Product and legislation update May 2020

If you have an Accumulation account

What's covered

At QSuper, it is important to us that you understand how changes to legislation and our products might impact you.

This document provides an overview of some changes to our products and services that you should know about.

There are some terms in this document that have specific meanings, which appear in **bold**. Definitions of these terms can be found in Appendix 1 of the *Accumulation Account Insurance Guide* issued 1 April 2020.

We have sent you a letter about these changes via mail or email, and this is also available in Member Online.

Insurance changes

Improved cover for pandemic illnesses

From 11 March 2020, QSuper's **pandemic illness** exclusion will no longer apply if you have received default cover:

- Automatically as a result of working with the Queensland Government or a **default employer**, or
- You applied for within the first 120 days of starting work with the Queensland Government or a **default employer**.

Before 11 March 2020 we could not pay a death, total and permanent disability (TPD), or income protection benefit if your claim arose directly or indirectly from a **pandemic illness** that occurred within 30 days of your cover starting or recommencing.

The definition for **pandemic illness** has also changed, effective 11 March 2020.

Before 11 March 2020	From 11 March 2020
An illness for which a pandemic alert, advisory, notification, declaration or other similar publication is issued by: i) The Australian Government (including a relevant Australian Government department, authority, minister or officer), or ii) The World Health Organisation.	An illness in respect of which QInsure, after consultation with QSuper Board, is satisfied that a pandemic alert, advisory, notification, declaration or other similar publication has been issued by: i) The Australian Government (including a relevant Australian Government department, authority, minister or officer); or ii) The World Health Organisation, and Notifies the QSuper Board that the definition has been met.

QSuper's pandemic illness exclusion has taken effect from 18 March 2020, and will remain in effect until QSuper notifies otherwise.

Improved cover for disaster relief efforts – Australian Defence Force Reserves

Before 1 April, if you were a member of the Australian Defence Force Reserves, we could not pay you an insurance benefit if your claim related (either directly or indirectly) to active service in the armed forces of any country or international organisation resulting from:

- Declared war
- Any act of war (including conditions similar to civil war, rebellion or armed hostilities with any other country or occupation by a foreign power).

This exclusion only applied if you were enrolled in the Australian Defence Force Reserves and were called up for active service.

However, from 1 April 2020, the exclusion does not apply if you are serving in the Australian Defence Force Reserves within Australia as part of a disaster relief effort, for example as part of an Australian bushfire relief effort.

The above change does not apply to members on active service in all other areas of the armed forces.

For more information about when you would not receive an insurance benefit, see the *Accumulation Account Insurance Guide* available on our website at **qsuper.qld.gov.au/pds**

Insurance for members that applied to join before age 16

If you applied to become a QSuper member before you turned 16, and are not working for the Queensland Government or a default employer, you may not have been asked any insurance questions as part of the application process. This means that you will still be provided with default insurance cover automatically when you meet the following:

- Are aged 25 or older, and have had an Accumulation account balance of $6,000 or more, and
- Have received money into your Accumulation account in the last 13 months.

However, when you meet these conditions, the premiums for your default cover will be payable at the standard **occupational rating**. We will write to you at the time with details of your cover.

Investment changes

Standard risk measures

The Standard Risk Measures (SRMs) for some of our Lifetime investment option groups will change, effective 1 July 2020. All QSuper investment options have an SRM rating which are based on industry guidance to allow you to compare investment options both within QSuper, and across funds, that are expected to deliver a similar number of negative annual returns over any 20-year period. We review these ratings at least annually to ensure each option reflects the appropriate risk category. As a result of our recent review, we are changing the SRMs shown in the table below. For more information about the SRMs of our other Lifetime groups and investment options, see the *Investment Choice Guide* available on our website at **qsuper.qld.gov.au/pds**

Lifetime group	Before 1 July 2020	From 1 July 2020
	SRM	
Focus 1	Medium	Medium/high
Focus 2	Medium	Medium/high
Focus 3	Medium	Medium/high
Sustain 1	Low	Low/medium
	Estimated number of negative annual returns over any 20-year period	
Focus 1	Between 2 and 3 times	Between 3 and 4 times
Focus 2	Between 2 and 3 times	Between 3 and 4 times
Focus 3	Between 2 and 3 times	Between 3 and 4 times
Sustain 1	Between 0.5 and once	Between 1 and 2 times

It is important to remember that the SRM is only one consideration when making an investment decision. More information about how SRMs are calculated can be found on our website at **qsuper.qld.gov.au/srm**

Management of our Socially Responsible investment option

QSuper will be the investment manager of the Socially Responsible investment option by 1 July 2020. This option is currently managed externally through AMP Capital Investors Limited. QSuper has allowed a three week transition period to minimise any risks associated with transitioning assets. This change is in response to our members' requests for a more holistic socially responsible investment option that targets a positive impact on certain environmental and social issues, while avoiding investments that have a negative impact.

Some of the benefits of the change include:

- An investment strategy focussed on the environmental and social considerations important to our members
- An expected reduction to the investment fee
- A decrease to the standard risk measure, while maintaining the existing return objective
- A commitment to publishing a report at least annually about the option, and the positive impacts achieved.

These changes are shown in the tables below.

	Before 1 July 2020	From 1 July 2020
Investment manager	AMP Capital Investors	QSuper
Investment timeframe	More than 5 years	More than 5 years
Objective	An annual return of CPI + 3.5% (after fees and tax) measured over rolling 5-year periods	An annual return of CPI + 3.5% (after fees and tax) measured over rolling 5-year periods
Risk	High	Medium/high
Estimated number of negative annual returns over any 20-year period	Between 4 and 6 times	Between 3 and 4 times

Investment fees and costs[1]

	Before 1 July 2020	From 1 July 2020
Investment base	0.64%	0.22%
Performance-based	0.08%	0.02%
Total investment fee	**0.72%**	**0.24%**
Indirect cost ratio	**0.18%**	**0.05%**

Asset allocation

	Before 1 July 2020		From 1 July 2020
Asset class	**Asset allocation ranges (%)**	**Asset allocation as at 31 March 2020 (%)[2]**	**Asset allocation ranges (%)**
Cash	0-20	3.4	0-25
Fixed interest	0-35	24.9	5-40
Real estate	0-10	4.8	0-30
Equities[3]	35-92	62.8	25-65
Infrastructure	0-10	2.6	0-25
Commodities	n/a	-	0-15
Alternative assets[3]	0-6	1.5	0-20

Application of environmental and social considerations

This option will focus on seeking positive investments in environmental and social issues that are most important to our members, such as:

- Clean energy
- Conservation and the environment
- Waste reduction and recycling
- Food and water scarcity
- Medical and technological innovation
- Education
- Health care
- Green building.

This guiding principle dictates that the option will seek assets that help the total portfolio deliver a positive impact. As each asset class requires a different investment portfolio and strategy, these environmental and social considerations will be applied in various ways.

For example, within the equities and fixed interest asset classes, this can be achieved by selecting investments that predominately generate their revenue from one or more of the considerations bullet pointed in the previous column.

For all other asset classes (including some fixed interest), where a percentage of revenue methodology is less applicable, the option seeks to select assets that either:

- Demonstrate a contribution to the net positive impact of the option, or
- Do not negatively impact or materially challenge these objectives.

This broad approach of seeking assets that help contribute to positive impacts also means this option will have minimal exposure (if any) to issues that have negative environmental or social impacts, including:

- Fossil fuels
- Gambling
- Adult entertainment.

By investing in positive assets, instead of simply screening out the negative, we will limit exposure to these and many other issues.

The majority of direct exposure to these activities typically comes from the equities asset class and, as outlined, we've reduced the exposure by only investing in companies that predominately generate their revenue from positive impact practices.

Consistent with all our other investment options (excluding Cash, Diversified Bonds and Self Invest), the Socially Responsible investment option also does not directly own shares in companies involved in manufacturing cigarettes and other tobacco products (Global Industry Classification Code 302030), cluster munitions, or landmines.

QSuper will not specifically target ethical issues or the removal of poor labour standards in our Socially Responsible investment option, however it is an expected outcome from our strong positive impact bias. We will continue to work with members on the issues most important to them.

For more information on the guiding principles and investment approach of the Socially Responsible investment option, visit our website from 1 July 2020.

1 The investment fees figure and the indirect cost ratio before 1 July 2020 is based on the fees and costs for the financial year ended 30 June 2019, and future fees and costs since then may have differed. Given the changes to the management of the investment option, the investment fees figure and indirect cost ratio from 1 July 2020 have been calculated using estimates of the expected fees and costs arrangements and asset allocation. In addition, the administration fee of 0.16% p.a. and other applicable fees are deducted daily from the unit price before the unit price is declared. **2** Asset allocations are current at 31 March 2020 and are subject to change from time to time. The actual asset allocation changes on a regular basis, please see our website for up-to-date figures. Figures have been rounded for member reporting purposes. **3** Before 1 July 2020 asset allocation ranges included private equity as part of Alternatives. From 1 July 2020, and consistent with all Diversified options including Lifetime (Accumulation accounts only), the Equities exposure includes Australian equities, International equities and private equity.

Asset allocation ranges

The asset allocation ranges for some of our investment options will change, effective 1 July 2020. The changes will be to the equities, fixed interest, real estate, infrastructure, cash, and alternative asset classes, to allow more potential investment in unlisted assets, and to better align the asset allocation ranges to each return objective across our investment options.

	Diversified options					
	Moderate		Balanced		Aggressive	
	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)
Equities	12.5-27.5	**12.5-30**	25-55	**25-60**	25-55	**30-65**
Fixed interest	2.5-17.5	**0-17.5**	5-35	**0-35**	5-35	**0-35**
Real estate	0-10	**0-12.5**	0-20	**0-25**	0-20	**0-25**
Infrastructure	0-10	**2.5-15**	0-20	**5-30**	0-25	**5-30**
Commodities	0-7.5	0-7.5	0-15	0-15	0-15	0-15
Alternative assets	0-12.5	**0-10**	0-25	**0-20**	0-25	**0-20**
Cash	40-70	40-70	0-25	0-25	0-15	0-15

	Lifetime							
	Outlook		Aspire 1		Aspire 2		Focus 1	
	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)
Equities	5-65	5-65	5-65	5-65	5-50	**5-60**	5-50	**5-60**
Fixed interest	0-35	**0-45**	0-35	**0-45**	10-60	**5-60**	10-60	**5-60**
Real estate	0-25	**0-30**	0-25	**0-30**	0-25	**0-30**	0-25	**0-30**
Infrastructure	0-25	**0-30**	0-25	**0-30**	0-25	**0-30**	0-25	**0-30**
Commodities	0-20	0-20	0-20	0-20	0-20	0-20	0-20	0-20
Alternative assets	0-30	0-30	0-30	0-30	0-30	0-30	0-30	0-30
Cash	0-15	0-15	0-15	0-15	0-20	0-20	0-20	0-20

	Lifetime						
	Focus 2		Focus 3		Sustain 1		Sustain 2
	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)	Before 1 July 2020 (%)	From 1 July 2020 (%)	No changes to asset allocation ranges
Equities	0-45	**0-55**	0-45	**0-50**	0 - 45	0-45	0-45
Fixed interest	20-70	**15-70**	30-75	**25-75**	0 - 35	0-35	0-35
Real estate	0-20	**0-25**	0-20	**0-25**	0 - 20	0-20	0-20
Infrastructure	0-20	**0-25**	0-20	**0-25**	0 - 20	0-20	0-20
Commodities	0-20	0-20	0-20	0-20	0 - 20	0-20	0-20
Alternative assets	0-25	0-25	0-25	0-25	0 - 25	0-25	0-25
Cash	0-25	0-25	0-30	0-30	40 - 75	**35-75**	50-90

For more information about asset allocations, see the *Investment Choice Guide* available on our website at **qsuper.qld.gov.au/pds**

Product changes

Self Invest terms and conditions

Treatment of listed securities in an extended trading halt

From 31 January 2020, the way we treat Self Invest listed securities that are in an extended trading halt has changed. We will reduce the value of the listed security to zero in the Self Invest platform if it has not been traded for an extended period, for example, due to:

- Liquidation
- Being delisted
- Administration
- Merger/restructure.

The value will remain at zero until trading is resumed, or the shares are revalued. If you want to close your Self Invest account while the value is listed as zero, we will determine a fair value to apply in order to process your request.

Process for restoring low transaction account balances

From 1 July 2020 we will change how we manage Self Invest transaction accounts where the balance has dropped below the minimum $500 threshold.

If this occurs, we will contact you via your nominated email address to let you know that you have 30 days to restore your balance. After 30 days, if it has not been restored and you do not hold any shares, exchange traded funds (ETFs), or term deposits, we may remove your access and close your Self Invest account. We will return any remaining balance to your QSuper investment options. If you do hold shares, ETFs, or term deposits, we will restore the minimum balance by transferring or liquidating your assets according to the terms and conditions outlined in the *Self Invest Guide*.

The timing of any transfer or liquidation of your assets will be completed at QSuper's discretion, and any applicable fees and/or tax will still apply. If your Self Invest account is closed, you can always choose to invest in Self Invest at a later stage.

For more information about Self Invest, see the *Self Invest Guide* available on our website at **qsuper.qld.gov.au/guides**

Legislation changes

Temporary change to minimum drawdown amounts for Income accounts

The minimum drawdown amounts for Income accounts will be reduced by 50% for the 2019-20 and 2020-21 financial years. The Australian Government introduced these measures to help minimise the impact of market volatility for retirees, and to provide more flexibility as to how they manage their super.

The drawdown rates will change as follows:

Age	Default minimum drawdown rates (%) p.a.	Reduced rates by 50% for the 2019-20 and 2020-21 income years (%) p.a.
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

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Need help?

If you have any questions about this information, or need any help, please contact us on **1300 360 750** or visit **qsuper.qld.gov.au**