



METHODOLOGY

Account Based Pensions Star Ratings

What are the CANSTAR Account Based Pensions Star Ratings?

CANSTAR *Account Based Pensions Star Ratings* use a unique ratings methodology that compares both cost and features across account based pension products. CANSTAR star ratings represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked.

There are many pension funds in the market. Many of these funds are not available directly to the average person. You may have to be employed by a particular government department or a large corporation or you may have to see a financial planner first.

Eligibility requirements for the Account Based Pensions Star Ratings

A product must meet the following selection criteria in order to be considered for rating:

- Minimum funds under management for provider (or parent) of \$100 million (superannuation and pensions combined)
- Retail or Industry open public offer (i.e. corporate and closed products are excluded)
- Directly available to individuals without intermediary such as a financial planner
- Not a wrap-only product
- Not an annuity
- Not a TAP (Term Allocated Pension). These can only be commenced with the proceeds of another TAP or complying pension/income stream originally started prior to 20 September 2007
- Must offer an investment option that meets the specified eligibility criteria for comparison purposes (i.e. default option that has a growth asset allocation of 60-80%; if the default option does not meet such criteria, select the option with the highest FUM with a growth asset allocation of 60-80%). The research committee may at their discretion make exceptions where reasonable.

CANSTAR *Account Based Pensions Star Ratings* are a transparent analysis comparing all products considered eligible for the star rating. Ratings range from five to one star. Five-star rated products have been assessed as offering outstanding value to consumers.

Profile descriptions

For our analysis we have used three profiles based on account balance, as follows:

Profile Name	Average Balance
Low balance	\$100,000
Medium balance	\$400,000
High balance	\$750,000

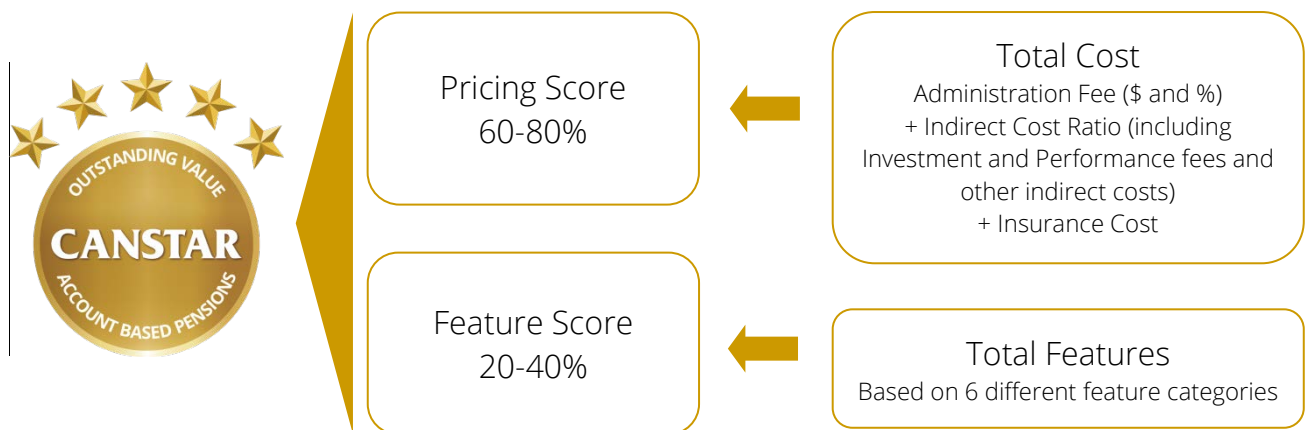
CANSTAR Star Ratings

Each account based pension product reviewed for the CANSTAR *Account Based Pensions Star Ratings* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a 'Pricing' score and a 'Feature' score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Feature scores. The weights for each profile vary from 60 to 80% for pricing and 20 to 40% for features, with the weights reflecting the relative importance of either costs or features in determining the outstanding account based pension products. This method can be summarised as:

$$\text{TOTAL STAR RATINGS SCORE (T)} = W_1 \text{ PRICING SCORE (P)} + W_2 \text{ FEATURES SCORE (F)}$$

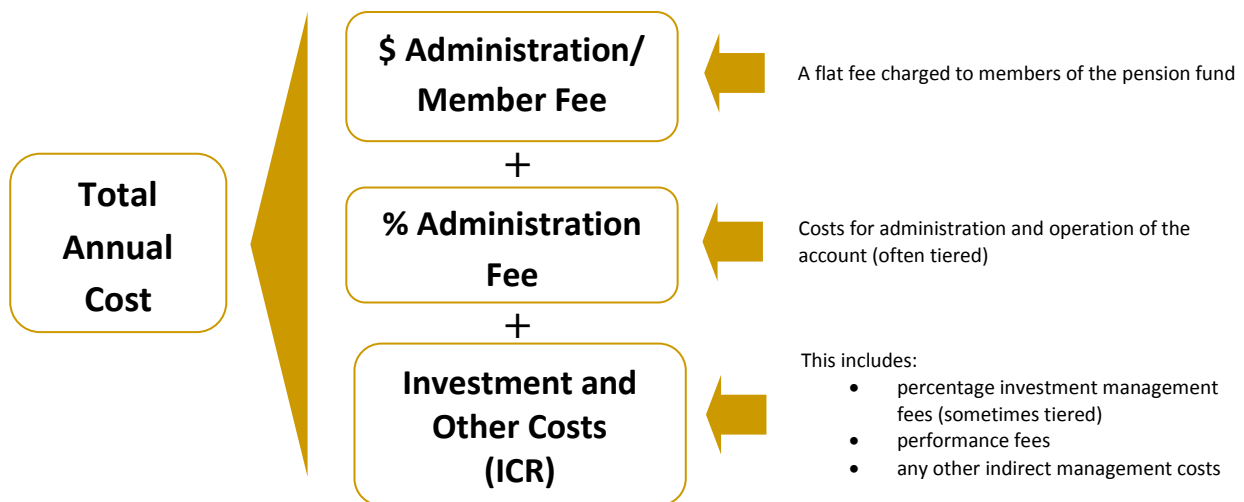
The methodology is as follows:



Profile	Price weighting	Feature weighting
Low Balance	80%	20%
Medium Balance	70%	30%
High Balance	60%	40%

Pricing score

The total cost is calculated based on the average super balance (taking into account member fee, administration fee and indirect cost ratio), and using 500 scenarios per profile built around a normal distribution using the balance applicable for each profile.



In calculating the Pricing Score, the investment option used for each fund is the default option, when the default option has a growth asset allocation of 60-80%. When the default option does not meet such criteria, the option with the highest funds under management (FUM) with a growth asset allocation of 60-80% is instead selected.

The lowest priced product within each profile is allocated the maximum pricing score, with all remaining products scored against it.

Feature score

The feature score takes into account a number of features within six different categories, with individual features allocated points and each category, and subcategory, assigned a weighting. The product with the highest features score is allocated the maximum score, with all remaining products within the profile scored against it. The feature categories and subcategories, with assigned weightings, are:

Category/Sub-Category	All Balances
Financial Advice & Education	30%
General Advice/Tools & Education	50%
Scaled/Limited Advice	30%
Comprehensive Advice	20%
Investment Options	30%
Managed Funds	70%
Listed Securities	20%
Term Deposits	10%
Member Access	15%
Online Access	50%
Phone Access	25%
Account Set-Up	25%
Beneficiary Options & Death Benefit	10%
Income payment options	5%
Other Fees/Charges	5%
TOTAL:	100%

Consideration of Investment Performance

CANSTAR investment ratings are based on value delivered to the consumer, i.e. the features, functionality, flexibility and other benefits the investor receives, relative to the fees and other costs incurred.

With respect to Account Based Pensions there are some particular elements captured – range of investment options, access to advice and investment performance. Treatment of investment options and advice has already been outlined in this document and weightings are applied relative to the consumer profile.

Investment performance is incorporated into the rating in order to identify and recognise funds that have either outperformed or underperformed consistently over a five-year period. It is treated as an adjustment at the end of the calculations. We do this, as in other respects we measure known elements of the value proposition, while we cannot assure an accurate prediction of future investment performance based on past performance. We want our rating to be dominated by clear “knowns” and the research reveals a lack of persistence of investment outperformance.

The year on year performance over a five-year period is considered, as reported by the Australian Prudential Regulation Authority (APRA). The APRA-published *Rate of Returns* measures the combined earnings of a superannuation fund's assets across all its products and investment options.

- The year-on-year performance is assessed for the top-quartile of 4-star rated products for the past five years. Funds that have made the top quartile performance for four out of the five years are potentially awarded an additional star (i.e. awarded a 5-star rating).
- The performance of funds identified as placing in the bottom quartile for at least four out of the five years at the fund level, based on APRA-published data, is further investigated. Products meeting such criteria are potentially limited to achieving a rating of no more than 3 stars. This approach is taken because persistent underperformance can be an indicator of broader management or systemic issues which may be impacting the investment performance.

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are CANSTAR Account Based Pensions Star Ratings re-rated?

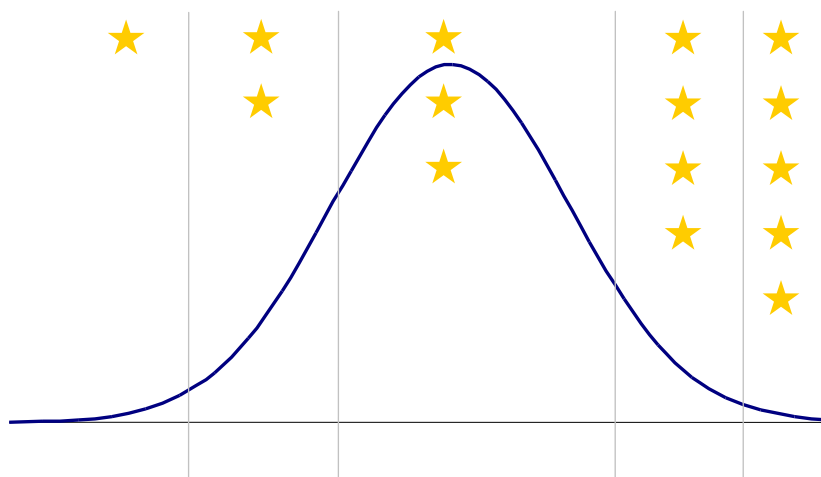
Our Account Based Pensions Star Ratings are recalculated every 12 months based on the latest pricing and features offered by each provider.

How are the stars awarded?

CANSTAR ranks account based pension products based on value-for-money measures and then awards a star rating according to rank. The number of products awarded each of the one- to five-star ratings within each profile will ultimately depend on the dispersion of final scores.

Scores are awarded to each product on the basis of price (total average cost) and features. The methodology is revised and parameters are updated on a regular basis to make sure that the products are analysed using the most up-to-date information capturing all industry developments.

The objective is to award the top 5-10% of products with the CANSTAR five-star rating.



Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings reports of interest.



- Account-based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- First home buyer
- Health insurance
- Home and contents
- Home loans
- Landlord insurance
- Life insurance
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
- Pet insurance
- Rewards programs
- Superannuation
- Term deposits
- Travel insurance
- Travel money cards
- Youth banking

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