



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.

Eligibility requirements for the *Account Based Pensions Star Ratings*

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.

Each product must meet the following criteria to be eligible for Canstar's Account Based Pensions Star Ratings:

- 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
- Not a wrap-only product
- Not an annuity
- Not a 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

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	\$700,000

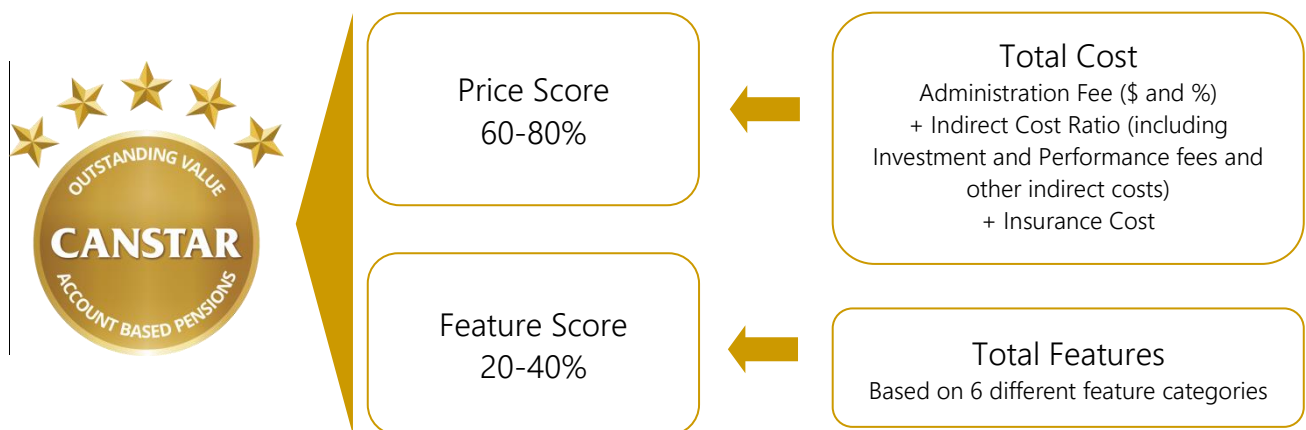
Canstar Star Ratings

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 Price Score and a Feature Score.

To arrive at the total score, Canstar applies a weight (w) against the Price 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:

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

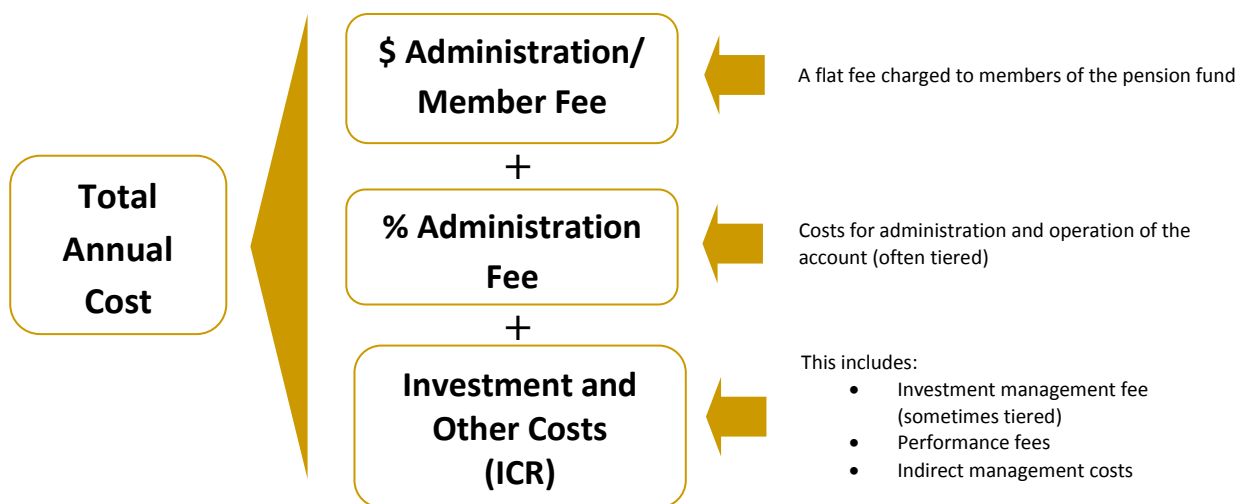
The methodology is as follows:



Profile	Price weighting	Feature weighting
Low Balance	80%	20%
Medium Balance	70%	30%
High Balance	65%	35%

Price 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 Price 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	35%
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%

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?

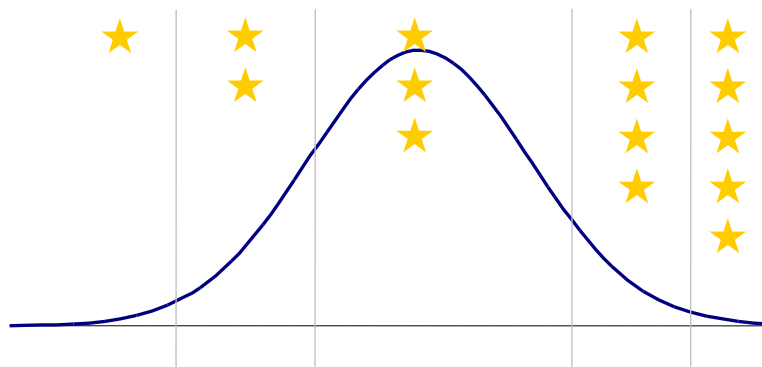
Our Account Based Pensions Star Ratings are recalculated every 12 months based on the latest pricing and features offered by each provider.

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

To the extent that the information in this report constitutes general advice, this advice has been prepared by CANSTAR Research Pty Ltd A.C.N. 114 422 909 AFSL and ACL 437917 ("CANSTAR"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. CANSTAR provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to CANSTAR's FSG for more information.

The information in this report must not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior written consent. All information obtained by CANSTAR from external sources is believed to be accurate and reliable. Under no circumstances shall CANSTAR have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of CANSTAR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2014 CANSTAR Research Pty Ltd A.C.N. 114 422 909

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of CANSTAR Pty Ltd.

Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of CANSTAR by the respective trademark owner.