

Product and legislation update May 2020

If you have an Income account



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.

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

Investment changes

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 costs¹

	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

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.

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 above.

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.

Asset allocation ranges

The asset allocation ranges for some of our diversified investment options will change, effective 1 July 2020. The changes will be to the equities, real estate, infrastructure, 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

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



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



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