ENERGYSUPER
PUTTING THE ENERGY INTO SUPER
An Industry SuperFund

IMPORTANT MESSAGE FROM THE ENERGY SUPER BOARD REISSUED ON 13 JUNE 2019

3 THINGS YOU NEED TO KNOW ABOUT YOUR SUPER/INCOME STREAM

1 You may be affected by at least one of these upcoming legislative changes

There's a handful of legislative changes known as the 'Protecting your Super' package that take effect 1 July 2019, which may affect you at some stage of your membership.

BYE-BYE EXIT FEES

From 1 July 2019, members will no longer be charged this fee when exiting the Fund (currently $65 for Energy Super members).

NEW CAP ON ADMINISTRATION AND INVESTMENT FEES FOR LOW-BALANCE ACCOUNTS

From 1 July 2019, a 3% fee cap will apply to the total of administration fees, investment fees and indirect costs for accounts with a balance of less than $6,000 at the end of the financial year, or on exit from the Fund. This cap doesn't include insurance costs and does not apply to Defined Benefit accounts.

INACTIVE LOW-BALANCE ACCOUNTS TO BE TRANSFERRED TO THE ATO

From 1 July 2019, all inactive low-balance accounts will be transferred to the Australian Taxation Office (ATO). An Energy Super account will be considered an inactive low-balance account if:

- it has a balance of less than $6,000; and
- for a continuous period of 16 months, we have not received a contribution or rollover into your account; and
- you haven't made any updates to your account details, such as changing investment options, insurance cover or making or amending a binding death benefit nomination, or you have not provided written notice to the ATO that you do not wish for your account to be transferred to the ATO.

This requirement does not apply to Defined Benefit accounts. If your account balance is transferred to the ATO, your account with Energy Super will be closed. The ATO will then try to identify if you have an active super account with another fund and, if a match is found, will automatically transfer your balance into that active account. The first transfer of low balance inactive accounts to the ATO will be made on or before 31 October 2019.

CANCELLATION OF INSURANCE COVER ON INACTIVE ACCOUNTS

From 1 July 2019, insurance cover on all inactive super accounts will be cancelled, regardless of the account balance. For insurance purposes, your account is considered 'inactive' if we have not received a contribution or rollover into your account for a continuous period of 16 months unless you have elected to retain your insurance cover. This is to avoid balances being eroded by inappropriate insurance arrangements.

We've written to all members affected by this change notifying them of their options to maintain their insurance cover, should they wish to do so. From 1 July 2019, we will regularly review your insurance cover and if we have not received a contribution or rollover into your account in the previous 16 months or you have advised us in writing that you do not wish to retain your insurance cover, your cover will be cancelled.

WORK TEST EXEMPTION

Under current Federal Government rules, a person aged 65 to 74 must be gainfully employed for at least 40 hours in a 30 consecutive day period in a financial year to make voluntary contributions to superannuation, provided the contribution is received from a member within 28 days after the end of the month in which they attain 75. As of 1 July 2019, these rules will change so that if you're aged between 65 and 74, you can make voluntary contributions to your super where they do not meet the work test in a particular financial year, provided that:

- the work test was satisfied in the previous financial year; and
- your total superannuation balance (that is, the total of all amounts held in all of your various super funds) is less than $300,000; and
- no contributions have been accepted by any fund under the work test exemption in any previous financial year (that is, you can only use the exemption once).

The annual non-concessional cap rules continue to apply to any contributions made under the work test exemption.

2 Your super investment is now displayed in units

Previously, Energy Super used crediting rates to determine a member's investment value in their super account. On 11 May 2019, we moved from crediting rates to unitisation to show members' investments value and the change in value over time.

Unitisation is a different way of showing the value of your investment. The unit price gives you a daily estimate of the dollar value of your investment at a particular point in time. Members with Income Stream accounts already have their investment shown in units and the Energy Super Board is adopting the same methodology to align Defined Contribution super accounts with our Income Stream accounts.

Daily unit pricing is a more efficient way of valuing investments. Unitisation also results in other administration benefits, such as:

- More timely production of member statements.
- Simpler to switch between investment options because the value of your investment is available in closer to real time.
- Easier to compare earnings between our super and income stream investments.

Unitisation is the method adopted by many super funds and investment trusts when valuing assets.

It's important that you note the change from crediting rates to unit pricing does not affect your account balance in any way.

3 You now have the choice to invest in our new Indexed Balanced option

Over the years, some members have asked us why we don't have a balanced indexed investment option.

Energy Super adopts an *active* investing approach. This is where we engage with investment managers with the aim of performing better than a given market index. An index is a sample of stocks taken from the sharemarket, such as the ASX200. It's helped us deliver strong investment returns over the long term.

On the other hand, a traditional indexed fund tracks a particular index and invests in the same stocks as that index. That's why indexed investing is sometimes called *passive* investing, because investment managers don't have to actively pick shares – instead, they passively follow index movements. It's for this reason that investment fees for indexed options are typically lower.

Our Indexed Balanced investment option was introduced on 6 April 2019. It shares the same investment return objectives as our Balanced option, but the risk level and likelihood of a negative return over 20 years is different. The fees are different too. Take a look at the tables below:

	INVESTMENT OPTION	RISK LEVEL	RISK OF NEGATIVE RETURN	CPI-RELATED INVESTMENT RETURN OBJECTIVE	MINIMUM SUGGESTED INVESTMENT TIMEFRAME
	Balanced	Medium to High	3.2 over any 20 years	3% above CPI (after tax and other costs) over rolling 10 year periods	Five years
	Indexed Balanced	High	4.2 over any 20 years	3% above CPI (after tax and other costs) over rolling 10 year periods	Five years

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

INVESTMENT OPTION INDIRECT FEES AND COSTS					
INVESTMENT OPTION	ADMINISTRATION FEES	INVESTMENT FEES		INDIRECT COST RATIO	TOTAL INDIRECT FEES AND COSTS
		BASE AMOUNT	PERFORMANCE BASED		
Balanced	0.22%	0.26%	0.11%	0.47%	1.06%
Indexed Balanced	0.22%	0.06%	0.00%	0.00%	0.28%

For all investment options other than the Indexed Balanced, the Investment Fees and Indirect Cost Ratio is derived from costs incurred in 2017–2018, and are based on the information available to the Trustee for that financial year. They include estimates where actual costs are not available. They include performance fees (where relevant). For the Indexed Balanced investment option, the Investment Fees and ICRs are the Trustee's estimate of the Investment Fees and ICRs that will apply for the 2018–2019 financial year (annualised), and are based on the information available to the Trustee, from the 2017–2018 financial year, about fees and costs for the asset allocation of the Indexed Balanced investment option. The actual indirect costs for this and future financial years may be different.

Find out more about the Indexed Balanced investment option – and all the investment options available to you – on our website **energysuper.com.au** and in our *Investment Guide* or *Income Stream PDS*, also available online.

WE'RE HERE TO HELP

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