

# Product and legislation update November 2021



Ensuring you understand how changes to legislation and our products may impact you is important to us at QSuper.

This document provides information on some changes to our products, services and disclosures.

## What is covered in this update

### Financial stability of the QSuper Board

Changes to our approach to capital adequacy of the QSuper Board to ensure continued financial stability of the Board, in response to legislative changes.

### Lifetime option

Changes to QSuper Lifetime investment fees and costs, in line with legislative changes.

### Duty of disclosure

Changes to the insurance duty of disclosure wording, in line with updated legislation.

## What is changing

### Financial stability of the QSuper Board

We have changed our approach to capital adequacy of the QSuper Board to ensure continued financial stability of the Board by amending the QSuper Deed and charging a fee to be paid from reserves. This is in response to legislative changes and the risks those changes pose to the QSuper Board's ability to meet certain costs.

This fee will not be deducted from your account, it will be deducted from QSuper's general reserves. The fee will also not impact a defined benefit member's entitlement. However, this fee is required to be disclosed as an administration fee and will be reflected this way in QSuper's disclosure documents.

### Why the change is being made

Changes made by the Commonwealth Government to the *Superannuation Industry (Supervision) Act 1993* (Cth) (SIS Act) mean that from 1 January 2022, if a penalty is imposed on a superannuation trustee, the trustee is prohibited from paying that penalty from the assets of the superannuation fund. These amendments to the SIS Act are a material change to the law governing superannuation funds and apply to all superannuation trustees.

If the QSuper Board took no action in response to these changes, any penalty, no matter how small, could result in the QSuper Board being insolvent and unable to continue to be the trustee of QSuper. This is because, even though the QSuper Board has insurance and the benefit of indemnities from service providers, this is not a complete solution. Also, as a profit for members fund, the QSuper Board does not have access to capital or other assets in its personal capacity that it can use to meet any potential penalties.

In response to these changes, and the potential financial and disruptive impact on QSuper members if the QSuper Board was required to resign or was removed as trustee of QSuper due to insolvency, the QSuper Board has taken steps to implement a new capital adequacy strategy. This strategy is designed to preserve the financial stability of the QSuper Board should a penalty be imposed on it.

## The steps QSuper has taken

As an initial step, the QSuper Board made an application to the Supreme Court of Queensland for advice and direction under the *Trusts Act 1973* (Qld) on whether the QSuper Board is justified in consenting to an amendment to the QSuper Deed to introduce a fee-charging power. On 27 October 2021, the Supreme Court made the orders sought by the QSuper Board.

In conjunction with Queensland Treasury, the QSuper Board will now amend the *Superannuation (State Public Sector) Deed 1990* (Qld) (QSuper Deed) to include this fee-charging power.

The power will enable the QSuper Board, as a corporate trustee, to be paid from the QSuper assets for the services it provides in administering QSuper.

It is important for you to know that this power will not be used to create profits for the benefit of shareholders (the QSuper Board does not have shareholders). The QSuper Board has decided the capital it accumulates by exercising this power will only be used to meet liabilities that the QSuper Board cannot otherwise satisfy out of QSuper assets.

## What the change means for members

When QSuper amends the Deed, the QSuper Board will charge a fee for service equal to an amount of 0.017% per annum of member account balances for each calendar year from 2022 until 2024 to be funded from general reserves and not your individual account. The maximum fee that could be charged in any one year is 0.05% per annum. The money will be held by the QSuper Board in a trustee capital reserve.

This amount will be paid to the QSuper Board from QSuper's general reserves. This means that this fee will not be deducted from your account. The fee will also not impact a defined benefit member's entitlement. However, this fee is required to be disclosed as an administration fee and will be reflected in this way in QSuper's disclosure documents.

The QSuper Board has not made this decision lightly. It is creating a trustee capital reserve for its ongoing financial stability. It has engaged external expert advice to assist it in these matters, including assessing an appropriate target trustee capital reserve amount. Any excess amounts in the trustee capital reserve will be returned to the QSuper assets.

It is important to note that the QSuper Board, in accordance with its trustee duties, will regularly assess (at least annually) the target trustee capital reserve amount. It may determine not to charge an additional fee after the first fee that is proposed for 31 December 2021.







## Lifetime investment fees and costs

From January 2022, the way we apply and disclose investment fees and costs for QSuper Lifetime (our MySuper product) will change.

Previous MySuper legislation meant that members in the same age bracket were charged the same investment fees and costs. For example, members aged 40 to 49 in the Aspire Lifetime groups had the same investment fees and costs applied.

With a change to legislation, from 6 January 2022, each of the eight Lifetime groups will have unique fees and costs applied reflecting the fees and costs attributable to that group's investment strategy. For the Aspire Lifetime groups, for example, that will mean members aged 40 to 49 will have different investment fees and costs applied for Aspire 1 and Aspire 2.

## What is changing

	Prior to 6 January 2022	From 6 January 2022
 <b>Outlook</b> Aged under 40	<b>Fees and costs</b> apply to the Outlook group	<b>No changes</b>
 <b>Aspire</b> Aged 40 to 49	<b>Same fees and costs</b> apply to all Aspire groups	<b>Unique fees and costs</b> apply to Aspire 1 and 2
 <b>Focus</b> Aged 50 to 57	<b>Same fees and costs</b> apply to all Focus groups	<b>Unique fees and costs</b> apply to Focus 1, 2 and 3
 <b>Sustain</b> Aged 58 or over	<b>Same fees and costs</b> apply to all Sustain groups	<b>Unique fees and costs</b> apply to Sustain 1 and 2

You can find more about our investment fees at [qsuper.qld.gov.au/fees](https://qsuper.qld.gov.au/fees)



## Duty of disclosure

When applying for insurance, making changes to existing insurance and reinstating insurance, you have previously been bound by a "duty of disclosure" as part of this process. Due to changes to the *Insurance Contract Act 1984 (Cth)*, this duty has been replaced with a duty to "take reasonable care not to make a misrepresentation." This change came into effect from 5 October 2021.

When applying for insurance, making changes to existing insurance and reinstating insurance, you have a legal duty to take reasonable care not to make a misrepresentation to us or the insurer before entering the contract of insurance. A misrepresentation is a false answer, an answer that is only partially true, or an answer which does not fairly reflect the truth.

If you do not meet your legal duty, this can have serious impacts on your insurance. Your cover could be avoided (treated as if it never existed), or its terms may be changed. This may also result in a claim being declined or a benefit being reduced.



### We're here to 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](https://qsuper.qld.gov.au)



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