

This notice is to inform members of important changes that are taking effect from 1 July 2017

Contents

The table below outlines the main changes that will happen from 1 July 2017 and where in this document you can find out more. More detail will be in the *Accumulation and Income Product Disclosure Statement* dated 1 July 2017, which will be available on our website on 1 July 2017. Can't get to a computer? Call our Contact Centre on 1300 360 750 and we'll send you a copy.

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Updates to our investment options

Investment option group names to change

We split our investment options (excluding Lifetime and Self Invest) into two groups, currently known as Ready Made and Your Choice.

The Ready Made options are our pre-mixed investment options (the Balanced, Moderate, Aggressive and Socially Responsible options) which have diversified exposure across a combination of asset classes, and on 1 July we'll be changing the label Ready Made to Diversified.

The Your Choice options (Cash, Diversified Bonds, Australian Shares and International Shares) are invested in a single asset class, and on 1 July we'll be changing the label Your Choice to Single Sector.

Standard Risk Measure changes

All QSuper investment options are categorised by a Standard Risk Measure (SRM) rating. The rating is designed to allow members to compare our investment options within and across funds, so they can make an informed investment choice.

The QSuper Board of Trustees reviews these ratings annually to ensure each option reflects the appropriate risk category. Following a recent review of the SRMs assigned to each of QSuper's investment options, we will be adjusting the SRMs for some of our investment options from 1 July, as shown in the table below.

Investment options	Current risk band	New risk band	Current estimated number of negative annual returns over any 20 year period	New estimated number of negative annual returns over any 20 year period
Aggressive	High	Medium to High	Between 4 and 6 times	Between 3 and 4 times
International Shares	High	Very High	Between 4 and 6 times	6 or more times
Diversified Bonds	Low	Low to Medium	Between 0.5 and one time	Between 1 and 2 times

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

Change to Aggressive investment option asset allocation ranges

The QSuper Board of Trustees has reviewed and adjusted the asset allocation ranges for the Aggressive investment option, effective 1 July 2017. The changes are to the fixed interest and equities ranges, and are designed to reduce the overall volatility of the Aggressive option while still targeting the same return objective.

The asset allocation ranges as at 1 July 2017 are shown below.

	Until 30 June 2017 (%)	From 1 July 2017 (%)
Cash	0-15	0-15
Fixed interest	0-20	5-35
Real estate	0-20	0-20
Equities	20-80	25-55
Infrastructure	0-20	0-20
Commodities	0-15	0-15
Alternative assets	0-25	0-25

Change to Socially Responsible Investment option asset allocation ranges

The Socially Responsible investment (SRI) option is managed on behalf of the QSuper Board of Trustees by AMP Capital Investors Limited (AMP) through its Responsible Investment Leaders Fund. Effective 21 November 2016, AMP updated the asset allocation ranges for this option. The changes are to the fixed interest and infrastructure ranges. There has been no change to the objective and Standard Risk Measure (SRM).

The new asset allocations ranges are shown below. You can find more information about the Socially Responsible investment option in the AMP Responsible Investment Leaders Funds Information Memorandum (for institutional investors), which you can download at ampcapital.com.au.

	Until 20 November 2016 (%)	From 21 November 2016 (%)
Cash	0-15	0-15
Fixed interest	0-45	0-35
Real estate	0-10	0-10*
Equities	35-92	35-92
Infrastructure	0-7	0-10*
Commodities	n/a	n/a
Alternative assets [#]	0-6	0-6

* Please note that the SRI option has a combined limit of 0-10% for Real Estate and Infrastructure.

Alternative assets for the SRI option includes Private Equity.

Upcoming changes to Self Invest

The Self Invest investment option allows members to take greater control over their super by directly investing in term deposits, Australian shares and a range of exchange traded funds (ETFs). From 1 July 2017 we'll be giving Self Invest a makeover.

Available to even more members

From 1 July 2017 the minimum account balance needed to be eligible to use Self Invest will decrease from \$50,000 to \$20,000. No other changes apply to the minimum initial transfer amounts or amounts you must keep in other QSuper options.

Quickly and easily access the information that's most relevant to you

Through the new look Self Invest online portal you'll be able to easily manage your superannuation investments and watch lists. You'll also be able to access key market insights and research tools that put you in control of your superannuation investments.

Giving you access to different investment opportunities

We'll be offering a broader range of ETFs, giving you the opportunity to further diversify your superannuation investments through access to a larger portfolio of fund managers and investment markets. The table to the right outlines the new ETFs that will be available from 1 July.

ASX code	Name	ETF management fee as at 3 April 2017 ¹
Australian equities		
ILC	iShares S&P/ASX 20 ETF	0.24% per annum
STW	SPDR S&P/ASX 200 ETF	0.19% per annum
International equities		
IOO	iShares Global 100 ETF	0.40% per annum
VGS	Vanguard MSCI Index International Shares	0.18% per annum
VGAD	Vanguard MSCI Index International Series (Hedged)	0.21% per annum
Fixed income and cash		
IAF	iShares Core Composite Bond ETF	0.20% per annum
ILB	iShares Government Inflation ETF	0.26% per annum
VCF	Vanguard International Credit Securities Index (Hedged) ETF	0.30% per annum
VIF	Vanguard International Fixed Interest Index (Hedged) ETF	0.20% per annum
Commodities		
QAU	BetaShares Gold Bullion ETF – Currency Hedged	0.59% per annum

Also, a few of the current ETFs will no longer be offered from 1 July 2017 and these are shown in the table below. Members with funds in those ETFs on 30 June 2017 will be able to retain those ETFs after 1 July 2017, but will not be able to invest additional funds in those ETFs from that date.

ASX code	Name
Australian equities	
OZR	SPDR S&P/ASX 200 Resources Fund
OZF	SPDR S&P/ASX 200 Financials ex A-REIT Fund
International equities	
WXHG	SPDR S&P Ex Australia (Hedged) Fund

The full list of ETFs available as at 1 July 2017 will be available from this date at qsuper.qld.gov.au/etfs and in the *Investment Choice Guide*.

¹ Please refer to the Self Invest investment menus available at qsuper.qld.gov.au/etfs for up-to-date information regarding ETF management fees which may apply.

Important information from the QSuper Board of Trustees

Changes to fees

We do also need to let you know that from 1 July 2017 there will be increases to the Self Invest access and activity fees. This follows a review by the QSuper Board of Trustees of the costs of providing this investment option.

On 1 July 2017 the annual access fee will increase from \$204 a year to \$299 a year (calculated daily and deducted monthly).

Brokerage fees will increase on 1 July 2017, and are shown in the table below.

Brokerage fees

	Until 30 June 2017	From 1 July 2017
Order value up to \$10,000	\$19.50 per trade	\$29.50 per trade
Order value \$10,000 - \$27,500	\$29.50 per trade	\$46.50 per trade
Order value \$27,501 and above	\$29.50 per trade, plus 0.11% on amounts over \$27,500	\$46.50 per trade, plus 0.11% on amounts over \$27,500

These rates exclude GST. GST is applied to the brokerage fee and you will be entitled to a credit of 75% of any GST paid.

Please note where an order can't be filled with one trade and is filled after multiple trades, a fee per trade is applied.

Income account changes

Changes to existing order of priority for Income account payments

As an Income account member, you can choose which of your investment options your income payments come from. For example, you might draw your payments from money you've invested in a shorter-term investment option and leave the rest of it in longer-term investments so it can grow.

If you haven't told us what investment option/s to take your payments from (known as your payment preference), we draw your payments in an order starting with the most conservative option (depending on what options you've invested in). This means we keep taking payments from your most conservative option, then when there is no money left in that we move to the next option you hold in the list, and so on.

As a result of the SRM changes outlined on page 2, from 1 July the current order of priority will change as shown in the table below:

Order of priority	Current SRM risk band	New order of priority from 1 July 2017	New SRM risk band from 1 July 2017
1. Cash	Very Low	1. Cash	Very Low
2. Diversified Bonds	Low	2. Moderate	Low
3. Moderate	Low	3. Diversified Bonds	Low to Medium
4. Balanced	Medium	4. Balanced	Medium
5. Socially Responsible	High	5. Aggressive	Medium to High
6. Aggressive	High	6. Socially Responsible	High
7. International Shares	High	7. International Shares	Very High
8. Australian Shares	Very High	8. Australian Shares	Very High

If you haven't previously nominated a payment preference, and you don't want us to make your payments using the order of priority shown above, you can easily let us know how you would like your payments made by logging in to Member Online.

Legislation update

Update on implementation of superannuation reforms

The Commonwealth Government's superannuation reform legislation has been passed and a number of the changes come into effect from 1 July 2017.

Some of the changes include:

- a reduction to both the concessional (before-tax) and non-concessional (after-tax) contributions caps
- changes to the amount of non-concessional contributions that can be brought forward depending on your total superannuation balance as at the end of the previous financial year
- if your total superannuation balance is \$1.6 million or greater at 30 June of the previous financial year, any further non-concessional contributions will be classified as excess contributions and additional tax may apply
- investment earnings in a Transition to Retirement Income account will no longer be tax free
- additional 15 per cent tax on concessional contributions will now be applicable for anyone with an adjusted income (as defined) of more than \$250,000, a reduction from the previous \$300,000
- the introduction of a \$1.6 million transfer balance cap for standard Income accounts (excluding Transition to Retirement Income accounts), lifetime pensions and annuities
- transitional rules apply to those who trigger the bring-forward provision for non-concessional contributions in the 2015/2016 or 2016/2017 financial years
- increase in the income level to claim the maximum tax offset for eligible spouse contributions
- anti-detriment death benefit payments will no longer be made (however they can still be paid up to 30 June 2019 if it relates to a member who passed away on or before 30 June 2017).

Further information on these reforms and what they may mean for you is available on our website at qsuper.qld.gov.au/super-reform. We also included information on the reforms in the most recent edition of *Super Scoop*.

Transition to Retirement Income account

Impact of superannuation reforms on QSuper's Transition to Retirement Income account

The investment earnings in a Transition to Retirement (TTR) Income account will no longer be tax free from 1 July 2017. This means that from 1 July 2017, the net investment earnings for the TTR and standard Income accounts will not be the same and a different set of unit prices for each investment option will be published.

When you turn 65 or declare you have permanently retired, your benefit will automatically transfer from a TTR Income account to a standard Income account by moving the assets within the same investment option to the tax-free environment. This will mean that you'll keep the same account balance but hold a different number of units at a different unit price in each of your chosen investment option/s - your investment option will not change.

Other changes will also apply to the TTR Income account from 1 July.

- The Self Invest option will no longer be available. For more information see page 6.
- The administration fee cap will continue to apply to your TTR account. However as the TTR account is no longer within the tax-free environment, any refund of fees related to your TTR Income account will be taxed. This is the same tax treatment applied to a refund of fees related to an Accumulation account.

What does this mean for existing TTR Income accounts?

If you hold a TTR Income account on 30 June 2017 your account will be automatically updated to incorporate the changes above. Your account balance and choice of the investment options will not change, but you will be allocated a different number of units with different unit prices for each investment option you hold on that date.

Some important dates

So that we can transition to the new arrangements certain features will not be available to Transition to Retirement Income account members for a short period of time. These are summarised below.

Access to Member Online	Investment switches
You will not be able to access any of your QSuper accounts in Member Online from 3.00pm Friday 23 June 2017 to 3.00pm Wednesday 28 June 2017.	<p>QSuper will not process investment switch requests for the TTR Income account after 3.00pm Friday, 23 June 2017. We will start to process switch requests again after 3.00pm on Wednesday 28 June 2017.</p> <p>This means that if you lodge a switch request between these times, the switch will be considered as being received on Thursday 29 June 2017. The unit price applied to your switch will be the unit price on Monday 3 July 2017, in accordance with our usual practice of applying the unit price two working days after a valid switch application is received by QSuper.</p>

All investment switch requests will be processed as usual outside of the above dates.

Cut off dates to open a TTR Income account before 1 July

The changes we are making to the TTR income account will also affect our processes for opening a TTR Income account over this period. So if you want to open a TTR Income account before 1 July 2017, please make sure you submit your application to us by 3.00pm Friday 23 June.

Changes to payment of the QSuper Income Account Transfer Bonus

Due to the upcoming taxation of investment earnings in a TTR Income account, changes to the eligibility and payment of the Transfer Bonus will come into effect from 1 July 2017.

Members transferring from an Accumulation account to a TTR Income account will no longer be eligible to receive a Transfer Bonus, as funds within both accounts are not in a tax-free environment (i.e. tax is payable on investment earnings in both accounts).

However a Transfer Bonus may be payable to eligible members when they turn age 65 or permanently retire and funds are moved from:

- an Accumulation account to a standard Income account, or
- a TTR Income account to a standard Income account.

You will not need to apply for the Transfer Bonus, as this will automatically be added to your account if you are eligible.

Closure of the Self Invest option within the Transition to Retirement Income account

From 1 July 2017, the Self Invest option will not be available within the Transition to Retirement (TTR) Income account. Important transitional arrangements are being put in place.

If you have a TTR Income account and are invested in Self Invest, you have the following options available to you. More details about these options are available at qsuper.qld.gov.au/SelfInvestTTR.

If you **do not act on** one of the options below **on or before 18 June 2017**, Option 2 will apply. This means that your access to the Self Invest option within your TTR Income account will stop on 19 June 2017 and QSuper will **close your Self Invest option** and transfer the balance to your other TTR Income account investment option/s, according to your current investment strategy.

Option 1. If you're eligible, you can retain your Self Invest option in a standard Income account.

If you have permanently retired, or meet a superannuation cashing condition of release (such as turning age 65), on or before 30 June 2017, please contact us and let us know and you can retain your Self Invest option in a standard Income account.

Option 2. You can close your Self Invest option within your TTR Income account and transfer the balance to your other TTR Income account investment option/s.

To close Self Invest, please access Member Online to transfer the available balance of your Self Invest option to your other TTR Income account investment option/s and then close the Self Invest option on or before 18 June 2017.

- Your access to the Self Invest option within your TTR Income account will stop on 19 June 2017.
- If you hold a term deposit that matures after 19 June 2017, QSuper will credit you with the capital and interest accrued up to 19 June 2017.

As you will continue to hold a TTR Income account after 18 June, please have a look at the other TTR Income account changes that will occur before 1 July as set out in this notice.

Option 3. You can keep your Self Invest option in an Accumulation account.

If you would like to keep your Self Invest assets and you aren't eligible for a standard Income account, you can request to transfer these assets to the Self Invest option within an Accumulation account. It is important to understand that if you choose this option:

- your Self Invest option will be transferred to a new or existing Accumulation account on 30 June 2017. The remaining balance of your account held in the other investment option/s will continue as an income stream in your TTR Income account
- QSuper will process this transfer from Wednesday 28 June 2017 to Monday 3 July 2017. You will not have access to Member Online or Self Invest while this transfer is taking place
- you must satisfy the Self Invest rules within an Accumulation Account which include:
 - i. maintaining \$2,000 in your Self Invest cash transaction account, and
 - ii. maintaining \$10,000 within other QSuper investment options.
- for any term deposits that you hold, tax will be applied on the interest from the term deposit proportionately for the period of time that the term deposit is held within an Accumulation account
- non-income corporate actions will not be transferred to an Accumulation account
- the cost base for the assets held in Self Invest will not change as a result of being transferred to an Accumulation account.

If you select this option you must download the *Transition to Retirement Self Invest – Transfer Option* form from our website and return it to us via mail or email on or before 18 June 2017. If we are unable to process your request we will contact you.