

Plum Corporate Plan (PCP) Plum Personal Plan (PPP) Plum Retirement Income (PRI)

2020 Annual Outcomes Assessment

Plum Corporate Plan, Plum Personal Plan and Plum Retirement Income (collectively referred to as 'Plum Super products') are super and pension products that provide members access to a broad range of investment options to invest their superannuation (or pension) savings, according to their own personal circumstances, risk profile and needs. Plum Corporate Plan and Plum Personal Plan also offer members access to optional life and disability insurance with standard terms and conditions. Furthermore, Plum Super products give members access to website reporting, tools and calculators to help them manage and keep track of their superannuation benefits.

Plum Super products form part of the MLC Super Fund, of which NULIS Nominees (Australia) Limited ('NULIS') is the Trustee. NULIS is responsible for all fiduciary, legal and regulatory obligations in relation to running the superannuation fund.

Each year, NULIS is required to conduct an Outcomes Assessment which determines whether it has 'promoted the financial interests' of the members of Plum Super products.

The Outcomes Assessment is performed by MLC Wealth Limited (MLC) on behalf of NULIS using industry benchmarking, comparative data, in-house data and reviews performed by research houses. The Outcomes Assessment helps us to understand how we are performing on a range of measures. This benefits members since it helps us identify ways to improve the benefits and services we provide to them.

The Outcomes Assessment for the 2020 calendar year concluded that overall, **Plum Super products are promoting the financial interests of members.**

The Plum Super products were assessed together since they provide access to similar investment menus and member services. Plum Retirement Income is a pension product that provides access to the Cultivator investment platform that seeks to address longevity risk (which is the risk of members outliving their savings) and market sequence risk (which is the risk that members need to draw down their balances during a market downturn).

This document provides a summary of the seven factors that were assessed in reaching this conclusion, including what we are doing well, areas identified as requiring improvement and how we intend to enhance the outcomes of members in future.

It should be noted that this document reflects an assessment of product performance based on data collected during the 2020 calendar year. Given the highly competitive nature of the superannuation industry, members can expect the performance of the product, in absolute and relative terms, to vary from year to year. Our members receive yearly updates about the performance of their own superannuation investment, as well as details about any product changes, in their annual statements and other communications.

Additional information about Plum Super products, as well as economic, financial and market updates, can be found on plum.com.au.

Note that 'Plum Super products' refers to the 'choice' options in this document. Members can also participate in Plum Super products as a 'default' member of the MySuper offering; this product is covered in a separate document.

Note: in a number of places throughout this document, relative rankings are expressed in terms of 'quartiles'. Quartiles divide a group of peers into quarters, with 1st or top quartile typically referring to the best performing quarter. Similarly for 2nd, 3rd and 4th or bottom quartile.

Product Assessment

Options, benefits and facilities

Options, benefits and facilities include member communications, call centres, intra-fund advice, education, online account information and tools, and reporting services. They are paid for by the administration fees that we charge to members. These benefit the financial interests of members by supporting members in understanding and engaging with their superannuation, which in our view supports improved member outcomes over time.

Research consulting firm Chant West benchmarked our services against those of 60 distinct products offered by the different providers that they rate. It ranked our overall service proposition as being 1st quartile. This was based on:

- Our online education services, which offer educational information, case studies, calculators, and online chat was ranked amongst the best in the industry
- Our secure member online services were rated favourably based on the availability of functionality, and good navigation and responsiveness

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- Our member communications were found to provide comprehensive and well-presented information and were ranked above median. It was noted that our communications could be enhanced through tailoring and a greater focus on retirement adequacy
- Most of our advice service was rated favourably. While our digital advice offering was rated amongst the best in the industry, our overall ranking was lower because we currently only offer general telephone based advice and not scaled financial advice services to members. Scaled financial advice is personal advice that is limited in scope (i.e., to a limited range of issues or member needs). We are currently working to develop a scaled advice proposition for members

Internal surveys indicated that our interactive member education sessions, such as financial wellness webinars and workplace member seminars, were rated highly by members according to a 'Net Promoter Score' metric.

Some other member services, such as our call centre and transaction processing were separately assessed and found to offer a quality service. However, an over reliance on older technology and manual processing was identified which creates challenges in times of significant and unexpected volumes of member enquiries and requests. Despite this, when unusually high volumes of withdrawal requests were made by members under the COVID-19 Early Release of Super scheme in 2020, our processes were sufficiently resilient to enable the vast majority of members to withdraw their funds within five days.

Members who have insurance who make an insurance claim are allocated a dedicated claims assessor to help them through the claims process. There is also a dedicated team of rehabilitation consultants that work with the member and their doctor to assist members on their path to recovery and help them to get safely back to work.

These claims services are complemented by additional health focussed services that are provided by the Insurer, MLC Limited, for members and their immediate family including:

- *Best Doctor Service* which provides access to more than 50,000 leading medical specialists from Australia and around the world, for a second medical opinion at no additional cost
- *Mental Health Navigator* which provides a review and second opinion on diagnosis and a treatment plan for mental health conditions

Overall, the options, benefits and facilities offered to members has been assessed as being appropriate.

Investment Strategy

Our investment advisers JANA Investment Advisers Pty Ltd assessed the appropriateness of the investment strategy of each of our multi-sector investment options by conducting forward-looking modelling of their probability of meeting their investment objective over the stated investment horizon.

The assessment found that all options met the required threshold of a 60% probability of meeting PDS objectives except for three investment options, which achieved modelled probability outcomes of 58%. Given that the three options that did not achieve the targeted modelled probability rate were only fractionally below the 60% benchmark, we believe they do not unduly impact the overall assessment as it applies to the investment menu as a whole.

Additionally, six single sector investment options were identified as having not met their stated investment objective and having underperformed relative to peers. These options will be examined more closely as part of an ongoing review of the investment menu.

Overall, we believe that the investment menu is suitable for the varied needs of members and that it is reasonable to conclude that most of the investment options offered to members will likely deliver upon their stated objectives in the longer term.

Accordingly, we have formed the view that the overall investment strategy for Plum Super products, taking into consideration the investment strategies of each investment option, is appropriate.

Insurance Strategy

To evaluate the appropriateness of the insurance strategy for Plum Super products, we assessed the design of the default insurance arrangements, the suitability of optional insurance offerings and the impact of premiums upon retirement benefits. This assessment relied on analysis provided by consulting firm, The Heron Partnership ('Heron').

Note: in some cases, an employer may have negotiated a tailored insurance plan for their employees.

Default cover

Automatic insurance cover is applied to employee members over age 25 who have an account balance above \$6,000. In some cases, where the employer sponsor has agreed to meet the cost of the premiums for default cover, automatic insurance cover is applied to eligible members irrespective of age or account balance.

This cover is intended to provide a level of insurance deemed as generally being appropriate for the needs of members, noting that members can request additional cover or cancel or reduce their insurance cover, based on their personal needs. Any request to add or increase insurance will be subject to application by the member and underwriting and acceptance by the Insurer.

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Plum Personal Plans

The Heron assessment concluded that it is appropriate and reasonable to maintain member chosen cover and default Death and TPD cover when members transfer into these products.

This happens when a member leaves their employer, at which point members in Plum Corporate Plan transfer to Plum Personal Plan.

However, the Heron assessment identified an opportunity to reduce the risk of members holding insurance cover they may not need (or may be higher than their needs), such that it may be appropriate to apply Death and TPD 'tapering' for older members and to only continue Income Protection cover on an 'opt-in' basis.

Employer chosen Default Cover – Plum

The Heron assessment concluded that overall, employer chosen default cover is adequate and reasonable and the majority of plans do not inappropriately erode retirement benefits.

Self-Insurance

We reviewed the funding level of the specific Plum Corporate sub-plans that have self-insurance arrangements. Overall, these arrangements were found to be appropriately funded.

Optional cover

Generally, members can increase their cover either through underwriting or using the Life Events insurance increase feature (where eligible). The Life Events feature allows members in certain circumstances to increase their cover when they have a 'life event', such as the birth of a child or taking out a new mortgage.

The assessment concluded that the optional cover offered is appropriate and reasonable when considering the membership as a whole. However, the review identified demand for a level of cover which exceeds the maximum increase in the sum insured currently allowed using Life Events, which we will consider.

With the above findings in mind, we concluded that overall, the insurance strategy for Plum Super products is appropriate. We have also taken the lessons of the review into consideration and are actively working on insurance enhancements to better accommodate members' differing needs.

Insurance fees

In conducting this assessment, we first examined the level of insurance premiums as a proportion of salary. NULIS is a signatory of the Insurance in Superannuation Voluntary Code of Practice, which sets a target of insurance premiums charged to members, generally being less than 1% of salary.

The majority of Plum Super members are paying less than this amount.

However, older members may be paying more than 1% of salary as insurance because:

- Their employer plan provides higher levels of cover
- Their level of cover is calculated using a fixed salary multiple
- Their default cover includes Income Protection

Plum Corporate Plans

Insurance arrangements and premiums are typically different for each PCP employer plan. Insurance premium rates for members in PCP employer plans are generally reviewed by the Insurer at least every 3 years.

Where the proposed new premium rates result in premium increases that exceed Trustee tolerance limits, an external consultant is engaged to review the proposed new premium rates to ensure they are reasonable and are market consistent.

Consequently, NULIS is of the view that insurance premium rates for PCP members are competitive and appropriate.

Plum Personal Plans

We also compared the competitiveness of the insurance premiums charged to members in PPP against insurance plans with similar terms and conditions, using comparative data provided by research provider, Chant West⁴.

The majority of members were found to be paying median rates or lower.

However, male 'white collar' members are paying more than 10% above median for Death and TPD premiums, and female 'blue' and 'light blue' members are paying more than 20% above the median insurance premium rate for Income Protection.

Overall

The assessment concluded that, on balance, the insurance fees being charged to members are appropriate.

Opportunities were identified to reduce the proportion of salary used to fund insurance premiums through the introduction of 'tapering' for older members and improve the competitiveness of insurance premiums for a small cohort of members.

Scale

Scale is important because operating a large business supports the long-term sustainability of our products and our ability to deliver member outcomes.

NULIS operates four superannuation funds including one of the largest in Australia, which includes the Plum Super products. Our total funds under management was \$96 billion as of 30 June 2020 (#5 in the market), and we had 1.2 million members (#5).

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We concluded that our large scale permits us to:

- Access a range of investment strategies for members that may not be available to members in smaller funds
- Effectively manage liquidity, for example being able to meet all member requests during periods of economic turbulence
- Reduce investment risk through investment pooling

With all these factors in mind, we have concluded that the scale of our business operations is appropriate.

Operating costs

Operating costs refers to the costs to operate our superannuation business. Given the nature of our business we have assessed operating costs at an enterprise level and not specifically for the Plum Super products.

Our analysis identified that our costs per member and per dollar of funds under management, are high in comparison to peers, and that these costs have increased over time. The level of member costs is primarily due to the complexity of our business, including the number of products we offer and the number of technology systems we operate. The increase in costs in the last 3 years includes the impact of increased regulatory and product change, combined with a reduction of members due to inactive member accounts being transferred to the ATO. A number of peer superannuation funds have similarly been impacted.

In the last calendar year, we made significant progress in reducing the complexity of our superannuation business through product and system rationalisation, including moving members in legacy products to more contemporary products. Work continues to further reduce the complexity of our business with a particular focus on simplifying our investment structures and offers. These initiatives are expected to reduce our operating costs.

Dividend payments that were paid to our parent company, NAB, were made in accordance with NULIS' Capital and Dividend Policy, which requires that the amount and timing of any dividend is consistent with NULIS' fiduciary duties and members' best interests.

NULIS has concluded that the operating costs of our business are high and reducing them needs to remain a priority.

Basis of setting fees

We examined the fee and cost structure of the Plum Super products to assess whether they are appropriate. This included an assessment by our internal actuarial team of the split between flat and percentage-based fees, the application of minimum and maximum fee thresholds, the timing of fee charges and fee discounts or rebates. The review considered the reasonableness of the fee structure relative to the provision of services, the relative treatment of

members and whether cross-subsidisation occurs and if it is justifiable. It also examined whether the attribution of costs that were passed onto members is appropriate.

This assessment found that:

- The flat dollar administration fee is appropriate to cover costs that are the same for every member, such as account statements, product maintenance and responding to regulatory change. Note that administration fees can also be referred to as 'plan management fees'
- The percentage based administration fee is appropriate to cover costs related to the size of accounts, such as unit pricing and risk, with the tiered structure for PPP providing some allowance for scale benefits associated with larger accounts
- Administration fees are appropriately capped to ensure members with high balances are not paying disproportionately higher fees than other members, which can't be attributed to higher costs generated by their membership in the fund, with the tiered structure for PPP providing some allowance for scale benefits
- The Plum Retirement Income Product charges an asset based fee which was found to be appropriate given the cost structure and typical member balance held in this product
- The Trustee levy which is utilised to explicitly recover trustee and regulatory related expenses, is appropriate and transparent
- Other transaction-based fees, and/or product option fees (e.g. optional insurance) are charged on a user-pays basis, and are applicable to the individual member's choice and circumstances
- No cross subsidisation exists between product categories – this is important because it means that fees paid by members holding one product are not used to pay for members holding a different product

With the above findings in mind, we concluded that the basis of setting fees and passing on costs to members of Plum Super products is appropriate.

The basis of our conclusion

The following factors were found to be supporting NULIS' objective of promoting the financial interests of members:

- *Options, Benefits & Facilities:* Plum Super products provide communication, online tools, education, advice and member engagement services that compare favourably to peers. Members who have insurance can also access additional services to help maintain their health and wellbeing and to provide support when they need medical care

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- *Investment Strategy:* the investment menu offers members a broad choice of investments which have been assessed overall as being appropriate to meet their targeted investment objectives
- *Insurance Strategy:* Plum Super provides insurance with appropriate terms and conditions and overall, balances the need of members for protection from death and disability without unnecessary erosion of member balances
- *Insurance Fees:* On balance, the cost of insurance is appropriate
- *Scale:* The scale of NULIS' operations is substantial, which allows us to invest in assets that may not be available to members in smaller funds, hold sufficient liquidity in times of unexpected member drawdowns, and reduce risk through investment pooling
- *Basis of Setting Fees:* Fees are charged and costs are attributed to members in an appropriate fashion

In terms of areas where NULIS could do better, we have identified that our operating costs are too high. We are working to rationalise our products and systems to reduce our operating costs in the longer term.

Having regard to all the factors we assessed in performing the Annual Outcomes Assessment for the 2020 calendar year, we concluded that overall, **Plum Super products are promoting the financial interests of members.**

Important information

NULIS Nominees (Australia) Limited (ABN 80 008 515 633 AFSL 236465) (NULIS) is the Trustee of MLC Super Fund (ABN 70 732 426 024) (Fund). You should consider the Product Disclosure Statement (PDS) before making an investment decision in relation to this product. A copy of the PDS is available at plum.com.au or by calling 1300 557 586. MLC Wealth Limited has conducted the Outcomes Assessment on behalf of NULIS. The Outcomes Assessment is based upon data collected products in the 2020 calendar year. The relevant data and assessments reflected in the Outcomes Assessment may change from year to year. This document has been prepared for reporting purposes only and should not be used for the purpose of informing investment decisions. This information is of a general nature only and does not take your specific needs or circumstances into consideration. You should consider the appropriateness of the information having regard to your personal situation before making any financial decisions. Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market. Returns are not guaranteed and actual returns may vary from any target returns described in this communication. The final authority on any issue relating to members' interests in the Fund is the Fund's Trust Deed, and any relevant insurance policy, that govern members' rights and obligations.

MLC Limited is a different entity from MLC Wealth Limited. MLC Limited uses the MLC brand under licence. MLC Limited is part of the Nippon Life Insurance Group.

(1) Source: Chant West's Benchmarking Report (July 2020) & Chant West's Member Outcomes Dashboard (February 2021). Zenith CW Pty Ltd ABN 20 639 121 403 (Chant West), Authorised Representative of Zenith Investment Partners Pty Ltd ABN 27 103 132 672, AFSL 226872 under AFS Representative Number 1280401. Information provided is subject to copyright and is provided in good faith. No representation or warranty is provided in relation to its accuracy. Except for any liability which cannot be excluded, Chant West does not accept any liability whether direct or indirect, arising from use of this data. For more information, go to www.chantwest.com.au.