



# MLC CAPITAL GUARANTEED INVESTMENT SUPER PRODUCTS

## 2020 Annual Outcomes Assessment

The MLC Capital Guaranteed Investment super products (collectively referred to as 'MLC Capital Guaranteed products' in this document) give members access to investment arrangements with MLC Limited which include a capital guarantee. Members could also apply for optional life insurance cover provided by MLC Limited (the Insurer).

MLC Capital Guaranteed 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 the MLC Capital Guaranteed products.

The Outcomes Assessment is performed by MLC Wealth Limited (MLC), with the assistance of MLC Limited, 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.

Note that 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.

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

This document provides a summary of the 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. 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.

The MLC Capital Guaranteed products comprise:

- MLC Capital Guaranteed Personal Super Savings Plan - Series 1
- MLC Capital Guaranteed Personal Super Savings Plan - Series 2
- MLC Maturity Growth Plan

The MLC Capital Guaranteed Personal Super Savings Plan products are no longer offered to new members (which is also referred to as being 'off sale'). Existing members may make further contributions but can no longer apply for additional life insurance cover.

The MLC Maturity Growth Plan is available only to members with a matured MLC Endowment Superannuation or MLC Pure Endowment Superannuation policy, which are traditional bundled products that provide life insurance cover and investment arrangements provided by MLC Limited and pay a maturity value when the member reaches the specified maturity age. The MLC Maturity Growth Plan provides investment arrangements only, on a capital guaranteed basis. Once invested in the MLC Maturity Growth Plan, members cannot make any additional contributions or rollovers in.

The MLC Capital Guaranteed products were assessed together as they provide access to similar investment and insurance benefits (if applicable) and member services.

### Product Assessment

#### Options, benefits and facilities

MLC Capital Guaranteed products are simple products. The primary benefit provided to members is the Capital Guaranteed investment arrangement.

Members are presently provided with regular member communications, access to a customer call centre and online education support.

There are very few similar competitor products, most of which are also off sale. Product disclosure documents for these products are generally not publicly available. For these reasons, there are very few comparable products offered in the market to use as a basis for peer review.

Members in the MLC Capital Guaranteed Personal Super Savings Plan products could also apply for Death only or Death and Total and Permanent Disablement insurance cover provided by MLC

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Limited. The premiums for this insurance are deducted from the member's accumulated account value. Members can no longer apply for new cover or increase their cover.

Members who have taken up the insurance option in the MLC Capital Guaranteed Personal Super products and 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.

MLC Limited's claims services are complemented by additional health focussed services 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 in each of the MLC Capital Guaranteed products have been assessed as being appropriate.

### Investment Strategy

The MLC Capital Guaranteed products give members access to a capital guaranteed investment. MLC Limited guarantees the value of member contributions and the interest credited to member's accounts (before the deduction of fees and tax). NULIS' obligation to pay members is limited to the amount we receive from MLC Limited.

The MLC Capital Guaranteed products are investment account policies, earning an interest rate declared annually by MLC Limited. The interest rate takes into account the performance of the fund and the amount of capital required for the capital guarantee. MLC Limited guarantees that the interest rate they declare annually will be 0% p.a. or higher.

These policies are invested into the MLC Limited Statutory Fund 5. The fund is invested in a diversified portfolio of growth and defensive assets. Asset allocation ranges under normal conditions are up to 25% growth assets and at least 75% defensive assets.

The annual review of performance concluded that both the strategy and the manager remain appropriate for the portfolio given the nature of the capital guarantee provided by MLC Limited.

These products paid an average of 3.40% p.a. over 5 years to June 30 2020 whereas competitor products paid an average of 0.94%

p.a. over the same period (investment returns based on available comparable capital guaranteed superannuation products listed on a third party comparison website, October 2020).

NULIS has assessed the investment strategy as appropriate on the basis that:

- Investment earnings are distributed appropriately
- Investment strategy has performed in accordance with product terms and/or Product Disclosure Statements (as applicable)
- Investment earnings are declared and approved by the Appointed Actuary on an annual basis
- Declared applied earnings are guaranteed
- Investment performance is above market average

Overall, we concluded that for each of the MLC Capital Guaranteed products, the investment strategy is appropriate.

### Insurance Strategy

Generally, members in these products do not have any insurance. Members invested in the MLC Maturity Growth Plan cannot obtain any insurance.

However, members invested in the MLC Capital Guaranteed Personal Super Savings Plan products were previously given the option to apply for Death only or Death and Total and Permanent Disablement insurance cover provided by MLC Limited. They can no longer apply for new cover or increase their cover. The number of these remaining accounts that still hold insurance is small. MLC Limited in their capacity as the insurer reviews and updates the insurance regularly. This was last completed in 2019.

Given this optional insurance was reviewed recently with no materially adverse findings, we concluded that overall, the insurance strategy for the MLC Capital Guaranteed products is appropriate.

### Insurance fees

We examined whether any insurance fees charged in relation to the products inappropriately erode the retirement benefits of members. This analysis focused on the competitiveness and affordability of insurance premiums.

The off sale nature of the optional insurance for MLC Capital Guaranteed Personal Super products makes peer comparison difficult. However, regular premium rate reviews continue to conclude that the rates are reasonable given the terms and conditions offered.

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

### Scale

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

For the purposes of this part of the assessment, 'scale' was considered at two levels – the scale of NULIS' business operations as the Trustee and the scale of MLC Limited as the administrator, insurer and guarantor of the MLC Capital Guaranteed products.

NULIS operates four superannuation funds including one of the largest in Australia, which includes the MLC Capital Guaranteed 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).

We concluded that NULIS' large scale permits us to effectively oversee the management of these super products.

MLC Limited, the investment and insurance provider of the MLC Capital Guaranteed products, is one of the five largest insurers in the Australian market by in-force premium income. As one of the largest life insurers in the market, MLC Limited has extensive expertise and enjoys the scale benefits derived from providing insurance to a very large number of customers and investment expertise from managing large investment pools. In addition, MLC Limited has adequate capital in order to meet the underlying insurance risks according to Australian regulatory requirements, as attested annually by MLC Limited's Appointed Actuary.

We consider that MLC Limited's scale is supporting the financial interests of members on the basis that:

- MLC Limited is one of the largest life insurers in Australia
- MLC Limited has capital reserves adequate to meet prudential regulatory requirements
- Assessment of premiums, fees and costs payable by members indicates that costs charged to members are reasonable and market competitive (as outlined in other sections of this document)

With all these factors in mind, we have concluded that the scale of both NULIS' and MLC Limited's business is appropriate.

### Operating costs

'Operating costs' in this context means the costs to operate the business. It does not refer to costs paid by members.

The operating costs incurred in relation to the MLC Capital Guaranteed products are primarily borne by MLC Limited. The parent company of MLC Limited is Nippon Life Insurance Group, a mutual life insurance company. As MLC Limited is a separate entity, not related to NULIS and given the

commercially sensitive nature of this information, it was not appropriate for MLC Limited's operating cost information to be incorporated into the assessment.

However, we can infer operating cost from an 'outside in' perspective based on fees charged to members. Market comparisons of fees charged by MLC Limited (considered in other sections of the assessment) indicate they are competitive and therefore there is no evidence that MLC Limited's operating costs are disadvantaging or inappropriately affecting members.

As a result, we have concluded that the operating cost of MLC Limited's business is appropriate.

### Basis of setting fees

The standard requires NULIS to assess the basis for setting fees including the attribution of costs, the structure of any fees charged.

As a separate entity, MLC Limited's cost attribution is not available to NULIS and therefore this assessment cannot take that into consideration.

The fees for these products comprise one bundled percentage based management and investment fee. There is no tiering of variable fees or minimum amount.

The current percentage based fee is considered an appropriate basis for setting fees for these products, given the relatively simple structure of the product which is based on a single investment option.

We have concluded that the basis of setting fees for each of the MLC Capital Guaranteed 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:* Despite these products being off sale and no longer offered to new members, the options, benefits and facilities provided to members in the MLC Capital Guaranteed products remain reasonable and adequate having regard to the nature and design of the products. Insured members can also access additional services to provide support when they or their immediate family need medical care
- *Investment Strategy:* The investment performance over the 5 years to 30 June 2020 is above market average. The annual review of performance concluded that both the strategy and the manager remains appropriate for the portfolio
- *Insurance Strategy:* A small number of members, excluding members in the MLC Maturity Growth Plan have access to insurance through the MLC Capital Guaranteed products.



MLC Limited in their capacity as the insurer undertakes periodic reviews and updates of the insurance to ensure that overall, it remains appropriate. This was last completed in 2019

- *Insurance Fees:* Annual premium rate reviews, which are reviewed by external consultants, continue to conclude that overall, the rates are reasonable given the favourable terms and conditions offered
- *Scale:* The scale of NULIS' operations is substantial, which permits us to effectively oversee the management of these super products. In addition, MLC Limited is one of the five largest insurers in the Australian market by in-force premium income and has achieved the benefits of scale. In addition, MLC Limited has adequate capital to meet the underlying insurance risks according to Australian regulatory requirements
- *Operating Costs:* Since MLC Limited is a separate legal entity to NULIS, operating cost information is not available to NULIS. However, given the market competitiveness of the fees and insurance premiums it charges, it was concluded that their operating costs are not having a negative impact upon members
- *Basis for setting fees:* The fees for these products comprise of one bundled percentage based management and investment fee which is appropriate given the simple nature of the product

NULIS' conclusion has taken into consideration the off-sale nature of these products and the fact that peer comparison is therefore challenging.

Having regard to all the factors we assessed in performing the Annual Outcomes Assessment for the 2020 calendar year, we concluded that overall, **the MLC Capital Guaranteed 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). If you are a current member holding any of these products, you should consider the disclosure material you received on joining, together with any significant event notices and regular reporting from us, for information about your interest in the product and to help inform any decisions. MLC Wealth Limited has conducted the Outcomes Assessment on behalf of NULIS. The Outcomes Assessment is based upon data collected 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 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.