



# Keeping you up to date

with developments  
in super and your fund

## Even more socially responsible

We have made some changes to our Diversified Socially Responsible Investment (SRI) option. We have extended our positive and negative screens – including the fossil fuel exclusion – to *all* the option's asset classes from May 2017. Previously, the screens were applied only to Australian and international shares in this option.

Also, from May 2017, we changed the guidelines for how much we can invest in each asset class for this option, called the 'strategic asset allocation'. Consequently the allocation to growth and income assets changed to 76% growth assets / 24% income assets. The objectives and risk measures of the Diversified SRI option have not changed.

	Old		New	
	Target	Range	Target	Range
Australian shares SRI	26%	16%-36%	26%	16%-36%
International equities SRI	30%	20%-40%	24%	14%-34%
Alternatives	24%	4%-44%	26%	6%-46%
Fixed income	10%	1%-20%	18%	8%-28%
Cash (for transactions)	10%	1%-45%	6%	1%-36%



For more information on our socially responsible investment options, go to [firststatesuper.com.au/sociallyresponsible](http://firststatesuper.com.au/sociallyresponsible).

## Our administrator has a new owner

Pillar Administration was recently sold to Mercer (Australia) Pty Ltd and changed its name to Mercer Administration Services (Australia) Pty Limited (ABN 48 616 275 980, AFSL 245591).

## Personal deductible contributions for defined benefit members

From 1 July 2017, you can claim a tax deduction for personal contributions made to your accumulation account. You can claim if you are under 65, regardless of your work situation, up to the new annual concessional cap of \$25,000. This also applies if you are aged between 65 and 74, but you have to meet the work test<sup>1</sup>. You are not able to claim a tax deduction for contributions you make to your defined benefit account(s) with us.

<sup>1</sup> To meet the work test you need to work at least 40 hours in any consecutive 30-day period during the same financial year in which the contributions are made.

## Retirement income stream members over the \$1.6 million transfer balance cap

If you transfer more than \$1.6 million into retirement phase accounts (which includes retirement income streams and defined benefit pensions) you will need to remove the excess amount from one or more of your retirement income stream accounts. We will try to contact you to find out what you'd like to do, but if we don't hear from you within 60 days we will transfer the excess to an existing super (accumulation) account you have with us. If you have more

than one super account with us, we'll use the latest account you have set up.

If you don't have an existing super account with us, we'll set up a personal account for you and transfer the excess to this account.

## Increase to the co-contribution income thresholds

On 1 July 2017, the income thresholds for the government co-contribution increased. For the new thresholds visit [firststatesuper.com.au/GrowYourSuper/GovernmentCoContributions](http://firststatesuper.com.au/GrowYourSuper/GovernmentCoContributions).

To check if you are eligible for a government co-contribution read our fact sheet *Low-income super support options* available from [firststatesuper.com.au/factsheets](http://firststatesuper.com.au/factsheets).

## Our cut-off time for switch requests is now 4 pm (AEST)

If we receive a valid paper or online request from you to switch the investment option for your current account balance before 4 pm (AEST) on a business day, we will normally process it using the unit price that applies for that business day when it becomes available. You can cancel a switch request online before 4 pm (AEST) on the day the switch request is made.

If we receive your request to change the investment allocation for future contributions before 4 pm on a business day (AEST), the change will be effective on the next business day. Where a contribution is attached, the nomination takes effect immediately.

➔ There are also new ways of reporting investment fees. See pages 19-21.

## Update on our investment options: Changes to asset allocations, frequency of negative returns and risk ratings

The Standard Risk Measure (SRM) shows an option's risk band and label and allows you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period.

The expected frequency of negative returns for the following investment options changed following our recent annual review (see tables below). The frequencies for our other investment options have not changed. In addition, the risk rating for our International Equities option in our retirement income stream changed from High (Band 6) to Very high (Band 7).

### Super and transition to retirement income stream options

	Expected frequency of negative returns		Risk label & band
	New	Previous	
High Growth	5	5.1	High (6)
Growth	4.5	4.6	High (6)
Conservative Growth	1.8	1.9	Low-medium (3)
International Equities	6.1	6.2	Very high (7)
Property	4.9	5.1	High (6)
Australian Fixed Interest	5.5	4.9	High (6)
International Fixed Interest	3.8	3.2	Medium-high (5)
Cash	0.3	Negligible	Very Low (1)

### Retirement income stream options

	Expected frequency of negative returns		Risk label & band
	New	Previous	
Balanced Growth	3.6	3.7	Medium-high (5)
Diversified Socially Responsible Investment	4.3	4.4	High (6)
Conservative Growth	1.7	1.9	Low-medium (3)
Australian Equities	6.5	6.6	Very high (7)
Australian Equities Socially Responsible Investment	6.5	6.4	Very high (7)
International Equities	6.0	6.1	Very high (7)
Property	4.9	5.1	High (6)
Australian Fixed Interest	5.5	4.9	High (6)
International Fixed Interest	3.8	3.2	Medium-high (5)
Cash	0.3	Negligible	Very Low (1)

# Making it easier for you to see the fees and costs of your investments

On 30 September 2017, new rules for reporting investment fees and costs came into effect. While there are no new or additional fees, under the new rules all super funds are providing more detail about the costs incurred when investing their members' super.

Under the new rules, the term 'investment fees' is broadly defined to include all fees and costs associated with the purchase, sale, and ongoing management of the fund's investments. As a result, investment fees are not just 'fees'; they also reflect the costs we incur when we invest your super. These amounts are paid from the investment option before we calculate the unit price and are not deducted directly from your account.

## What's changed?

The new rules require us to include a broader range of costs in our reported investment fees. For example, the costs of:

- ➔ buying and selling investments, such as brokerage, stamp duty and sales commissions
- ➔ using derivative contracts to help minimise the impact of movements in the Australian dollar on investment returns
- ➔ managing the fund's securities lending program.

These costs are (and have always been) incurred in managing the fund's investments but we are now making them clearer by including them in our reported investment fees.

Another important change is that, while investment fees were previously estimates for the coming financial year, the new rules require us to report the fees and costs incurred over the previous financial year.

## Making it easier for you to see the fees and costs of your investment continued

Investment fees may vary from year to year and cannot be precisely calculated in advance. The new investment fees shown in Table 1 are based on the estimated fees and costs for each investment option for the 12 months to 30 June 2017. In future, the actual amount you'll pay will depend on the actual fees, costs and taxes incurred by the trustee in managing the investment option.

**Table 1: Estimated investment fees (% per year)**

Investment option	Investment management costs	Performance-related costs	Explicit transaction costs	Other fees and costs	Total investment fees
High Growth	0.37%	0.14%	0.07%	0.11%	<b>0.69%</b>
Growth <sup>1</sup>	0.35%	0.14%	0.06%	0.11%	<b>0.66%</b>
Diversified Socially Responsible Investment	0.40%	0.12%	0.10%	0.13%	<b>0.75%</b>
Balanced Growth <sup>1</sup>	0.32%	0.14%	0.05%	0.11%	<b>0.62%</b>
Conservative Growth	0.28%	0.13%	0.04%	0.10%	<b>0.55%</b>
Australian Equities	0.06%	0.00%	0.00%	0.02%	<b>0.08%</b>
Australian Equities Socially Responsible Investment	0.36%	0.00%	0.12%	0.03%	<b>0.51%</b>
International Equities	0.06%	0.00%	0.00%	0.03%	<b>0.09%</b>
Property	0.81%	0.23%	0.21%	0.09%	<b>1.34%</b>
Australian Fixed Interest	0.06%	0.00%	0.00%	0.03%	<b>0.09%</b>
International Fixed Interest	0.06%	0.00%	0.00%	0.06%	<b>0.12%</b>
Cash	0.04%	0.00%	0.00%	0.01%	<b>0.05%</b>

<sup>1</sup> The fees shown are the same for MySuper and Choice members.

## Borrowing and property operating costs

We now disclose our borrowing and property operating costs separately. Borrowing costs include loan establishment costs and interest payments and are most significant for illiquid asset classes such as property and infrastructure where asset prices can be substantial.

Property operating costs include a range of costs associated with managing property investments, such as council and water rates, utilities and lease renewal costs.

An estimate of borrowing and property operating costs for the 12 months to 30 June 2017 is shown in Table 2.

**Table 2: Borrowing and property operating costs**

Investment option	Borrowing costs	Property operating costs
High Growth	0.08%	0.07%
Growth <sup>1</sup>	0.06%	0.06%
Diversified Socially Responsible Investment	0.09%	0.08%
Balanced Growth <sup>1</sup>	0.06%	0.05%
Conservative Growth	0.05%	0.04%
Property	0.38%	0.48%

<sup>1</sup> The fees shown are the same for MySuper and Choice members.

Except for the Property option, none of the single asset class options incurred borrowing or property operating costs for the period.

## Transactional and operational costs

As part of more detailed reporting of investment fees, we now also show transactional and operational costs separately. Transactional costs relate to the purchase and sale of the fund's investments. In addition to the transaction costs shown in Table 1, implicit transaction costs such as bid/offer spreads are embedded in the price of certain investments. Estimates of these costs for the 12 months to 30 June 2017 are provided below. These costs, together with the explicit transaction costs shown on the previous page, make up the total estimated transactional and operational costs shown below.

**Table 3: Transactional and operational costs**

Investment option	Estimated implicit transaction costs	Total estimated transactional and operational costs
High Growth	0.05%	0.12%
Growth	0.05%	0.11%
Diversified Socially Responsible Investment	0.08%	0.18%
Balanced Growth	0.07%	0.12%
Conservative Growth	0.03%	0.07%
Australian Equities	0.00%	0.00%
Australian Equities Socially Responsible Investment	0.26%	0.38%
International Equities	0.00%	0.00%
Property	0.03%	0.24%
Australian Fixed Interest	0.03%	0.03%
International Fixed Interest	0.07%	0.07%
Cash	0.00%	0.00%

### What does this mean for you?

- ➔ Remember, this change doesn't necessarily mean your super will cost more to manage. It is simply a new way of reporting the fees and charges that already apply.
- ➔ The change aims to show you more clearly the expenses involved in managing your investment. It is intended to help you compare super funds more easily.
- ➔ Fees and costs are a necessary part of investing and we try to keep these as low as possible.

- ➔ Returns depend on a range of factors, not just fees. We take a disciplined approach to building a diversified portfolio of investments. This helps us to maximise returns over the long term while keeping investment risks to a minimum.

There is no need for you to take any action, but please contact us if you would like to know more. Alternatively, refer to your *Member Booklet Supplement: Fees and costs* if you are an accumulation member, or your *Member Booklet* if you are an income stream member. These booklets are available on our website and from customer service.



Watch our video explaining the change at [firststatesuper.com.au/investmentfees](https://firststatesuper.com.au/investmentfees)