Significant event notice

Important information about changes to your super

30 November 2017

This notice contains important information for all members of Lutheran Super about a number of changes affecting your super in the Fund, including changes to investment options and income protection insurance premiums. Please read it carefully to understand how these changes may affect you and your super.

This notice outlines the following changes:

1. Changes to investment options from 1 January 2018
2. Changes to the disclosure of investment fees and costs
3. Two new investment options available from March 2018
4. Premium rate decrease for income protection (IP) insurance cover from 1 January 2018
5. New online insurance tool, LIFEapp to help you manage and apply for more insurance cover.

In addition, this notice also includes:

6. An introduction to two new independent Trustee directors
7. A recap on new super rules from 1 July 2017.

1. Changes to investment options from 1 January 2018

The Lutheran Super Trustee, with advice from our investment consultants, determines the investment aim, strategy and target outcomes for each of the Fund's investment options. To implement each strategy, Lutheran Super invests in different asset classes such as shares, property, fixed interest and cash, in different proportions for each option.

After a detailed strategic review of our investment options and consideration of many factors in the current investment environment, the Trustee has determined to change the strategic asset allocations for the Balanced option – MySuper compliant, Growth and Capital Stable diversified investment options from 1 January 2018 – see Tables 1, 2 and 3 below for details. The Trustee has also determined to increase the allocation to active investment management from passive investment management across these options. In line with this review, the investment aims for the Growth and Capital Stable options have also been adjusted, with details shown in Tables 2 and 3 below. These adjustments will help to ensure the Fund is well positioned to achieve its investment aims and target outcomes into the future.

As a result of these changes, the investment management fees for some of the options will increase – see Table 4 below for a comparison of the investment management fees up to 31 December 2017 and from 1 January 2018. In addition, estimated buy/sell spreads incurred in investing in or redeeming from the options will also change – refer Table 4 below.

Table 1: Changes to strategic asset allocations for the Balanced option – MySuper compliant option

Balanced option – MySuper compliant (the default option)	Up to 31 December 2017		From 1 January 2018	
Asset class	**Benchmark %**	**Range %**	**Benchmark %**	**Range %**
Australian Equities	32	15 – 45	24	14 – 34
Overseas Equities (unhedged)	13	15 – 45 (within o/seas equities)	25	21 – 41 (total o/seas equities)
Overseas Equities (hedged)	13		6	
Property	4	0 – 15	0	0
Growth Alternatives	6	0 – 15	0	0
Real Assets	0	0	20	0 – 35
Total growth assets	**68**	**60 – 80**	**75**	**65 – 85**
Defensive Alternatives	10	0 – 20	0	0
Australian Fixed Interest	8	0 – 25	9	0 – 40 (total fixed interest)
Overseas Fixed Interest	6	0 – 25	11	
Cash	8	0 – 20	5	0 – 20
Total defensive assets	**32**	**20 – 40**	**25**	**15 – 35**

Table 2: Changes to the investment aim and strategic asset allocations for the Growth option

Growth	Up to 31 December 2017		From 1 January 2018	
Investment aim	The Growth option aims to earn returns after tax and fees that exceed CPI increases by at least 4.0% p.a. over rolling five and seven year periods.		The Growth option aims to earn returns after tax and fees that exceed CPI increases by at least 3.5% p.a. over rolling seven year periods.	
Asset class	**Benchmark %**	**Range %**	**Benchmark %**	**Range %**
Australian Equities	35	10 – 80	34	24 – 44
Overseas Equities (unhedged)	20	10 – 80 (within o/seas equities)	25	21 – 41 (total o/seas equities)
Overseas Equities (hedged)	25		6	
Property	5	0 – 20	0	0
Growth Alternatives	0	0 – 10	0	0
Real Assets	0	0	26	0 – 40
Total growth assets	**85**	**80 – 100**	**91**	**80 – 100**
Defensive Alternatives	0	0 – 10	0	0
Australian Fixed Interest	2	0 – 20	4	0 – 20 (total fixed interest)
Overseas Fixed Interest	3	0 – 20	4	
Cash	10	0 – 20	1	0 – 10
Total defensive assets	**15**	**0 – 20**	**9**	**0 – 20**

Table 3: Changes to the strategic asset allocations for the Capital Stable option

Capital Stable	Up to 31 December 2017		From 1 January 2018	
Investment aim	The Capital Stable option aims to earn returns after tax and fees that exceed CPI increases by at least 2.0% p.a. over rolling five and seven year periods.		The Capital Stable option aims to earn returns after tax and fees that exceed CPI increases by at least 1.5% p.a. over rolling seven year periods.	
Asset class	**Benchmark %**	**Range %**	**Benchmark %**	**Range %**
Australian Equities	13	0 – 30	12	5 – 20
Overseas Equities (unhedged)	8	0 – 30 (within o/seas equities)	9.5	5 – 20 (total o/seas equities)
Overseas Equities (hedged)	4		2.5	
Property	3	0 – 10	0	0
Growth Alternatives	2	0 – 10	0	0
Real Assets	0	0	6	0 – 12
Total growth assets	**30**	**20 – 40**	**30**	**20 – 40**
Defensive Alternatives	1	0 – 10	0	0
Australian Fixed Interest	7	0 – 25	9	0 – 40 (total fixed interest)
Overseas Fixed Interest	4	0 – 20	11	
Cash	58	40 – 80	50	30 – 70
Total defensive assets	**70**	**60 – 80**	**70**	**60 – 80**

Table 4: Changes to investment management fees and buy/sell spread costs

Investment option	Investment management fee		Buy/sell spread	
	Up to 31 December 2017 % p.a.[1]	**From 1 January 2018 % p.a.**[2]	**Up to 31 December 2017 % p.a.**	**From 1 January 2018 % p.a.**
Growth Australian Shares/ Pension Growth Australian Shares	0.19	0.34	0.50	0.38
Growth SRI Australian Shares/ Pension Growth SRI Australian Shares	1.07	1.00	0.50	0.42
Growth/ Pension Growth	0.27	0.69	0.31	0.38
Balanced option – MySuper compliant/ Pension Balanced	0.54	0.60	0.44	0.31
Capital Stable/Pension Capital Stable	0.25	0.37	0.20	0.16
Capital Secure/Pension Capital Secure[3]	0.15	0.14	0	0

[1] Investment fees shown are estimated by reference to investment-related fees and costs incurred for the 12 months to 30 June 2017.

[2] Investment fees shown are estimated by reference to the investment-related fees and costs based on the new strategic asset allocations to apply from 1 January 2018 and assuming the underlying investments are wholly invested in Mercer Managed Funds.

[3] Although the strategic asset allocation of the Capital Secure/Pension Capital Secure options are not changing from 1 January 2018, estimated investment fees and buy/sell spread are still anticipated to change as indicated taking into account expected underlying investments fees and costs from that date.

2. Changes to the disclosure of investment fees and costs

Changes have been made to super rules specifying how fees and costs are calculated and disclosed to members. The purpose of the changes is to improve the transparency and consistency of fees and costs disclosures across superannuation products.

Put simply, from 30 September 2017, the new disclosure requirements require all super funds, including Lutheran Super, to calculate fees and costs having regard to all underlying investment-related fees and costs incurred in the previous financial year, including any performance-related fees paid to investment managers, transactional and operational costs incurred in investing the fund's assets, and other indirect costs.

While you may notice an increase in the amount of fees and costs disclosed as a result of applying the new disclosure requirements, it is important to remember there are no new fees and costs being applied and no material changes to the way fees and costs are charged and recovered from members. See the Fund's current product disclosure statements, available on the Fund website or from the Helpline, for more information.

Note that from 1 January 2018, the expected investment management fee for the Balanced – MySuper compliant, Growth and Capital Stable diversified investment options will increase as a result of changes to the strategic asset allocations of those options and there are some changes to the applicable buy/sell spreads for member investment options – see Section 1 for information.

3. Two new investment options from March 2018

In delivering on Lutheran Super's commitment to provide excellent benefits and features to our members, the Trustee is delighted to offer members greater choice in how their super benefits are invested. From March 2018, you will have the choice of two additional investment options, the Balanced Socially Responsible Investments (SRI) option and the International Shares option. The details for each of these investment options are provided in Table 5.

Table 5: International Shares and Balanced SRI options

	International Shares option			Balanced SRI option		
Investment aim[1]	The International Shares option aims to earn returns after tax and fees that exceed CPI increases by at least 4% p.a. over rolling seven years.			The Balanced SRI option aims to earn returns after tax and fees that exceed CPI increases by at least 3% p.a. over rolling ten years.		
Minimum suggested time frame	Seven or more years			Ten or more years		
Summary risk level	High			Medium to high		
Investment risk	Members choosing this option should accept the possibility of negative returns in no more than four to six out of 20 years.			Members choosing this option should accept the possibility of negative returns in no more than three to four out of 20 years.		
Who this option might suit	Designed for those seeking to earn returns from investments in international shares.			Designed for those seeking long-term wealth accumulation, where short-term volatility is a consideration.		
Investment strategy	**Asset class**	**Benchmark %**	**Range %**	**Asset class**	**Benchmark %**	**Range %**
	Australian Equities	0	0	Australian Equities	24	14 – 34
	Overseas Equities (unhedged)	81	100 (total o/seas equities)	Overseas Equities (unhedged)	25	21 – 41 (total o/seas equities)
	Overseas Equities (hedged)	19		Overseas Equities (hedged)	6	
				Real Assets	20	0 – 35
	Total growth assets	**100**	**100**	**Total growth assets**	**75**	**65 – 85**
	Australian Fixed Interest	0	0	Australian Fixed Interest	9	0 – 40 (total fixed interest)
	Overseas Fixed Interest	0	0	Overseas Fixed Interest	11	
	Cash	0	0	Cash	5	0 – 20
	Total growth assets	**0**	**0**	**Total growth assets**	**25**	**15 – 35**
Maximum buy/sell spread	0.30% of monies invested in this option			0.33% of monies invested in this option		
Investment management fee	0.34% p.a.			0.82% p.a.		

[1] The Trustee is required by law to set investment objectives (aims) for the Fund and any underlying investment options. The investment aims set out above are not a forecast or guarantee of any future returns.

Changing your investment options

If you'd like to invest in either of these investment options from March 2018 or any of Lutheran Super's other investment options, you can request an investment change online through your Lutheran Super account at any time or you can call the Helpline to make an investment switch over the phone.

If you'd like advice about how your super is invested, you can speak to a financial adviser over the phone, free of cost, by calling the Helpline on **1800 635 796**.

4. Premium rate decreases for income protection (IP) insurance from 1 January 2018

Lutheran Super is pleased to have negotiated a reduction in the premium rates that apply for IP cover from 1 January 2018. There won't be any change to the current insurance terms and conditions that apply to IP cover. A comparison of the current and new premium rates for the various options available for IP cover is shown in Appendix A.

The Fund has also negotiated with the insurer that the current insurance premiums will continue to apply until at least 31 December 2019.

5. New online insurance tool for super members, LIFEapp, to help you manage and apply for more insurance cover

Insurance cover is an important part of the benefits you may receive through Lutheran Super. To make applying for additional insurance cover as easy as possible, AIA Australia Limited, Lutheran Super's insurer, will provide access to a new online insurance tool called the LIFEapp in early 2018.

If you are eligible for cover, this tool will give you greater control over your cover, allowing you to:

1. Use the insurance needs calculator to help determine the right level of cover for you, by taking into account your age, marital status, and financial position to provide an indicative insurance assessment.

2. Work out the level of cover that may suit your situation, having regard to your indicative insurance assessment, and obtain an immediate quote based on your desired amount of cover and the options you'd like.

3. Apply for higher levels of cover online, streamlining the underwriting process and generally helping to avoid unnecessary delays in assessment of your application.

Using LIFEapp

When the LIFEapp becomes available, you'll find the link in your online account. Simply log in to your account using your PIN and member number and click the link to go to the LIFEapp site, where you can choose from the menu at the top left. Then follow the prompts and provide the required information for the action you want to take.

For information about your Lutheran Super insurance benefits and the available cover options, please read the **Death and disability insurance** section in the **Member information booklet**, available under the **Forms & publications** section on the website, **www.lutheransuper.com.au** or call the Helpline.

6. New independent Trustee directors

Following the retirement of two directors from the Lutheran Super board, after an exhaustive and extensive search, two independent directors have been appointed to fill these vacancies from 22 September 2017. The Trustee welcomes Alison Doecke and Philip Riquier, who bring a wealth of knowledge and experience to these positions.

The Board now comprises three employer appointed directors, three member representative directors and two independent directors.

Our sincere thanks to Allen Truslove and John Findlay for their long standing commitment and considerable contributions to the management of the Fund during their time with the Trustee.

7. A recap on new super rules from 1 July 2017

A raft of new super rules from the 2016 Federal Budget took effect from 1 July 2017. Table 6 shows an overview of the new rules. You should check how the changes might apply to you and consider any action you may need to take as a result.

Table 6: Super rules from 1 July 2017

Changes to contributions	
Before-tax (concessional) contributions cap reduced to $25,000 for everyone	Annual limits on before-tax contributions are now $25,000 for everyone. If you make before-tax contributions, you should confirm that your total contributions for the year won't go over the cap. Concessional contributions include the Superannuation Guarantee from your employer, salary sacrifice contributions and any contributions that you claim as a tax deduction.

Table 6: Super rules from 1 July 2017 (continued)

After-tax (non-concessional contributions) cap reduced to $100,000	The annual non-concessional (after-tax) contributions cap is now $100,000, down from the previous cap of $180,000. Your non-concessional contributions cap will be nil if you have a combined super balance of $1.6 million or more (as at 30 June of prior financial year). Any non-concessional contributions after this will attract extra tax. The 'bring forward' rule is still available to members under age 65. If you first trigger the 'bring forward' rule in the 2017-18 financial year, you may be able to bring forward up to three-years of non-concessional contributions to a total of $300,000 (from the 2017-18 financial year and onwards, the cap amount you can bring forward and whether you have a two or three year period will depend on your total account balance as at 30 June of the previous financial year). If you have triggered the 'bring forward' rule in the 2015-16 or 2016-17 financial years, transitional cap arrangements apply. For more details go to the Australian Taxation Office website at **www.ato.gov.au**.
Catch-up before-tax (concessional) contributions	If your account balance is $500,000 or less, from 1 July 2018, you will be able to rollover up to five years of unused concessional caps. The first year in which you can access unused concessional contributions is the 2019-20 financial year. The measure may be of particular benefit if you take time out of work; if your income varies considerably from one year to the next, or where your circumstances have changed and you are in a position to increase your super contributions.
Greater access to tax deductions for personal super contributions	If you are under the age of 65, or aged between 65 and 74 and meet the work test, you can claim a tax deduction for after-tax contributions to super up to the $25,000 concessional contributions cap. Previously, an income tax deduction for after-tax contributions was only available to people who earned less than 10 per cent of their income from salary or wages.
Changes affecting account based pensions	
$1.6 million pension transfer balance cap	A $1.6 million transfer cap applies on the total amount of super you can transfer into a tax-free pension account. Future earnings on balances in pension accounts won't be capped or restricted. The $1.6 million cap applies to the total amounts held in pension accounts where the earnings are tax free.
Transition to retirement changes	Investment earnings on assets supporting a transition to retirement pension (TRAP) are no longer tax exempt. Earnings are taxed up to 15%, as they are in super accounts. Note, transfers to a transition to retirement pension do not count towards the $1.6 million pension transfer balance cap, as earnings in TRAPs are not tax free.
Tax implications	
Extending the spouse tax offset	The spouse tax offset has been extended to more couples so they can support each other in saving for retirement. A tax offset of up to $540 is available for individuals who make super contributions to their spouses with incomes up to $40,000. The spouse receiving the contribution must be under age 70 and meet a work test if they are aged between 65 and 69. The offset is not available if the low income spouse's total superannuation balance (across superannuation funds) is $1.6 million or more.
Low Income Superannuation Tax Offset (LISTO)	The LISTO effectively refunds the tax paid on concessional contributions by individuals with adjusted taxable income of up to $37,000 – up to a cap of $500. The LISTO has replaced the Low Income Superannuation Contribution (LISC).
More super tax on high-incomes	People with adjusted taxable income of over $250,000, including any concessional contributions, now pay 30% tax on their concessional contributions. The higher tax rate only kicks in if your adjusted taxable income exceeds $250,000. Even at the higher rate, super still offers a discount of about 17% compared to the highest marginal tax rate.
Anti-detriment payments have been removed	The Government has removed the anti-detriment tax deduction which allowed super funds to claim a tax deduction if they paid an additional amount on top of a death benefit paid to eligible dependants (the "top up" amount represented a refund of a member's lifetime superannuation contribution tax payments into an estate).

Appendix A: Income protection (IP) insurance premium rates

The premium rate that applies to your IP cover is based on a percentage of your insured salary and varies according to your age, your benefit payment period and your level of cover. The following tables provide a comparison of the rates applying up to 31 December 2017 and from 1 January 2018, for each of the IP cover options.

Table 1: 75% income plus 9.5% super contributions

Age Band	Premium rates up to 31 December 2017				Premium rates from 1 January 2018			
	Benefit payment period				Benefit payment period			
	Two years	Five years	To age 65	To age 67	Two years	Five years	To age 65	To age 67
15 - 29	0.122%	0.381%	0.607%	0.727%	0.118%	0.371%	0.558%	0.668%
30 - 35	0.163%	0.608%	0.969%	1.160%	0.158%	0.592%	0.891%	1.066%
36 - 40	0.213%	0.804%	1.282%	1.535%	0.206%	0.782%	1.178%	1.411%
41 – 45	0.328%	1.206%	1.923%	2.303%	0.317%	1.173%	1.767%	2.116%
46 – 50	0.535%	1.831%	2.920%	3.496%	0.517%	1.782%	2.683%	3.213%
51 – 55	0.844%	2.519%	4.015%	4.808%	0.816%	2.451%	3.690%	4.419%
56 – 59	1.741%	4.100%	5.625%	6.390%	1.684%	3.989%	5.169%	5.872%
60	1.741%	4.100%	4.100%	6.390%	1.684%	3.989%	3.768%	5.872%
61	1.741%	4.100%	3.810%	6.390%	1.684%	3.989%	3.501%	5.872%
62	1.741%	4.100%	2.700%	4.100%	1.684%	3.989%	2.481%	3.768%
63	1.741%	4.100%	1.741%	4.100%	1.684%	3.989%	1.600%	3.768%
64	1.741%	3.000%	1.200%	3.000%	1.684%	2.919%	1.103%	2.757%
65	1.741%	1.741%	n/a	1.741%	1.684%	1.694%	n/a	1.600%
66	1.200%	1.200%	n/a	1.200%	1.160%	1.168%	n/a	1.103%

Table 2: 50% income plus 9.5% super contributions

Age Band	Premium rates up to 31 December 2017				Premium rates from 1 January 2018			
	Benefit payment period				Benefit payment period			
	Two years	Five years	To age 65	To age 67	Two years	Five years	To age 65	To age 67
15 - 29	0.086%	0.268%	0.428%	0.512%	0.083%	0.261%	0.393%	0.471%
30 - 35	0.115%	0.428%	0.682%	0.817%	0.111%	0.416%	0.627%	0.751%
36 - 40	0.150%	0.566%	0.902%	1.081%	0.145%	0.551%	0.829%	0.993%
41 – 45	0.231%	0.849%	1.354%	1.622%	0.223%	0.826%	1.244%	1.491%
46 – 50	0.376%	1.289%	2.055%	2.462%	0.364%	1.254%	1.889%	2.263%
51 – 55	0.594%	1.773%	2.827%	3.386%	0.574%	1.725%	2.598%	3.112%
56 – 59	1.226%	2.887%	3.961%	4.499%	1.186%	2.809%	3.640%	4.135%
60	1.226%	2.887%	2.887%	4.499%	1.186%	2.809%	2.653%	4.135%
61	1.226%	2.887%	2.683%	4.499%	1.186%	2.809%	2.466%	4.135%
62	1.226%	2.887%	1.901%	2.887%	1.186%	2.809%	1.747%	2.653%
63	1.226%	2.887%	1.226%	2.887%	1.186%	2.809%	1.127%	2.653%
64	1.226%	2.112%	0.845%	2.112%	1.186%	2.055%	0.777%	1.941%
65	1.226%	1.226%	n/a	1.226%	1.186%	1.193%	n/a	1.127%
66	0.845%	0.845%	n/a	0.845%	0.817%	0.822%	n/a	0.777%

Table 3: 25% income plus 9.5% super contributions

Age Band	Premium rates up to 31 December 2017				Premium rates from 1 January 2018			
	Benefit payment period				Benefit payment period			
	Two years	Five years	To age 65	To age 67	Two years	Five years	To age 65	To age 67
15 - 29	0.050%	0.156%	0.248%	0.297%	0.048%	0.152%	0.228%	0.273%
30 - 35	0.067%	0.248%	0.396%	0.474%	0.065%	0.241%	0.364%	0.436%
36 - 40	0.087%	0.329%	0.524%	0.627%	0.084%	0.320%	0.482%	0.576%
41 – 45	0.134%	0.493%	0.786%	0.941%	0.130%	0.480%	0.722%	0.865%
46 – 50	0.218%	0.748%	1.193%	1.428%	0.211%	0.728%	1.096%	1.312%
51 – 55	0.344%	1.029%	1.641%	1.964%	0.333%	1.001%	1.508%	1.805%
56 – 59	0.711%	1.674%	2.297%	2.609%	0.688%	1.629%	2.111%	2.398%
60	0.711%	1.674%	1.674%	2.609%	0.688%	1.629%	1.538%	2.398%
61	0.711%	1.674%	1.556%	2.609%	0.688%	1.629%	1.430%	2.398%
62	0.711%	1.674%	1.102%	1.674%	0.688%	1.629%	1.013%	1.538%
63	0.711%	1.674%	0.711%	1.674%	0.688%	1.629%	0.653%	1.538%
64	0.711%	1.225%	0.490%	1.225%	0.688%	1.192%	0.450%	1.126%
65	0.711%	0.711%	n/a	0.711%	0.688%	0.692%	n/a	0.653%
66	0.490%	0.490%	n/a	0.490%	0.474%	0.477%	n/a	0.450%

Have a question?

If you have questions about the changes outlined in this notice or about your super in general, you can call the Helpline on **1800 635 796** or you can visit the website, **www.lutheransuper.com.au**. If you'd like to speak to a financial adviser about any of the choices for your super, you can also call the Helpline.