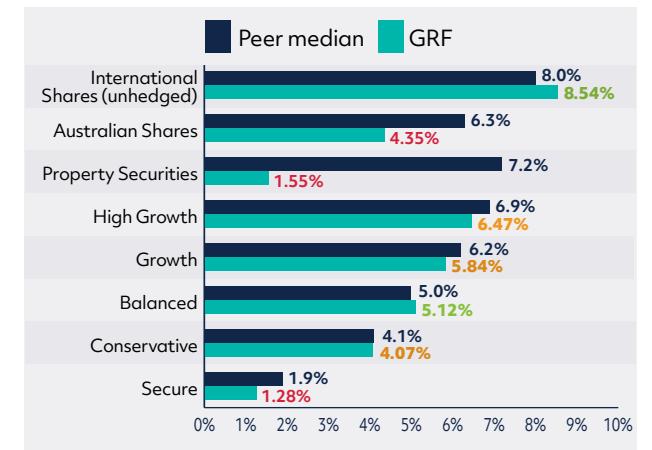
1 year performance



3 year performance



5 year performance



Rating key: ■ = Above median ■ = Close to median ■ = Significantly below median

Source: Chant West June 2020 Member Outcomes Dashboard.



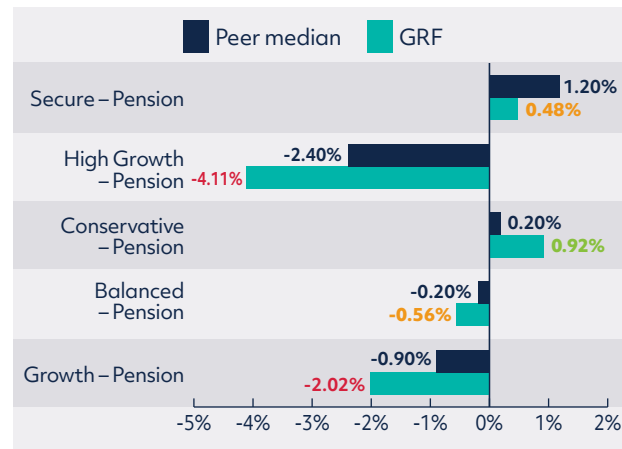
Pension Return comparison

The Trustee has determined it is not promoting the financial interests of members invested in its Pension options, as the majority of the investment options have performed below the median across the 1, 3 and 5 year performance periods. The Trustee is looking to undertake several initiatives to improve the investment returns over the short to medium term for the Pension product.

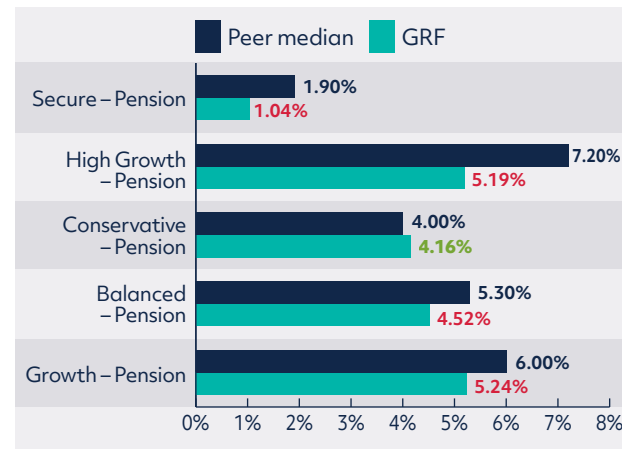
The Pension options include 4 diversified options (Conservative, Balanced, Growth and High Growth) and 1 Single sector options (Secure).

- The tables below compare the net returns over a 1, 3 and 5 year period against peers.
- The Conservative Fund has performed above median over the short and medium term (1 and 3 year periods) and is close to median over the 5 year period.
- The other options are below median across all times frames.
- The Trustee is looking to undertake asset allocation and underlying investments changes in FY21/22 following the change of Asset Consultant and implementation of the Dynamic Asset Allocation capability.

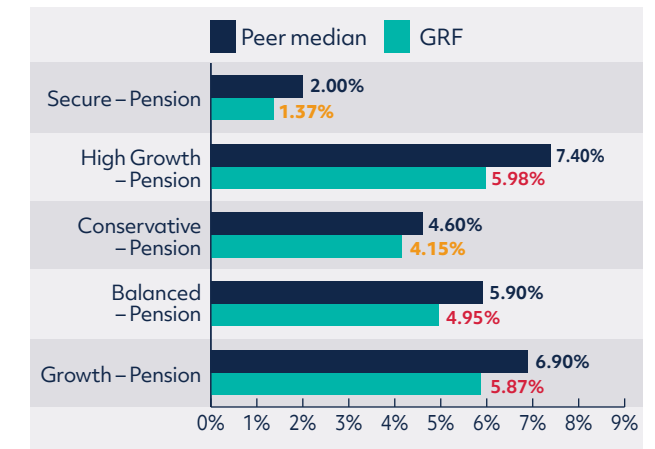
1 year performance



3 year performance



5 year performance



Rating key: ■ = Above median ■ = Close to median ■ = Significantly below median

Source: Chant West June 2020 Member Outcomes Dashboard.



Choice and Pension Fee comparison

The Trustee has determined it is not promoting the financial interests of the beneficiaries invested in its Choice and Pension options, as the fees are more expensive than the peer median. The Trustee is looking to undertake significant activity to reduce both administration and investment fees from FY 21/22 for its Choice and Pension members.

The current administration fees and investment fees are more expensive than the median. As a result the Trustee is undertaking several improvement initiatives to address this for both Choice and Pension products. It is anticipated that the impact of these initiatives will flow through to future member outcomes assessments from FY 21/22.

The changes to GRF's administration operating model and administration service provider will result in reducing operating costs. Consequently, the Trustee anticipates fee reductions over the short to medium term for both fee types – investments and administration.

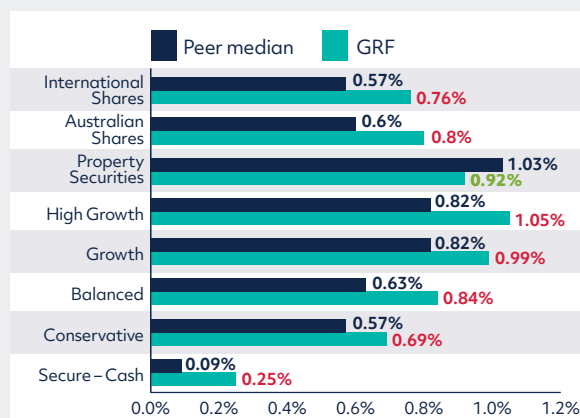
Choice Administration Fees

Member balances	GRF MyMix Administration fees	Median peer fee
\$50,000	1.06%	0.43%
\$100,000	0.78%	0.36%
\$250,000	0.49%	0.31%

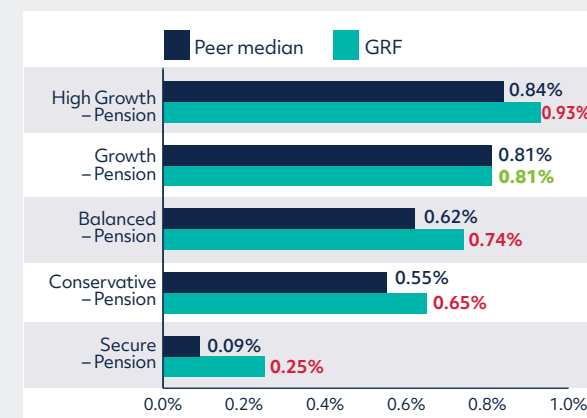
Pension Administration fees

Member balances	GRF MyMix Administration fees	Median peer fee
\$50,000	1.06%	0.44%
\$100,000	0.78%	0.36%
\$250,000	0.49%	0.30%

Choice Investment fees



Pension Investment Fees



Rating key: ■ = Lower cost than median peer fee ■ = Close to median peer fee ■ = Significantly higher than median peer fee

Source: Chant West Member Outcomes Dashboard effective 30 June 2020 for Choice and Pension data.



Choice and Pension Risk comparison

The Trustee has determined it is promoting the financial interests of the beneficiaries invested in its Choice & Pension options, as the majority of the investment options are broadly aligned to peers in terms of risk with appropriate adjustment to consider specific demographics of the Fund’s membership.

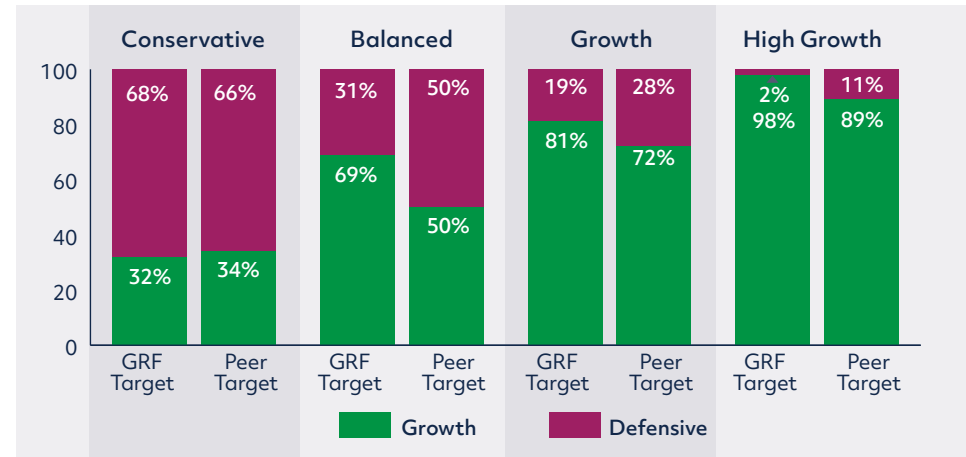
As is shown in *Choice Product – Diversified sector options* table to the right, the growth versus defensive asset allocation split for each Choice investment option is broadly aligned with the respective peer fund options.

- With the exception of the Conservative option, all GRF options have a lower exposure to defensive assets versus the peer fund median for the respective investment option. The majority of GRF’s members have lower account balances and therefore require higher risk-adjusted returns in their portfolio to provide a strong chance of achieving adequate income to provide for their retirement.

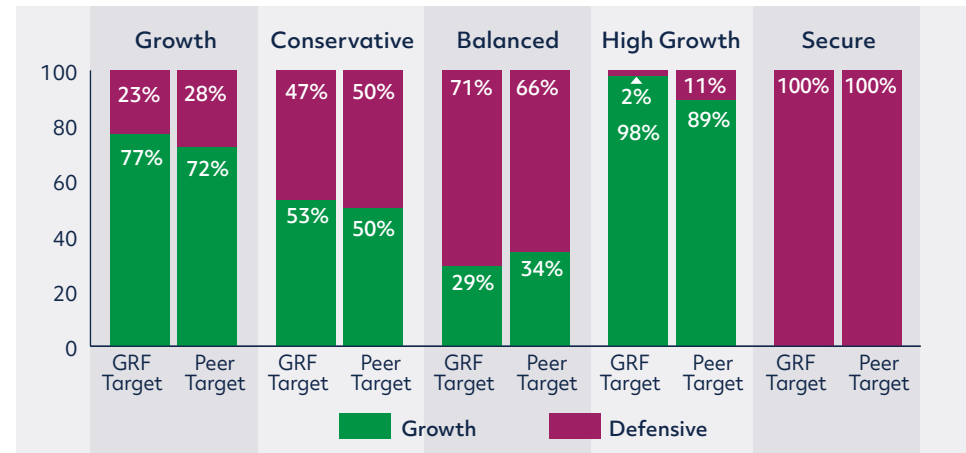
As with the Choice investment options, the Pension investment options (see *Pension Product – Diversified sector options* table to the right) are also broadly aligned to the peer group median exposure in relation to growth versus defensive asset class allocations for each option.

- The majority of GRF’s Pension members are invested in the Balanced investment option – this option has a higher allocation to growth assets (by 19%) compared to the peer fund median on the basis that GRF members typically retire with lower account balances and therefore require higher risk-adjusted returns in their portfolio to provide a strong chance of achieving adequate income during their retirement.

Choice Product – Diversified sector options**



Pension Product – Diversified sector options**



Sources:

* Russell Investments Stress Testing and Liquidity Review as at 31 December 2020, dated 15 February 2021

** Chant West data, 30 June 2020

Objective Assessment: MySuper, Choice and Pension/TTR

The trustee has determined that the financial interests of The Guild Retirement Fund's MySuper, Choice and Pension members are being promoted.

Assessment of key factors affecting superannuation

- Options, benefits and facilities
- Investment strategy
- Insurance strategy and fees
- Scale
- Operating costs
- Basis of setting fees





Objective assessment: Options, benefits and facilities

GRF offers a range of services and products to all members in order to assist them with engaging with their super so that they can maximise their balance and optimise their retirement outcomes.

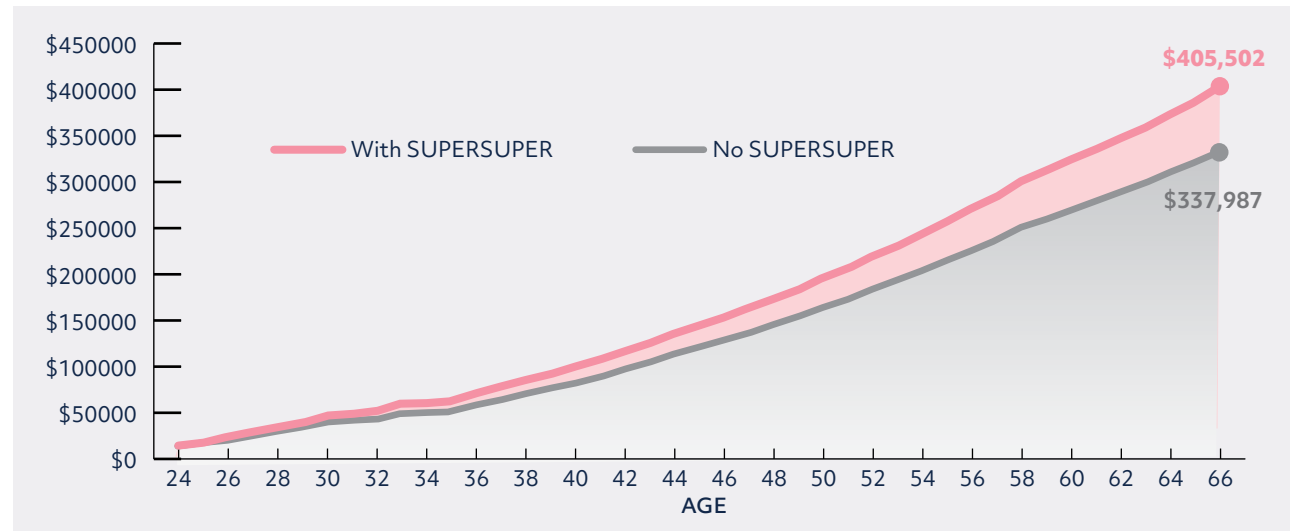
We recognise that 85% of our members are women and appreciate and respect that many are casual workers and/or work part-time who don't have the disposable income to add extra to their super. So we created an innovative shopping rewards program – SUPERSUPER – to address this. With GuildSuper our members can add to their super each time they shop – without it costing them any extra.

In addition to this our new Member Online service and soon to be released mobile app make it easy for all members to engage with and manage their superannuation.

The impact of SUPERSUPER on a typical GRF member

Lin is a typical 24-year-old member. She could be a pharmacy assistant or childcare worker. She's in the default MySuper product and is currently in the Building Lifestage. Throughout her membership she will move into the Growing lifestage and will de-risk at the age of 59 into Consolidating lifestage.

Based on analysis conducted on ABS data from 2015-2016 prior to the launch of SUPERSUPER, where the average household expenditure is approximately \$700 per week, if Lin purchases \$300 of this through SUPERSUPER, she can retire with an additional \$67,515.



Assumptions: Age 24. Starting super balance \$8,673. Starting salary \$42,197 (refer to Cohort analysis information). Wage inflation (2%) < CPI (2.5%), this is the standard that Guild group assumes. SUPERSUPER weekly spend \$300 (based ABS data on average household spend). Rebates range from 5% to 11%. Two career breaks of 2 years each at 31 & 34 years old. SG rate reflects government legislated increases. Fees based on current PDS fee structure. Insurance opt-in is for under 25yo, over 25yo everyone is assumed to have default insurance. Insurance premiums based on current PDS fee structure. Real Return is Investment Return before fees and net of tax. Gov Co-Contributions are based on the member's starting wage, assuming the government will adjust for inflation.



Objective assessment: Options, benefits and facilities (continued)



During 2019-2020, GRF won multiple national and global awards for its innovation and offering SUPERSUPER to its members:

Winner of Chant West Innovation Best Fund 2019

Winner of World Pension Summit 2019 – Innovation

Australian Financial Review 2019 Third Place – Most Innovative Companies

Changes to member service offerings from FY 21/22

New mobile app

The new app is a one stop shop for members to access all information related to their super, including GRF's shop-and-save rewards program and a new financial wellness hub.

Digital services for insurance requests and claims

Members will be able to request changes to their insurance and make claims through their online portal.

Enhancements to the SUPERSUPER rewards program and relaunch of SUPERSUPER

The enhancements will provide the majority of rewards through 'set and forget' functionality. This will allow members to use the shopping rewards program more broadly, allowing them to save more.





Objective assessment: Investment strategy

GRF investment strategies are appropriate for members and promote their financial interests.

- GTS has strong processes in place to monitor investment strategies.
- With the average GRF member being young women who will retire with lower than average balances due to time out of the workforce, higher likelihood of part time work and lower average incomes, GRF believes it is appropriate to invest in growth assets for longer, to improve the likelihood of higher longer term returns for its MySuper members (87% of members).
- Choice and Pension members have been provided with a good balance of investment options which give members enough flexibility to make their own investment choices. Investment risk for these Choice options are on a similar level to other funds.

MySuper investment strategy

The 3 investment strategies available (Building, Growing and Consolidating) have been invested appropriately based on the age of the member. The Building Option is 100% passively invested in the growth option, the Growing Option is a mix of passive and active investments also in the growth option, and the Consolidating Option is 70% Growth and 30% Defensive.

Analysis undertaken for unforeseeable risks

Analysis was completed in 2019 to assess the suitable age for switching between Life Stage 2 and Life Stage 3 and it was decided that age 59 was most suitable.

The review focussed on long term measures of retirement balances and short term journey risk measures such as retirement, where they estimated the number of years that older members may need to delay their retirement in case of a market shock later in their working life. The analysis showed that the higher the allocation to growth assets for longer, the higher the median member's account balance at retirement.

MySuper lifestages



The Growth assets for Lifestages 1 and 2 are 100% and for Consolidating Lifestage are at 69%.



Objective assessment: Insurance strategy and fees

Insurance strategy and fees are appropriate for members

- GTS has processes in place to monitor account balance erosion and claim approvals.
- The Insurance strategy for GRF is appropriate, based on several factors such as median ages, number of women in the fund and level of household debt.
- The premium cost for most of the membership is less than 1% of their salary.

Insurance Offering

- 52% of the fund membership is insured, with approximately 86% being female, which is in line with the overall membership.
- The Trustee's decision as to the types and level of insurance provided to members is formed based on the demographics of the members. The offering is focussed on protecting younger women and their families, with cost competitive pricing.
- In order to protect member's balances due to inactivity on the account, insurance will be cancelled after 16 consecutive months without a contribution.
- To maintain affordability, GTS is reviewing its insurance offerings in 2021. It is expected that this will further improve member outcomes.



To maintain affordability GTS is reviewing its insurance offerings in 2021. It is expected that this will further improve member outcomes.





Objective assessment: Scale

While the GRF is small in size compared to the broader superannuation industry, the lack of scale has not resulted in members financial interests being disadvantaged due to the following reasons:

- The new digital operating model and service provider arrangements have been structured in a way as to be cost competitive with (much) larger funds and easily scalable.
- The growth rate of the fund is positive and higher than median, which will continue to provide an increasing base upon which operating costs can be pooled, thereby driving down the cost per member.
- The Trustee has been able to access relevant asset classes through the asset consultant arrangement from Russell Investment in FY 19/20 and from Frontier going forward. Even with an extremely negative market, liquidity requirements have been met with the full ability to pay members' benefits as they arose (including early release of super claims).





Objective assessment: Operating costs & Basis for setting fees

Operating costs

GTS's operating costs are in line with industry and proportionate to the amount of funds under management

From FY 21/22 the Trustee will lower its operating costs due to the change of administration services.



Basis for setting fees

GRF's 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, which means it will not erode lower account balance members, ensuring services available to all members are appropriately shared across the fund membership base.
- MySuper members have an \$800 cap applied to the total fees they pay, and Choice members have a rebate structure for the % administration fees payable to protect higher balances and also benefit Maternity/Paternity leave fee waivers.
- 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. Note the 3% fee cap that applies for MySuper members which applies to 38.5% of the fund's membership as at FY 19/20.



Trustee and Issuer: Issued by Guild Trustee Services Pty Limited ABN 84 068 826 728 AFS Licence No. 233815 RSE Licence No. L0000611 as Trustee of the Guild Retirement Fund ABN 22 599 554 834 (which includes GuildSuper and Child Care Super) MySuper Authorisation No. 22599554834526. SPIN GLD – 0001AU. GuildSuper insurance is provided by MetLife Insurance Limited, ABN 75 004 274 882 AFS Licence No. 238096. SUPERSUPER is provided to you by EonX Services Pty Ltd ABN 39 615 958 873.