

Important change notice



Since 2012, LGIAsuper's administration fees have stayed the same, despite us making improvements to the way we run the fund and invest your superannuation. From **28 June 2019**, our fee structure and the way we treat some insurance services will change to support these improvements. This notice outlines the nature of the changes and what they mean for you as an LGIAsuper member.

1. Changes to administration fees

Current status:

We currently charge you a percentage-based administration fee of 0.21% p.a. of your account balance. This fee is not deducted directly from your account. It is deducted from the daily earning rates for each investment option before they are applied to your account.

The administration fee covers the costs associated with running your fund and providing you with a range of services. Administration fees are capped at \$1,575 p.a. across all your accounts at LGIAsuper.

What's changing?

From **1 July 2019**, we're introducing a flat administration fee of \$1.50 per week charged to each of your LGIAsuper accounts, regardless of the balance. This fee will be deducted directly from your account.

To offset some of the new fee, we will lower our percentage-based administration fee, from 0.21% p.a. to 0.18% p.a. As an example, the table below illustrates how the new fee structure will affect an account with a balance of \$50,000.

	ADMINISTRATION FEE: PERCENTAGE FEE	ADMINISTRATION FEE: FLAT FEE	WHAT YOU PAY
Current structure	0.21% p.a.	N/A	If you have a balance of \$50,000, you currently pay \$105 in administration, percentage-based fees.
New structure	0.18% p.a.	\$1.50 p/w	If you have a balance of \$50,000, under the new structure, you will pay \$90 in administration percentage-based fees, plus a \$78 flat fee. In total you will pay \$168 in administration fees each year.

The Australian Government prescribes the use of a \$50,000 account balance in the example of fees and costs in the Product Disclosure Statement for superannuation products to enable consumers to compare products. We have adopted this model for the purposes of this illustration.

The \$1,575 p.a. administration fee cap is not changing. In accordance with new legislation, from **1 July 2019** LGIAsuper will introduce a cap of 3% on the administration and investment fees for members with account balances below \$6,000. This fee cap will be assessed either when the member exits the fund or at 30 June each financial year, and any investment or administration fees charged on these accounts in excess of the cap will need to be refunded by LGIAsuper.

Who is impacted?

This new administration fee relates to all LGIAsuper accounts.

Why is it changing?

We work hard to keep fees as low as possible and our administration fee hasn't changed since 2012. The new fee structure will bring fees in line with the current costs of operating your fund and enable us to continue to provide a high standard of service to members.

It will also further share the cost of providing administration services across all accounts, which is consistent with our operational costs and fairer for all members.



What do you need to do?

Your account will continue to operate as it does now. You will be able to see the fee applied by logging in to Member online from **8 July 2019**.

2. Change to International shares portfolio investment approach

Current status:

Our International shares portfolio is partially passively managed. Estimated annual investment fees for investment options with exposure to the portfolio reflect this approach.

What's changing?

We are changing the structure of our International shares portfolio by adopting a more active management approach.

To accommodate this, from **1 July 2019** the investment fee for investment options with exposure to the portfolio may increase. The table below outlines the investment options impacted by this change.

INVESTMENT OPTION	CURRENT INVESTMENT FEE ¹ (% p.a.)	INVESTMENT FEE AT 1 JULY 2019 ¹ (% p.a.)
MySuper Lifecycle - Under 75	0.45	0.48
MySuper Lifecycle - Over 75	0.42	0.44
Aggressive	0.47	0.51
Diversified Growth	0.45	0.48
Balanced	0.42	0.44
Stable	0.31	0.32
Defensive	0.22	0.23
International Shares	0.42	0.46

¹ Estimates only

The table below illustrates how the new fee structure will affect the MySuper Lifecycle investment options for an account with a balance of \$50,000.

EXAMPLE - LGIASUPER MYSUPER LIFECYCLE	UNDER 75	75 PLUS	WHAT YOU PAY ²
Current structure	0.45% p.a.	0.42% p.a.	For every \$50,000 you have in the LGIASuper MySuper Lifecycle product you will be charged \$225 each year if under 75, or \$210 if over 75.
New structure	0.48% p.a.	0.44% p.a.	For every \$50,000 you have in the LGIASuper MySuper Lifecycle product you will be charged \$240 each year if under 75 or \$220 if over 75.

² Estimated costs only

Please see our website for further examples.

Who is impacted?

The increase in the investment management fee relates to most investment options with exposure to the International Shares portfolio. You can view your investment options online using Member Online.

Why is it changing?

The market has changed and international equity markets continue to be volatile. In this environment, we believe better returns will be achieved by employing an active investment management approach, rather than a passive approach.

Moving from passive to active management is a decision designed to help offset the risks associated with investing in volatile and uncertain markets. Active style investment managers aim to reduce the overall risk of the portfolio by being more selective in the companies they invest in.

By contrast, passive management is an investment strategy that means we make long-term investments that do not account for short-term market fluctuations.



What do you need to do?

Your account will continue to operate as it does now. You can review your investment option at any time in Member online.

3. Change to insurance service and treatment

Current status:

We have adopted the Insurance in Superannuation Voluntary Code of Practice (the Code), which is a superannuation industry initiative to provide better insurance outcomes for our members. In implementing the Code, we have reviewed the way we recover the costs of providing insurance from you.

Currently, an Insurance fee of 1% (including GST) of all Death, Total and Permanent Disablement and Income Protection premiums is retained by LGIAsuper to partially offset the administration cost of managing insurance arrangements. For example, if insurance premiums deducted from your account total \$300 for a year, this will include an Insurance fee of \$3.

On 30 June each year, or when you exit the fund, we apply a tax rebate to your account in relation to the tax deductions associated with insurance premiums.

What's changing?

We are changing our treatment of the insurance tax rebate. From **28 June 2019** any rebate in relation to the tax deductions associated with insurance premiums will be pooled to a general reserve owned by all members to fund insurance and other associated operations. This means you will no longer see a tax rebate transaction relating to insurance in your Annual Benefit Statement or Exit Statement.

Who is impacted?

This change is only applicable to Accumulation account holders with insurance and Defined Benefit account holders with additional insurance.

Why is it changing?

This Insurance fee currently only covers some of our cost to provide benefits to our members, with the remainder covered by administration fees to members. This is inequitable, since insurance is not provided to our Pension account members, and some of our other members have opted out of receiving insurance, yet they still pay LGIAsuper's administration fees.

This change is going to make it fairer for all members by ensuring only those who use our insurance services pay for them.



What do you need to do?

These changes will apply from **28 June 2019**.



Want to know more?

If you would like to discuss the above changes and how they relate to your account, please contact us on 1800 444 396 or info@lgiasuper.com.au.

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