



Be sure you read this notice carefully to understand these changes.

Lutheran Super: Important changes to your super from 1 January 2014

Lutheran Super's MySuper product will become available from 1 January 2014 and certain fees, costs and insurance arrangements will change.

Lutheran Super's Balanced investment option will be renamed the Lutheran Super **Balanced option – MySuper compliant** and will become the default investment option for members who do not choose one.

Please read this notice carefully to understand how these changes may apply to you.

This notice is for your information only, you don't need to do anything in response to it. If you have questions after reading it, please call the Helpline on **1800 635 796**.

1. MySuper: An overview

'MySuper' is one of the main components of a larger set of changes made by the Commonwealth Government to the superannuation system known as 'Stronger Super'. The Stronger Super reforms are designed to strengthen the Australian retirement system and are some of the most significant reforms since the Superannuation Guarantee was introduced almost 20 years ago.

MySuper is intended to be a new, simple product for employees who do not choose a fund or an investment option for their super. Employer contributions must be paid into a MySuper compliant product from 1 January 2014 unless the employee has actively made a choice.

Lutheran Super supports the Government's Stronger Super measures.

Lutheran Super has applied for authorisation to offer a MySuper product within the Fund. We anticipate that we'll receive MySuper authorisation from the Australian Prudential Regulation Authority (APRA) in the near future.

2. Changes to Lutheran Super from 1 January 2014

The following changes will take effect from 1 January 2014:

- Lutheran Super's default investment option that applies where members don't make an investment choice for their super, will change. The Fund's Balanced investment option will become the Lutheran Super MySuper option (the new default option) and will be renamed the Lutheran Super Balanced option – MySuper compliant. This will replace the current default investment option, the Trustee Mix. See section 3.1 for details.
- Activity fees will change. The investment switching fee will be removed and fees for making a withdrawal or final benefit payment will increase. Some buy/sell spreads for the investment options may also change as a result of the transition to MySuper. See section 3.2 for details.
- Investment management fees for the Balanced option will change. See section 3.3 for details.
- The option to cancel death and total and permanent disablement (TPD) or income protection insurance cover at any time will become available. You should take care to properly consider your own personal circumstances before exercising this option. See section 3.4 for details.
- Member benefit protection for fees on small accounts will be removed. All members will have administration fees deducted from their account, regardless of the size of their account balance. See section 3.5 for details.
- Under Stronger Super, all super funds are required to establish and maintain an Operational Risk Financial Reserve. See section 4 for details.

3. The changes in detail

3.1 Lutheran Super Balanced option – MySuper compliant

Pending MySuper authorisation from APRA, Lutheran Super’s Balanced investment option will become the Fund’s MySuper product from 1 January 2014. The option will be renamed the Balanced option – MySuper compliant.

Renaming the Balanced option as a MySuper product will **not** result in any change to the way the investment option works: the investment strategy and objectives won’t change.

For your information, where a member doesn’t choose an investment option for their super and contributions, from 1 January 2014, their super contributions will be invested in the Lutheran Super Balanced option – MySuper compliant. This will replace the existing default investment, the Trustee Mix.

Their account balance, called an “accrued default amount” under MySuper, will be transferred into the Balanced option – MySuper compliant around July 2014.

3.2 Activity fee changes

From 1 January 2014, the investment switching fee will be removed and withdrawal and benefit payment (exit) fees will increase. Lutheran Super already keeps fees to members as low as possible, so there won’t be any change to other administration fees. Table 1 to the right shows the fee changes.



Table 1: Fee changes from 1 January 2014

| Fee | Up to 31 December 2013 | From 1 January 2014 |
|------------------------|---|---|
| Switching fee | One free switch per calendar year; subsequent switches are \$30 each A buy/sell spread also applies depending on the investment option | \$0 The buy/sell spread will continue to apply |
| Withdrawal fee | \$50 This is the fee charged for each payment made out from the Fund | \$111.82 (including GST) |
| Termination fee | \$50 This is the fee when you close your account in the Fund | \$111.82 (including GST) |

Some buy/sell spreads will also change from 1 January 2014. The spread for each option is shown in Table 2 below.

Table 2: Buy/sell spreads

| Investment option | Up to 31 December 2013 % p.a. | From 1 January 2014 % p.a. |
|------------------------------|-------------------------------|----------------------------|
| Growth SRI Australian Shares | 0.50 | 0.50 |
| Growth Australian Shares | 0.53 – 0.57 | 0.50 |
| Growth | 0.37 – 0.43 | 0.27 – 0.35 |
| Balanced – MySuper compliant | 0.44 | 0.44 |
| Capital Stable | 0.14 – 0.18 | 0.10 – 0.22 |
| Capital Secure | 0.00 | 0.00 |

3.3 Investment management fee changes

There are only very limited changes to investment management fees at this time. The Balanced option's estimated investment management fee range will reduce from 0.39% – 0.43% p.a. to 0.37% – 0.43% p.a.

The transition to MySuper is also likely to affect the investment management fees for Lutheran Super's other investment options. The full transition of monies from the Trustee Mix to the MySuper product will not be completed until July 2014, so the resulting investment management fees for the other investment options cannot be confirmed at this time.

We will inform you of any changes to investment management fees once they have been confirmed. We will provide you with at least 30 days' notice before any increase to fees, if applicable, take effect.

3.4 Option to cancel or vary insurance cover

You should be aware that as well as the existing flexible insurance options for death, TPD and income protection cover, from 1 January 2014 you will also have the option to cancel your insurance cover altogether at any time. If you cancel your death cover, this will also cancel your TPD cover; you cannot have TPD only cover. You can cancel your income protection cover and retain your death and TPD cover and vice versa.

If you have existing insurance cover as at 31 December 2013, there won't be any change to your cover from 1 January 2014 unless you request a change.

Although the option to cancel insurance cover is a MySuper requirement, providing quality, value for money insurance cover for you and your family's financial security is a key priority of Lutheran Super. Before cancelling insurance cover, you should discuss your insurance needs with a licensed financial adviser to understand the financial implications if you aren't able to work or if you die. Be aware that if you request insurance cover in the future after cancelling your cover, evidence of good health will be required before any cover is provided.

3.5 Removal of member benefit protection – small accounts

Prior to MySuper rules taking effect, superannuation law required super funds to not charge administration fees to members with an account balance under \$1,000, where investment earnings were less than the administration fee. This was called 'member protection'.

Under MySuper rules, all members with a MySuper balance must be charged the same fees and costs, which has prompted the Government to remove member protection. This means that from 1 January 2014, administration fees will be deducted from all Lutheran Super member accounts regardless of the account balance.

4. Operational Risk Financial Reserve established

To improve financial safeguards for members, Stronger Super legislation dictates that all super funds must establish an Operational Risk Financial Reserve, which is designed to provide a reserve against loss that may result from operational risks within the Fund's business operations.

Lutheran Super's Operational Risk Financial Reserve of approximately \$1 million must be in place by 30 June 2016 and will be funded from Lutheran Super's existing Investment Reserve.

More information

If you have questions about these changes, call the Helpline on **1800 635 796**. For more information about the Lutheran Super's investment options, read the *Member information booklet*, available from the Lutheran Super website, www.lutheransuper.com.au or call the Helpline for a copy.

If you would like to speak to a financial adviser, at no cost over the phone, about how your super is invested and your investment choice, you can also call the Helpline.

By providing a MySuper product, Lutheran Super will continue to offer members benefits that reflect our ongoing commitment to being a fund of excellence that supports our members to reach their financial goals. Because at Lutheran Super, you're valued.



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