



Looking after you
and your super

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The Queensland Local Government
Superannuation Board
ABN 94 085 088 484
AFS Licence No. 230511
Local Government
Superannuation Scheme
ABN 23 053 121 564

Dear member

Important insurance changes are on the way

Since 1 July 2012 LGsuper's premiums and cover have remained unchanged, despite an unprecedented growth in insurance claims across the superannuation industry.

The sustained rise in insurance claims and pay-outs has led to an industry-wide increase in group insurance premiums which many super funds across the nation have already passed on to their members.

Following a review of our insurance arrangements, LGsuper finds itself in the same situation as it reappoints OnePath as the fund's insurer after completing a competitive bid process.

How this impacts you

To ensure the sustainability of the insurance offered, some changes to the terms and conditions of your insurance cover including a change to the definition of total and permanent disability will apply to new and existing members who make a claim on or after 1 July 2015.

At the same time, a change to the way your defined benefit is calculated will also take place. While LGsuper will continue to cover the cost of the insurance that supports your defined benefit, the Minimum Requisite Benefit and Contributions plus earnings calculations will be adjusted to take into account the rising cost of insurance and future superannuation guarantee rate increases.

The adjustment is necessary to safeguard the long-term solvency of the Defined Benefits Fund and we explain more in the enclosed *Making your insurance and Defined Benefits Fund sustainable* info sheet.

If you would like to speak to someone about the information you've received today please phone our team on 1800 444 396.

Yours sincerely,

David Todd
Chief Executive Officer

Making your insurance and Defined Benefits Fund sustainable

A new Total and Permanent Disablement (TPD) definition will apply to members who make a claim on or after 1 July 2015. At the same time a change to LGsuper's *Trust deed* will take effect to ensure the future solvency of the Defined Benefits Fund.

The new TPD definition aims to better support the intended nature of the benefit and focus on a member's capacity to work or rehabilitate, retrain and reskill to ensure it is paid only when a member is assessed as permanently incapable of ever returning to work.

“Totally and permanently disabled”, “total and permanent disablement”, “total and permanent disability” or “TPD” means:

- a.** you satisfy Part (1), (2), (3), (4) or (5) of the definition below; and
- b.** as at the date of disablement and continuing since then you are determined by the insurer to be permanently incapacitated, solely as a result of injury or illness, to such an extent as to render you unable ever to engage in any gainful occupation, business, profession or employment, for which you are, or may become, reasonably suited by education, training or experience and in making this determination, the insurer will consider any reasonable retraining.

Part (1) Unable to return to work

At the event date you were...

- 1.** not a casual and working for a minimum of 14.5 hours per week in the 6 consecutive months immediately prior to the event date; or
- 2.** not a casual and working for less than 6 consecutive months immediately prior to the event date but had worked for a minimum of 14.5 hours each week since commencing work and the event date; or
- 3.** not a casual and on employer approved paid or unpaid leave for no more than 24 months but had worked for a minimum of 14.5 hours each week in the 6 consecutive months immediately prior to the day you commenced your employer approved paid or unpaid leave; or
- 4.** not a casual and on employer approved paid or unpaid leave for no more than 24 months but had worked for a minimum of 14.5 hours each week since commencing work and the day you commenced your employer approved paid or unpaid leave

... and as a result of injury or illness, you are totally unable to engage in any occupation, business, profession or employment for a period of 6 consecutive months since the event date.

Or Part (2) Permanent impairment

As a result of injury or illness, you suffer a permanent impairment of at least 25% of whole person function as defined in the American Medical Association publication 'Guides to the Evaluation of Permanent Impairment', 4th edition, or an equivalent guide to impairment approved by the insurer.

Or Part (3) Specific loss

As a result of illness or injury, you suffer the total and permanent loss of the use of:

- two limbs (where 'limb' is defined as the whole hand or the whole foot); or
- the sight in both eyes; or
- one limb and the sight in one eye.

Or Part (4) Loss of independent existence

As a result of illness or injury, you suffer loss of independent existence.

Or Part (5) Cognitive loss

As a result of illness or injury, you suffer cognitive loss.

Changes to the Defined Benefits Fund

For LGsuper members in the Defined Benefits Fund (Queensland local government employees other than Brisbane City Council, Queensland Urban Utilities and associated employees), the benefit payable on retirement or resignation prior to age 70 is the higher of the calculations in the following table.

Multiple of salary calculation	A multiple of your final average salary (FAS) based on your years of fund membership. If you resign or retire prior to age 55, a discount factor of 2% for each year prior to 55 is applied.
Minimum Requisite Benefit	This consists of pre-1992 vested benefits (if applicable), employer Superannuation Guarantee (SG) contributions (currently 9.5%), member contributions and investments earnings, less tax.
Contributions plus earnings calculation	Under age 55: based on your member contributions, employer SG contributions, investment earnings less taxes and fees. Age 55+: based on your member contributions, the full employer contributions (generally 12%), investment earnings less taxes, fees and insurance costs.

The formulas in the previous table were defined when the SG rate was limited to a maximum of 9% of salary. Since then, the Australian Government has legislated a progressive increase to the SG rate to a maximum of 12%, although it is currently frozen at 9.5% until 30 June 2021.

With the increase in the SG rate, the investment income and contributions received by the Defined Benefits Fund is insufficient to cover the increase in the **Minimum Requisite Benefits** and **Contributions plus earnings** amounts, plus the cost of insurance.

With the prospect of the increase in the SG rate having a negative impact on the solvency of the Defined Benefits Fund in the future, changes to LGsuper's *Trust deed* were made to enable the **Minimum Requisite Benefit** and **Contributions plus earnings** calculations to be adjusted by an appropriate allowance to account for the cost of insurance.

From 1 July 2015, insurance costs will be included in the calculation of the **Minimum Requisite Benefit** and the **Contributions plus earnings for under age 55** calculations in the table above. There is no change to the **Multiple of salary** calculation.

The changes will affect all members of the Defined Benefits Fund and will reduce the **Minimum Requisite Benefit** and **Contributions plus earnings** amounts by the actual cost of providing you with insurance cover (insurance premiums plus the insurance administration fee).

The insurance costs above only apply to the insurance cover supporting your defined benefits. Premiums for any additional insurance cover you have acquired will continue to be met from your Accumulation account.

Any questions?

We've looked after Queensland local government employees and their families since 1965, so you have the comfort of knowing we understand your unique needs. For personal service you can count on call us on 1800 444 396 or visit www.lgsuper.org for more information.

This info sheet has been produced by the Queensland Local Government Superannuation Board (ABN 94 085 088 484 AFSL 230511) (LGsuper) as Trustee of the Local Government Superannuation Scheme (ABN 23 053 121 564) and provides general information for LGsuper members. It provides general information only and does not take into account your personal objectives, financial situation or needs.

The Board recommends you consult with an authorised or licensed financial advisor if you require advice which takes into account your personal financial circumstances. Information on products offered by the Board can be found in our product disclosure statements. LGsuper has representatives that are authorised to provide personal advice on LGsuper products and superannuation.

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