

# Annual Outcomes Assessment



Financial year ending 30 June 2024

The information is published in accordance with the requirements of s52(9) of the Superannuation Industry (Supervision) Act 1993 ('legislation').

Product	Trustee	Super Fund	Category
Virgin Money Super (the <b>Product</b> )	Mercer Superannuation (Australia) Limited ( <b>MSAL</b> or <b>Trustee</b> )	Mercer Super Trust ( <b>MST</b> )	MySuper and Choice

## Purpose

As required by legislation, this document contains:

- the Trustee's determination as to whether the financial interests of the beneficiaries holding the Product are being promoted by the Trustee having regard to the assessments and comparisons prescribed by legislation; and
- a summary of the assessments and comparisons upon which the Trustee's determination is based. The Trustee's determination is as of 27 February 2025 and is based on information for the year ended 30 June 2024, as well as changes to the Product made after that date.

## Overall Determination

The Trustee has determined that the financial interests of the beneficiaries holding the Product are **being promoted**.

This is based on the assessments and comparisons summarised below. In doing so, the Trustee compared the Product against MySuper products and other Choice investment options offered by regulated superannuation funds.

## Summary of the Trustee's assessment

When carrying out the assessment, the Trustee considered a number of factors including, fees and costs, investment performance and options, insurance fees and options, and the overall size and scale of the Mercer Super Trust.

The assessment consists of two sections. The table below provides a summary of the factors considered for each Section.

Factor	Rating
Section One	
Fees and costs	
Investment returns	
Investment risk	
Section Two	
Options, benefits and facilities	
Investment strategy	
Insurance strategy	
Insurance fees	
Scale	
Operating costs	
Basis for setting fees	
Determination	
Members' financial interests are promoted	
Members' financial interests are mostly promoted	
Members' financial interests are not promoted	

# Section One: Summary of our performance assessment

## Guide to reading this section

### Comparison Table Key

Quartile	Colour Rating
Bottom 25% of Products (Bottom Quartile) (Q4)	
Bottom 50% to 25% of Products (Below Median) (Q3)	
Top 50% to 75% of Products (Above Median) (Q2)	
Top 25% of Products (Top Quartile) (Q1)	

For Fees and costs, Above Median refers to the fees being less expensive than the median. Below Median refers to the fees being more expensive than the median.

For Investment returns, Above Median refers to the returns being higher than the median. Below Median refers to the returns being lower than the median.

This section provides the outcome of the Trustee’s assessment of Fees and costs, Investment returns and Investment risk compared to peers and benchmarks.

### 1. Fees and costs

Determination	Assessment
Members’ financial interests are promoted	<p>MySuper - Lifestage Tracker 1964 to 1968 achieved a Q1 ranking relative to all MySuper products for a \$50,000 balance for the year to 30 June 2024 based on an assessment of fees and costs.</p> <p>Choice - The Choice fees and costs are mid-market or better (Q1 or Q2) for most options. The \$25,000 and \$50,000 balance comparisons have all options ranked at Q1 or Q2.</p>

The Trustee remains committed to delivering products and investment options that promote member outcomes and foster growth to enable benefits of increased scale to be passed onto members.

### MySuper

Table 1 – Lifestage Tracker MySuper annual fees and costs comparison compared to the APRA MySuper median<sup>1</sup>

Product	MySuper annual fees and costs
LifeStage Tracker 1964 to 1968	\$378.00
MySuper median	\$415.00

<sup>1</sup> Source: APRA Quarterly MySuper Statistics Table 2b SRF 700.0 – Item 4 (30 June 2024) and based on a balance of \$50k.

Choice

Table 2 – Choice fees and costs competitor rankings for \$25,000 balance<sup>2</sup>

For \$25,000 balance					
Fee category	Investment option	Administration fees and costs	Total fees and costs	Rank	Quartile
High Growth	Indexed Diversified Shares	0.63%	0.87%	4 / 59	Q1
Growth	Enhanced Indexed Growth	0.63%	0.93%	11 / 67	Q1
Balanced	N/A	N/A	N/A	N/A	N/A
Conservative	Enhanced Indexed Conservative Growth	0.63%	0.97%	25 / 67	Q2

Table 3 – Choice fees and costs competitor rankings for \$50,000 balance

For \$50,000 balance					
Fee category	Investment option	Administration fees and costs	Total fees and costs	Rank	Quartile
High Growth	Indexed Diversified Shares	0.51%	0.75%	3 / 59	Q1
Growth	Enhanced Indexed Growth	0.51%	0.81%	9 / 67	Q1
Balanced	N/A	N/A	N/A	N/A	N/A
Conservative	Enhanced Indexed Conservative Growth	0.51%	0.85%	26 / 67	Q2

2. Investment returns

Determination	Assessment
Members’ financial interests are mostly promoted	MySuper - Lifestage Tracker achieved predominantly a Q1 ranking relative to peers over 1, 3, and 5 years to 30 June 2024 (net of fees and taxes).
	Choice - Choice returns are mid-market or better. Five of the seven options are ranked Q1 for the 1-year period. For 3-year results, six of the seven options had a ranking of Q1 or Q2 and for the 5-year results, all seven options had a ranking of Q1 or Q2.

<sup>2</sup> Source: Chant West – Super Fund Fee Survey – June 2024. The survey fee calculation includes estimated performance fee where applicable.

## MySuper

Under the Government's Your Future, Your Super reforms, which came into effect on 1 July 2021, APRA is required to conduct an Annual Performance Assessment (**APA**) for MySuper products. The APA assesses the investment performance and administration fee of a product over a ten-year time horizon. Based on the APA results released by APRA on 30 August 2024, the Product **passed** the APA.

The returns for the Lifestage Tracker cohorts will generally be higher for options in the pre glide stage, with returns decreasing for cohorts in glide and post glide phases. This is due to the nature of lifecycle option, where in-glide and post-glide cohorts as per the glidepath have reduced allocation to growth assets as members age. This is consistent with providing downside risk protection for older members.

Table 4 – LifeStage Tracker net investment returns for a representative member (account balance of \$50,000) as at 30 June 2024 <sup>3</sup>

Lifecycle Stage	1 yr. net return (p.a)	3 yr. annualised net return (p.a)	3 yr. annualised net return (p.a)	Stage of glidepath <sup>4</sup>
Born pre-1949	7.52%	2.78%	3.98%	Post glide
Born 1949 to 1953	7.49%	2.91%	4.05%	Post glide
Born 1954 to 1958	7.74%	3.20%	4.53%	In glide
Born 1959 to 1963	9.53%	4.21%	5.63%	In glide
Born 1964 to 1968	11.35%	5.23%	6.77%	In glide
Born 1969 to 1973	13.13%	6.08%	7.58%	Pre glide
Born 1974 to 1978	13.22%	6.09%	7.67%	Pre glide
Born 1979 to 1983	13.23%	6.05%	7.67%	Pre glide
Born 1984 to 1988	13.16%	6.13%	7.70%	Pre glide
Born 1989 to 1993	13.09%	6.11%	7.68%	Pre glide
Born 1994 to 1998	13.01%	6.09%	7.60%	Pre glide
Born 1999 to 2003	12.95%	6.03%	7.54%	Pre glide
Born 2004 to 2008	12.83%	5.90%	7.45%	Pre glide
Born 2009 to 2013	12.85%	6.09%	7.70%	Pre glide
Born 2014 to 2018	12.92%	6.08%	7.63%	Pre glide

<sup>3</sup> Quartile rankings are based on risk bands to provide a more accurate assessment compared to ranking against all MySuper funds

<sup>4</sup> VMS LifeStage Tracker cohorts sit on a glidepath. Younger cohorts (with members aged under ~55 years of age) will be classified as pre-glide as their growth assets haven't begun to decrease. While older cohorts could be classified as in-glide or post-glide depending on whether their growth allocation for their age cohort has reached the terminal growth asset allocation, of roughly 60%.

## Choice

APRA has recently introduced the APA for Trustee-directed Products from 1 July 2024 onwards. All choice options surveyed within the 2023-24 APA, **passed** the APA.

Investment returns will vary according to the asset class or level of risk taken for each Choice investment option.

Table 5 – Choice investment return rankings against comparable investment options<sup>5</sup>

Investment option		1 Year		3 Years		5 Years	
	Peer group	Rank	Quartile	Rank	Quartile	Rank	Quartile
Cash	Cash	36 / 68	Q3	35 / 66	Q3	32 / 65	Q2
Enhanced Indexed Conservative Growth	Capital Stable	12 / 85	Q1	25 / 76	Q2	25 / 74	Q2
Enhanced Indexed Growth	Balanced	40 / 187	Q1	69 / 164	Q2	57 / 158	Q2
Indexed Australian Property	Listed Property	1 / 34	Q1	1 / 28	Q1	5 / 26	Q1
Indexed Australian Shares	Australian Shares	28 / 69	Q2	24 / 61	Q2	25 / 61	Q2
Indexed Diversified Shares	High Growth	13 / 58	Q1	4 / 53	Q1	3 / 49	Q1
Indexed Overseas Shares	International Shares	10 / 72	Q1	3 / 60	Q1	4 / 60	Q1

## 3. Investment risk

Determination	Assessment
Members' financial interests are promoted	MySuper - Most of the Lifestage Tracker options are taking a level of investment risk in line with comparable MySuper products.
	Choice - The Trustee ensures that it has a range of options available for members to choose from, with different risk characteristics and investment objectives. During the last review in 2024 the Trustee confirmed that the level of investment risk in each Choice investment option is appropriate.

<sup>5</sup> The options surveyed include all available investment options. The rankings are sourced from the SuperRatings FCRS Survey as at 30 June 2024.

## MySuper

The level of investment risk for MySuper products has been measured using the methodology set out in *APRA Reporting Standard SRS 700.0 Product Dashboard*.

Most of the LifeStage Tracker options are taking a level of investment risk in line with comparable MySuper products. Options that are ranked Q3 are in glide and outliers in their category. Over time these options will continue to decrease their growth asset allocation given the lifecycle design.

Table 6 – LifeStage Tracker rankings against other MySuper products with the same risk label

Lifecycle Stage	Estimated number of negative net investment returns over a 20-year period	Stage of glidepath
Born pre-1949	3.70	Post glide
Born 1949 to 1953	3.70	Post glide
Born 1954 to 1958	3.90	In glide
Born 1959 to 1963	4.30	In glide
Born 1964 to 1968	4.60	In glide
Born 1969 to 1973	4.80	Pre glide
Born 1974 to 1978	4.80	Pre glide
Born 1979 to 1983	4.80	Pre glide
Born 1984 to 1988	4.80	Pre glide
Born 1989 to 1993	4.80	Pre glide
Born 1994 to 1998	4.80	Pre glide
Born 1999 to 2003	4.80	Pre glide
Born 2004 to 2008	4.80	Pre glide
Born 2009 to 2013	4.80	Pre glide
Born 2014 to 2018	4.80	Pre glide

The benefit of the lifecycle strategy is that it is designed with a whole of life approach in mind. The level of investment risk will adjust accordingly for each cohort, with pre-glide and in-glide cohorts taking on more levels of investment risk, while post-glide cohorts taking on lower levels of investment risk but better downside protection.

## Choice

There is no publicly available information which provides a breakdown of the level of investment risk for each Choice product and therefore it is difficult to make reasonable comparisons against the industry. However, the net returns assessment above implicitly takes into account a comparison of investment risk.

The Trustee performs an annual review of each Choice investment option to understand the level of investment risk inherent in each option and whether that would be in line with the expectations of the members who are invested in that option. During the last review in 2024 the Trustee confirmed that it was comfortable with the level of investment risk in each Choice investment option.

## Section Two: Summary of the assessment factors

The Trustee's assessment of the Product as at 30 June 2024 is based on the following criteria specified by the legislation.

Factor	Determination
Options, benefits and facilities	<p><b>Members' financial interests are promoted</b></p> <p>The assessment indicates it would be appropriate for MSAL to determine that the options, benefits and facilities are appropriate for Virgin Money Super members having regard to the financial interests of beneficiaries in this product.</p> <p>Virgin Money Super offers access to the MySuper LifeStage Tracker lifecycle investment option as well as a range of ready-made and select your own Choice investment options. Insurance coverage is across ~13% of the membership with above benchmark ratings across all offerings by external ratings houses such as Chant West and SuperRatings. The Trustee is focused on continuing to uplift the member and digital member experience, as well as enhancing the advice offering that supports our members' journey into and in retirement.</p>
Investment strategy	<p><b>Members' financial interests are promoted</b></p> <p>The last annual investment strategy review was completed in November 2024.</p> <p>The review found that for each Lifestage Tracker cohort the probability of achieving the relevant stated investment objective remains satisfactory. Changes to asset allocations have been approved or are under consideration which are expected to improve investment diversification and member outcomes.</p> <p>The investment strategy for the choice options remains appropriate. Changes to asset allocation have been approved for the VMS Enhanced Indexed options, which are expected to reduce volatility and downside risk.</p>
Insurance strategy	<p><b>Members' financial interests are promoted</b></p> <p>The insurance benefits made available to members/beneficiaries are based upon the insurance strategy within the Trustee's Insurance Management Framework (<b>IMF</b>). The last comprehensive independent review of the IMF occurred in September 2023, with the next independent review due to occur in 2026. The outcomes of the review concluded that the IMF (and Insurance strategy) are operating effectively in members' best financial interests.</p> <p>The IMF also undergoes an annual review to ensure that changes to MSAL's business operations are appropriately reflected in the IMF.</p> <p>The Trustee's insurance strategy underpins a strong insurance offer, making a range of insurance benefits available to members. The nature of the insurance offer reflects the differing needs of members. In cases where default cover is provided on an automatic basis, most members can adjust or cancel their cover at any time to ensure that the cover they hold is appropriate and affordable for their circumstances.</p> <p>For insured members, there is a continuing focus to reduce frictions in the member servicing model and improving claims admittance rates and claims durations.</p>
Insurance fees	<p><b>Members' financial interests are mostly promoted</b></p> <p>Ensuring that insurance fees charged in relation to a product are affordable and do not inappropriately erode the retirement income of beneficiaries is a key objective of the Trustee's insurance strategy.</p> <p>The approach applied by the Trustee to meet this objective is that the cost of default cover provided to members on an automatic basis should not generally exceed 1% of a member's estimated salary. For Virgin Money Super the cost of insurance provided to members on an automatic basis does not generally exceed 1% of an estimated salary.</p> <p>On balance, insurance fees for members are broadly aligned with the financial interests and needs of beneficiaries. The Trustee continues to focus on ensuring affordability of insurance premiums and that these do not unduly erode member retirement balances.</p> <p>Recent benchmarking (using Chant West Insurance Premium Survey as at July 2024) highlighted that insurance fees are not overly competitive relative to the market for Death &amp; TPD members in white-collar occupations.</p>

## Section Two: Summary of the assessment factors (continued)

The Trustee's assessment of the Product as at 30 June 2024 is based on the following criteria specified by the legislation.

Factor	Determination
Scale	<p><b>Members' financial interests are promoted</b></p> <p>Scale has grown for the Product and the overall MST over the year. The number of member accounts across MST increased by ~148,000 and FUM increased by \$1.2billion. Virgin Money Super and the MST both have sufficient scale to be sustainable.</p> <p>While this Annual Outcomes Assessment is for Virgin Money Super specifically, the product benefits from the full scale of the Trustee's operations. Virgin Money Super and MST both have sufficient scale to be sustainable. The Trustee remains committed to offering and managing products and investment options that enhance member outcomes and foster growth, allowing the advantages of increased scale to be shared with members.</p>
Operating costs	<p><b>Members' financial interests are promoted</b></p> <p>The Trustee incurs operating costs in ensuring the efficient and effective operation of the MST, including Virgin Money Super. Both current and projected operating costs per member are reasonable with the net operating income per account remaining stable and sustainable.</p>
Basis for setting fees	<p><b>Members' financial interests are mostly promoted</b></p> <p>One of the Trustee's strategic objectives is to deliver competitive products and services. The Trustee recognises that the manner in which fees are charged to MST members is a material consideration in assessing the promotion of members' financial interests.</p> <p>The Trustee annually assesses the appropriateness of the fees charged to Virgin Money Super beneficiaries. The basis for setting fees continues to be suitable for the Product, recognising that the Trustee is continuing to enhance and improve its policies and procedures.</p>

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