

# News update

Defined Benefits – September 2019



**“Helping members like you work towards your ideal financial future is at our core. I am proud of the continued focus our fund puts on members’ best interests and financial wellbeing.”**

## **A note from Rosemary Vilgan, Chair, Trustee Board**

The past year has been an eventful one for super and the wider financial services industry. Reports from the *Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* and the Productivity Commission’s *Inquiry into Competition in the Australian Financial System* have resulted in recommendations for substantial reform and shifts in cultural thinking.

We recognise the impact of these significant events, and our focus continues to be your best interests and value as a member. As the CBA Group’s default superannuation fund, we are adopting many of the changes the CBA Group is implementing in its response to the Royal Commission. As an independent and separate trustee board charged with the responsibility of governing our fund, we also have our own responsibility to implement changes as a result of the Royal Commission.

## **The Royal Commission and beyond**

I am proud of the continued focus that our fund puts on members. Our foundational principle of doing things in the best interests of members has been unwavering and in place for many years. Read more about our fund’s view on the Royal Commission and its impact in *‘The Royal Commission and your fund’* on page 2.

## **From the fund**

From 1 July 2019 retirees between the ages of 65-74 with a super balance below \$300,000 are able to make voluntary contributions for the first year after they no longer meet the work test requirements. We have worked through implementation of reforms, and will keep you informed of any changes that may affect your account.

## **A fond farewell to Group Super CEO Doug Carmichael**

Commonwealth Bank Group Super CEO Doug Carmichael retired in August this year, after over nine years at the helm of our fund. We have been fortunate to have Doug leading our talented management team, guiding them and our fund through various regulatory reforms and investment market environments, and industry evolution. Throughout, he has never wavered in his genuine belief in the value of super, and working for the benefit of members to enhance their financial wellbeing. I, along with the Board’s directors and management would like to thank Doug wholeheartedly for his service to our fund and our members, and wish him all the best for his retirement.

## **Welcome to Scott Durbin, new Group Super CEO**

The Board is delighted to welcome Scott Durbin to our fund from 6 August 2019. Scott comes to us from Commonwealth Bank Group Wealth Management, where he was General Manager, Strategy and responsible for developing and supporting business strategy execution for the unit’s various businesses. He brings with him valuable deep specialist knowledge gained from experience in superannuation, investments and development of member services. He is committed to continuing to improve member outcomes, both in helping them save for and enjoy a comfortable retirement. We are enthusiastic about Scott’s appointment and what he will bring to our fund and our members moving forward.

## **Thank you**

It is a privilege to look after your savings for retirement, and we thank you for allowing us to help you on your path towards financial wellbeing.

## The Royal Commission and your fund.



During 2018 the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* was held. Information provided by super funds from across the industry was considered and assessed by the Royal Commission. Retail funds, industry funds and corporate funds, like Group Super, were required to actively participate.

In February 2019 the Final Report (Report) was released. It outlined 76 recommendations for the wider industry. The resulting recommendations will apply equally to super fund trustees whether they are from the retail funds, industry funds or corporate funds.

### Group Super's response to the Report's findings

We genuinely support the Report's recommendations. The 'member best interests' benchmark has always been a foundational principle of our model, and we will continue to challenge ourselves and strive for better member outcomes.

The broad themes from the Report that are likely to have an impact on our fund are outlined below, as are our responses.

#### Good governance

The Report concluded that existing best interests and conflicts duties, if properly applied by trustees, are broad enough to protect members against the conflicts inherent in related party arrangements. Additionally trustee boards should have an appropriate collective skill set, renew those skills through term limits, and at all times prioritise the interests of fund members over all others.

- We have a well-established framework to assess, manage and monitor related-parties arrangements and policies to ensure the Board, Trustee Services and service providers are acting in the best interests of members, and comply with legal requirements. Additionally we engage with the Australian Prudential Regulation Authority (APRA) on a regular basis to discuss and review our fund's related-parties arrangements.

The board's relationship with management is robust with a minimum of quarterly board and subcommittee meeting. At each meeting a comprehensive flow of information is provided to the board so that the directors can confidently discharge their duties. The discharging of duties and board performance more generally is reviewed annually by independent assessors with feedback provided to the board for consideration and implementation.

Our fund's board has an equal representation model of independent, employer-appointed and member-elected directors. All directors are evaluated for their skills and ability to deliver member best interest outcomes. Find out more about the appointment and office of our directors on our website.

The Report also recommends that the superannuation industry be subject to the Banking Executive Accountability Regime (BEAR) which allows regulators more authority to closely examine executive appointments, review bonuses and oversee executive accountability structures.

#### Measuring performance and member outcomes

The report recommends that all trustees proactively assess their performance across a range of dimensions, and develop strategies and plans to ensure they will continue to be able to meet their current and future obligations to members.

- The Trustee is implementing the requirements of the new APRA SPS 515 Member Outcomes standards. A gap analysis has been done to determine recommendations for further strengthening the fund's member outcome focus. These include improvements to the Trustee's annual strategy planning process and strategic member outcome goals, to ensure all obligations to our members continue to be met effectively now and in the future. Trustee performance is and will continue to be measured across a range of areas including, but not limited to, investment performance, fees and costs; insurance; and scale and sustainability.

## 2018-19 Annual Report online

Our 2018-19 Annual Report will be available to view or download from November from our website [oursuperfund.com.au](https://www.oursuperfund.com.au). Please contact us if you require a printed copy of the report. Note: if you requested a printed copy of last year's report, we will automatically send you this year's report once available. Copies of annual reports from previous years are also available from our website.

## Investing our fund to invest for your future.

The past financial year has seen increased volatility in global financial markets, and in particular global equity markets. A key factor driving this volatility has been the shift in outlook for interest rates. Early in the financial year, commentary and actions by central banks around the world created an expectation of rising interest rates. Over the past few months, however, central banks (including Australia's RBA) have shifted direction and are now implementing and signalling cuts to official rates.

Domestic and international markets have reacted favourably to this shift, with strong returns and expectations of growth witnessed towards the end of the financial year. Tempering this recent increased optimism, however, are heightened uncertainty caused by global trade tensions, a slowdown in key growth rates, and uncertainty around Brexit. There have also been contrasting signals in Australia, with housing market decline and low income growth, but at the same time, signs of recovery in the housing market, above average employment growth and increased infrastructure spending.

Given these uncertainties and the current low interest rate environment, we anticipate that the market environment will be challenging, and some further market volatility may be observed in the short term.

Superannuation is a long-term investment, and our investment mission is to deliver reliable long-term returns to members through investment choice options that span the risk spectrum. Positive performance over the last year means that all of our Defined Benefit investment choice options met their stated objectives, however it's good to keep in mind that past performance is not an indication of future returns. Through strategic allocations to multiple asset classes, these options provide a smoother investment journey over time and manage market risk and volatility by lowering the risk associated with relying on any single asset class.

**Important note:** You should remember that returns are not guaranteed and may be positive or negative. Past investment performance is not a reliable indicator of future performance.

## Member notices.

### Changes to fees and costs

**Note:** This notice only applies if you are an in-service (employee) member of Division CB, CC, CD, CE, CF, CH, CN or CO and you have an accumulation-style account(s) within your division that is eligible for investment choice.

Super funds are required to disclose information about fees and costs based on fees and costs incurred in the previous financial year. This means that investment-related fees and costs estimates generally change each year. The investment fees and costs for Accumulate Plus and Retirement Access have been updated in the new *Product Disclosure Statements (PDS)* issued on 1 July 2019, as well as our *Reference Guide: Fees and other costs* for Accumulate Plus issued on 1 July 2019. The new figures are shown in Table 1 over the page. For comparison purposes, the estimates included in the last PDSs, issued on 1 July 2018, which are estimates for the 12 months to 30 June 2018, are set out in Table 2 over the page.

These fees and costs are not deducted directly from your account balance; instead they are deducted from the market value of the assets of each investment option before unit prices are calculated. In other words, these fees reduce investment returns. For Accumulate Plus and Retirement Access TRIS account, the actual fees that apply to your account may be less than the gross figures disclosed in Table 1, as any tax benefit the fund is entitled to may be passed on to you.

For additional information on fees and costs, read the PDS for your account type, as well as our *Reference Guide: Fees and other costs* for Accumulate Plus – these documents are available from [oursuperfund.com.au/pds](https://www.oursuperfund.com.au/pds) or call us for a copy.

**Important:** All fees and costs in Table 1 are estimates of investment fees and costs paid in the 12 months to 30 June 2019. They are estimates of gross fees, and the transaction, borrowing and property operating costs include the net effect of GST.

Past costs are **not** a reliable indicator of future costs, and costs may vary from year to year depending on the allocation of assets between the fund's investment managers and the investment activity of each manager.

As a guide, we estimate that the investment fee (total) for 2019–20 for each investment option may vary by up to 0.05% from the figures in Table 1 (column B). For example, the investment fee for 2019–20 for the Balanced option could be between 0.45% p.a. and 0.55% p.a.

The estimates for 2019–20 are based on information available as at 1 July 2019 but may be updated in the future. You should refer to *Reference Guide: Fees and other costs* for Accumulate Plus or the PDS for Retirement Access from [oursuperfund.com.au/pds](https://www.oursuperfund.com.au/pds) for the most up-to-date fee estimates.



**Table 1: Estimate of total fees and costs that reduce investment returns for the 12 months to 30 June 2019.**

Note: The Fixed Interest, Australian Shares and International Shares options are not available for Retirement Access accounts.

Investment option	Estimated investment fees (%pa)			Estimated transaction costs (% p.a.)			Estimated borrowing costs (% p.a.)	Estimated total property operating costs (% p.a.)
	Investment fee (total)	Investment management component	Other investment-related costs component	Total transaction costs	Costs included in investment fee	Costs not included in investment fee	Costs not included in investment fee	Costs not included in investment fee
	= (A) + (B)	(A)	(B)	=(C) + (D)	(C)	(D)		
Conservative / Conservative TRIS	0.32	0.24	0.08	0.09	0.04	0.05	0.01	0.07
Moderate / Moderate TRIS	0.43	0.33	0.10	0.11	0.05	0.06	0.01	0.11
Balanced / Balanced TRIS	0.50	0.40	0.10	0.13	0.06	0.07	0.01	0.17
Growth / Growth TRIS	0.51	0.42	0.09	0.15	0.07	0.08	0.01	0.18
Cash / Cash TRIS	0.07	0.06	0.01	0.01	0.01	0	n/a	n/a

**Important:** Table 1 does not include all fees that apply to your account. For example, administration fees are also payable, as well as insurance premiums if you have insurance cover through Accumulate Plus. You should refer to the PDS for your account type for details of all fees that may apply to your account. There are no changes to other fee types or amounts at this time.

**Table 2: For comparison, an estimate of total fees and costs that reduce investment returns for the 12 months to 30 June 2018.**

Investment option	Estimated investment fees (%pa)			Estimated transaction costs (% p.a.)			Estimated borrowing costs (% p.a.)	Estimated total property operating costs (% p.a.)
	Investment fee (total)	Investment management component	Other investment-related costs component	Total transaction costs	Costs included in investment fee	Costs not included in investment fee	Costs not included in investment fee	Costs not included in investment fee
	= (A) + (B)	(A)	(B)	=(C) + (D)	(C)	(D)		
Conservative / Conservative TRIS	0.35	0.25	0.10	0.10	0.05	0.05	0.01	0.08
Moderate / Moderate TRIS	0.48	0.34	0.14	0.13	0.07	0.06	0.01	0.13
Balanced / Balanced TRIS	0.56	0.41	0.15	0.14	0.08	0.06	0.01	0.17
Growth / Growth TRIS	0.58	0.43	0.15	0.17	0.10	0.07	0.01	0.18
Cash / Cash TRIS	0.08	0.07	0.01	0.02	0.01	0.01	n/a	n/a

## Defined Benefit members



[oursuperfund.com.au](http://oursuperfund.com.au)



via online member login



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