

## INVESTMENT STRATEGY CHANGES: COMING MARCH 2017

As part of your benefits in Commonwealth Bank Group Super you have the flexibility to choose how your accumulation account is invested.

From 1 March 2017, features of the investment options that are available to you will change. An explanation of the changes follows.

### INVESTMENT ENVIRONMENT OUTLOOK

With continuing uncertainty and the ongoing low expectations for economic growth, global interest rates and inflation, the outlook is for lower investment returns to remain in place for the medium to long term.

Investment research of recent years indicates that investment returns across all asset classes are expected to be lower compared to past performance for an extended period of time (at least 10 years). With the outlook of low returns for the medium to long term, the likelihood of meeting our current return objectives, especially over the short term, is lower than it has been in the past.

To manage some of the uncertainty of this changing investment environment and reduce the probability that actual returns will differ from our long-term objectives we conducted a comprehensive review of the investment strategies supporting all the Accumulate Plus investment options with the support of the fund's investment consultant.

The review considered the global and local economic environment, the return and risk investment objectives and strategic asset allocation of all the investment options.

The review was aligned to our investment philosophy of delivering sustainable long-term returns that achieve our set investment objectives.

### Changes on the way

We believe the way to provide you with confidence in likely returns is through diversification of assets; active allocation and management of assets; the adjustment of our risk and return objectives; all while being conscious of costs.

#### From 1 March 2017 the following changes will take effect:

- renaming and regrouping asset classes
- reweighting of asset allocation benchmarks and ranges
- increase in the allocation of investments with multi-asset managers, real assets and alternatives
- adjustment of both investment return and risk objectives
- revision of the estimated investment fees based on the above changes.

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### ASSET ALLOCATION CHANGES

#### Renaming asset classes for simplicity and flexibility

In investments you'll often hear the term 'asset classes', which is simply a way of grouping similar types of investments together, e.g. shares, property, cash, fixed interest.

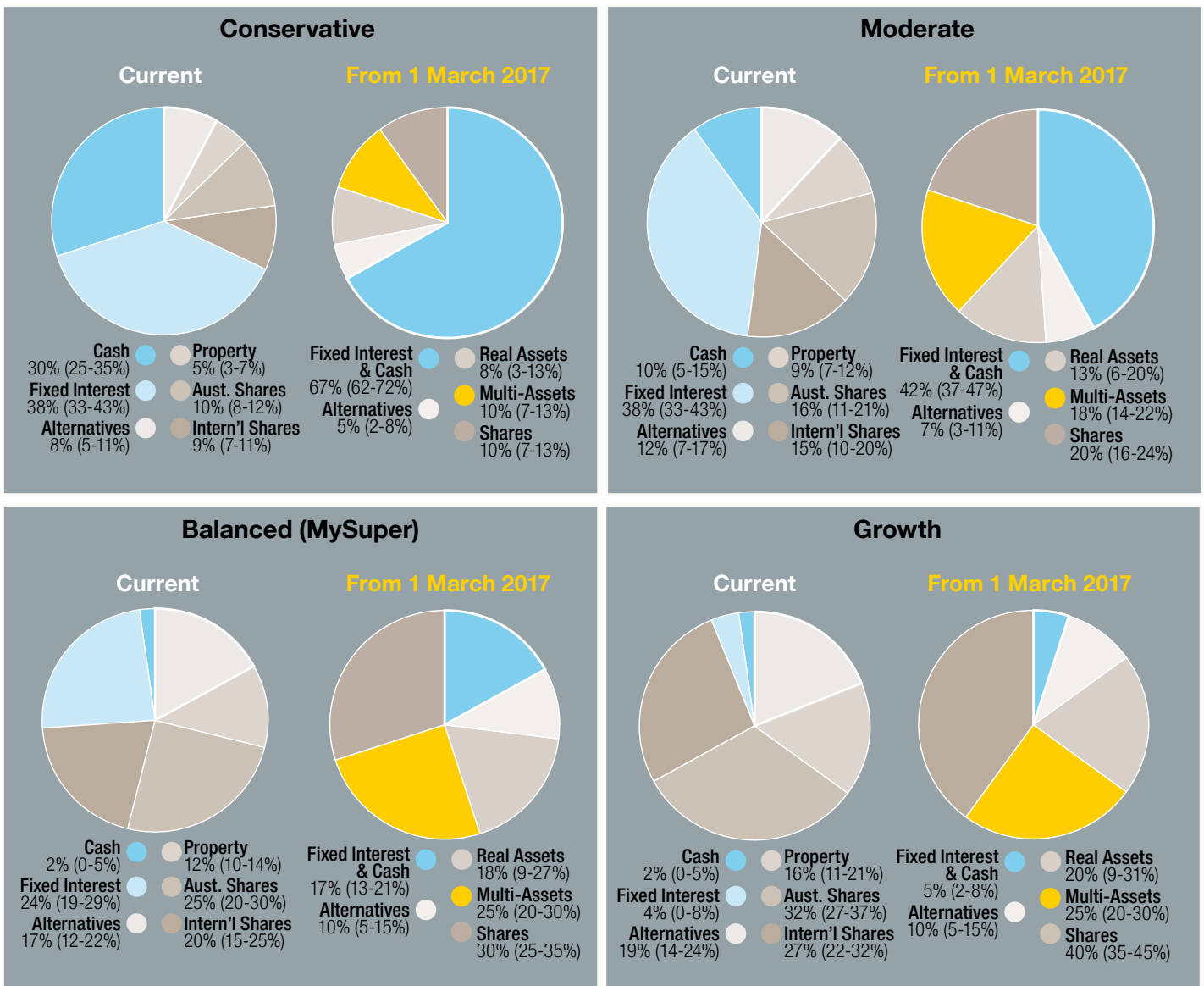
The diversified investment options currently use six assets classes to describe where your money is invested. They are Cash, Fixed Interest, Property, Alternatives, Australian Shares and International Shares.

From 1 March 2017, the existing diversified investment option assets classes will be regrouped and renamed. Going forward five asset class groups will be used:

New asset classes	Examples
Fixed Interest and Cash	Fixed interest, bonds and cash
Real Assets	Property, infrastructure and other real assets (e.g. timber, agriculture)
Alternatives	Alternative risk premia investments, hedge funds, and other alternative investments
Multi-assets	Investment managers using objective-based and dynamic asset allocations and risk parity strategies
Shares	Australian shares and International shares

## Reweight asset allocations to improve diversity and balance risk

Our long-term investment strategy objective is to deliver members a smoother return experience through improved diversification. On this basis, the asset allocation of all the diversified investment options will change. Please see the tables below for details.



PLEASE NOTE: The strategic asset allocation and asset mix show the longer-term targets for the investment option. From time to time the trustee may vary the benchmark allocation within the range shown. The actual proportion of growth and income assets, or individual asset classes, may vary slightly from the benchmark due to investment fluctuations.

## MORE ABOUT THE NEW ASSET CLASSES

### The real assets class

We have created a real assets class combining our property and infrastructure allocations, previously found in our Alternatives asset class. The current allocation includes Australian unlisted opportunities and global listed infrastructure. Over time we plan to include more diverse investments like global unlisted infrastructure and property, other real assets and value add strategies. This change is expected to produce a greater level of return with a lower level of volatility.

### The multi-asset class

The active management of our asset allocation will be enhanced through increased investment in multi-asset funds. Generally, investment managers provide active asset allocation through multi-asset funds. Using different assets, managers have greater flexibility and agility to achieve returns with less volatility. This process can be referred to as having objective-based asset allocation strategies.

## INVESTMENT OBJECTIVE CHANGES

### Return objectives – diversified investment options

In this lower for longer investment return environment we estimate that the likelihood of meeting our current return objectives over the stated timeframes has weakened, even with the changes to our asset allocation.

To provide greater confidence of meeting our return objectives, the return objective will be reduced by 0.5 percent per year for the Moderate, Balanced and Growth investment options.

The current and new return objectives are shown in the table below:

Investment option	Return objective	
	Current	New (from March 2017)
Conservative	CPI + 1% pa	No change
Moderate	CPI + 2% pa	CPI + 1.5% pa
Balanced	CPI + 3% pa	CPI + 2.5% pa
Growth	CPI + 3.5% pa	CPI + 3% pa

### Return objective benchmarks – single asset investment options

The referenced investment objective market benchmark in the Australian Shares investment objective will change from the S&P ASX 200 Accumulation Index to the S&P ASX 300 Accumulation Index.

The Fixed Interest option referenced benchmark is also changing on 1 March 2017. The current benchmark is a composite of 80% weighted towards underlying fixed interest manager benchmarks (Bloomberg AusBond Composite Bond Index (37.5%), Bloomberg AusBond Inflation Index (18.75%), Barclays Capital Global Aggregate

Hedged (25%)) and CPI + 3.5% over rolling 3 years (9.375%) and CPI + 4% over 3 years (9.375%); and 20% weighted towards the Bloomberg AusBond Bank Bill Index.

On 1 March 2017 the Fixed Interest option referenced benchmark will become a composite of 80% weighted towards underlying fixed interest manager benchmarks (Bloomberg AusBond Composite Bond Index (45%), Bloomberg AusBond Inflation Index (15%), Barclays Capital Global Aggregate Hedged (25%)) and CPI + 3.5% over rolling 3 years (15%); and 20% weighted towards the Bloomberg AusBond Bank Bill Index.

### Risk objectives

While we expect our asset allocation changes to reduce the likelihood of a negative return, we also believe that all investment options will experience more negative returns over a 20-year period due to the long term investment outlook. On this basis we have also revised our risk objectives for most investment options.

The current and new risk objectives are shown in the table below:

Investment option	Risk objective Negative returns in a 20-year period		Level of investment risk (standard risk measure)	
	Current	New (from March 2017)	Current	New (from March 2017)
Conservative	2 years in 20	3 years in 20	Medium (4)	No change
Moderate	3 years in 20	4 years in 20	Medium-high (5)	No change
Balanced	4 years in 20	5 years in 20	High (6)	No change
Growth	5 years in 20	No change	High (6)	No change
Cash	0 years in 20	No change	Very low (1)	No change
Fixed Interest	1 year in 20	3 years in 20	Low-medium (3)	Medium-high (5)
Australian Shares	6 years in 20	8 years in 20	High (6)	Very high (7)
International Shares	6 years in 20	7 years in 20	Very high (7)	No change

### Fixed Interest and the risk of negative returns

Worth highlighting is the change in our estimation of the number of negative returns in a 20 year period. We are anticipating that the forward outlook for the economy is for increased fluctuations in both interest rates and bond prices leading to a heightened probability of negative returns in fixed interest markets.

Fixed interest returns are made up of interest payments and profit (or losses) from trading fixed interest assets such as bonds and securities. Generally, if interest rates rise bond and securities prices fall and vice versa; this can subsequently cause negative returns in some circumstances.

## INVESTMENT FEES CHANGES

Fee increases are never a welcome change, but we are confident in committing to you that our member fees are only used to manage the fund in the best interests of all members.

Changes to our investment strategy include more active management of our assets to ensure we are on track to meet our objectives. As a result, we expect an impact on investment management fees. The estimated investment fee for all investment options from March 2017 are contained in the table below:

Investment option	Current investment fee % pa of account balance	Estimated investment fee % pa of account balance
Conservative	0.244	0.24
Moderate	0.316	0.33
Balanced	0.372	0.41
Growth	0.411	0.44
Cash	0.066	0.07
Fixed Interest	0.194	0.16
Australian Shares	0.304	0.32
International Shares	0.416	0.41

These fees are estimates based on the target asset allocation and target investment manager allocations and fees as at 1 March 2017, and may vary from time to time based on the actual amounts charged by investment managers or the costs that they incur and pass on.

These fees also include the net effect of GST but the actual amount paid may be less than the figure shown, as any income tax benefit that the fund is entitled to is passed on to members in the form of reduced fees.

The investment fee is not deducted directly from your account but deducted from the investment option's returns. A fixed administration fee and an asset-based administration fee also apply to your account – these fees are not changing at this time.

### MORE INFORMATION

For more information about investment options, refer to the Member Guide (PDS), and the 'Reference Guide: Invest your account' available on our website [oursuperfund.com.au](http://oursuperfund.com.au) or you can call us on 1800 023 928 between 8am and 7pm (Sydney time) Monday to Friday.

# Helping members understand more about the VALUE OF FINANCIAL ADVICE

Most people appreciate that financial advice is important, but for many it is something that is often perceived as either too expensive or difficult to undertake, too early or late in life to seriously consider, or a combination of these.

No matter where you are in life, be it starting out in your first job, starting a family or starting to prepare for retirement, financial advice can help make a real difference to your financial future.

To help you find out more about how financial advice can help, whatever stage of life you're in, we've created some helpful videos which you can find on our website [oursuperfund.com.au](http://oursuperfund.com.au) under Help & advice options > Seeking financial advice.

These short videos provide useful tips on seeking financial advice, from what to expect from a first appointment with an adviser, to how financial advice can help when life events take place, to financial advice tips to think about when in retirement.

Financial advice is about much more than just your super – there other factors to consider, such as insurance, investments, estate planning and even aged care planning. Seeing an adviser can help you with peace of mind – and potentially achieve tax savings too.

If you haven't considered financial advice or are wondering how an adviser can help you on the path to your ideal financial future, we encourage you to have a look at these videos. Not just for you, but for your loved ones too.



Value of advice



Young professionals



Couples & families



Pre-retirees



Retirees

# The member perspective: WHAT DOES 'RETIREMENT' LOOK LIKE TO YOU?

## Have you ever stopped to think about what you'll really do after you finish working?

The notion of 'retirement' is a fascinating topic, because everyone is unique – for example, one person's retirement could be another's second career opportunity.

As part of Commonwealth Bank Group Super's centenary celebrations in 2016, we ran a competition asking members to tell us about their version of 'retirement' and how they planned to make it happen.

We had over 140 responses, with a wide range of plans for life post-work. While travel and hobbies featured highly on many retirement to-do lists, it's very clear that plans come in all shapes and sizes – not surprising given people plan for a future suited to their individual needs and interests.

The second part of the competition question, how to make plans come to life, received just as much consideration. One of our goals as a super fund is to help get members thinking more about preparing for their financial future and the role super can play. It was great to see so many entries showing many members are already doing just that.

Our grand prize winner was the happy recipient of an AppleWatch, and our secondary prize winners each received a Fitbit fitness tracker. Their responses showed careful consideration of both the financial and personal aspects of their style of retirement.

### THE GRAND PRIZE WINNER!

"Retirement will revolve around planning for one overseas trip per year and a comfortable standard of living having already paid off my home. I've planned to live until I'm 85 and if I happen to live beyond that I will consider selling up and downsizing to fund living in an aged care community. I have researched the amount of super I require and the level of risk vs return at my age and switched to high growth. I consolidated super sources and got some financial advice regarding Life and TPD insurance and am funding them outside of my super as this is better in the long run. I looked at voluntary contributions but I am ahead right of the plan right now so am choosing not to do that right now. Once my home loan is down to a certain level I have planned a further financial review to look at what investments I can make. I'm also adjusting my career focus to enable me to work part time as a management consultant if I want to top up my income. So all in all I have a plan and am ahead of where I need to be."

## A NEW TOOL TO HELP TARGET AND REFINE YOUR IDEAL RETIREMENT INCOME

Use this calculator to help you estimate how much money you may need and how much you may have when you retire. It's a free tool that gives you some tips on how you can set up your retirement income. We can't give you the future, so all the calculations will be based on the information you provide and better assumptions. Your results can change as you update your information at the end to see the impact on your projected retirement income.

My salary before tax is \$ [input] Per year [dropdown] \$ [input] [CALCULATE]

Include my partner

As part of our commitment to members, we continually aim to provide resources to help educate them about super and planning for their financial future. Commonwealth Bank has recently launched a new retirement calculator that helps users estimate their expected retirement income with more targeted results.

By factoring in super and other personal assets, this tool can produce an informed view of how you may be tracking towards your retirement goals, as well as estimating Age Pension entitlements.

The calculator displays a clean, simple and user-friendly design, allowing you to confidently explore assumptions and test the impact of potential changes to your super contributions, retirement goals and other assets.

We encourage you to try the calculator and see what you can do to enhance your financial situation in retirement. Visit [www.commbank.com.au/digital/calculators/retirement](http://www.commbank.com.au/digital/calculators/retirement) to try it today.



# Is your insurance keeping up with **YOUR LIFE CHANGES**

**Because the future is exactly that, the future, we don't always know what is ahead of us. However, with just a little planning now some of life's sudden misfortunes may be overcome.**

Insurance may help to overcome the hardships of illness, injury and death by relieving some of the financial burdens. It may also provide financial stability and help to maintain living standards.

Everyone's life circumstances are different, and will vary over time. So it is a good idea to review your cover regularly, especially if something has changed in your life.

Consider if you've taken out a home loan or paid off the mortgage; got married or divorced; had children or had them move out of home; started a business or changed your working situation. Any of these changes could influence the amount and type of insurance you might find adequate.

Commonwealth Bank Group Super provides eligible members with great options to make insurance cover flexible and suitable for our members' needs.

For full terms and conditions please refer to the Member Booklet (PDS) and 'Reference Guide: Insurance cover' on our website by visiting [Help & Support > Member booklets & PDSs](#).

#### **THE LIFE EVENTS BOOST**

Eligible members who achieve special milestones in life can apply to increase their existing cover with proof of certain life event but without the hassle of having to provide medical evidence.



# AGES?

The life events covered are marriage; birth or legal adoption of a child; mortgage for purchase of primary residence; child's first day at primary or secondary school; divorce; or death of a spouse.

Go to [oursuperfund.com.au](https://oursuperfund.com.au) and visit Help & Support > Forms to find and then complete a 'Life events insurance cover option' form.

## Fix your cover, keep it flexible ...or make it a little of both



If you are an eligible member in current employment of the bank, your insurance cover is likely to be a multiple of your salary. So the higher your salary the more cover you have and conversely, the lower your salary the less cover you have.

If you are thinking of reducing your working hours or moving into a role with a lower salary you may wish to 'lock in' the insurance cover that your higher or full-time salary provided.

Eligible members can change the amount of their death and total and permanent disability (TPD) cover in several ways:

- continuing to have cover linked with a salary by nominating a new insurance multiple; or
- choosing to have all cover fixed at a nominated dollar amount, in which case any future changes to salary will not affect your amount of cover;
- choosing a combination of multiple-based and fixed dollar amount cover.

If you would like to make these changes to your cover, please call us on 1800 023 928.

Alternatively, you can visit our website [oursuperfund.com.au](https://oursuperfund.com.au) and go to Help & Support > Forms to:

- apply for new or increased insurance cover by completing an 'Insurance Application' form; or
- decrease or cancel your insurance cover by completing a 'Decrease/Cancel Insurance Cover' form.

### More help

Visit our 'Explore more: insurance' website page for helpful calculators, videos and other tips. Simply go to Help & Support > Explore more: calculators, tools & resources.

Advice Essentials\* is also available to help to work out how much insurance is suitable to your situation. Simply call us on 1800 023 928 and ask to speak with the Advice team.

\* Advice relating to Accumulate Plus and Retirement Access is provided by our Advice Essentials team, operating under Commonwealth Financial Planning Limited (ABN 65 003 900 169, AFSL 231139).



# MEMBER NOTICES

## Update to the proposed 2016 Federal Budget super changes

The government's announced adjustments to its proposed superannuation changes outlined in the 2016 Federal Budget have now been legislated. The effective date for the majority of changes is 1 July 2017.

The changes include:

- Introducing a \$1.6 million cap on the total amount of superannuation that can be used to fund superannuation income streams. People with more than \$1.6 million in the pension phase should consider whether to withdraw the excess amount or transfer the excess amount to the accumulation phase (which is then subject to 15% tax on earnings), before 1 July 2017. Note that special rules apply to defined benefit pensions.

- Lifting the adjusted income threshold to \$37,000 and phasing out at \$40,000 for the spouse contribution tax offset. A contributing spouse will be able to claim an 18% offset up to \$540 for contributions made to an eligible spouse's superannuation account.
- Removing the anti-detriment provision from death benefits.
- Australians with adjusted taxable incomes of \$250,000 or more will have all concessional contributions taxed at 30% rather than at 15%. This represents a lowering of the existing \$300,000 threshold.
- Reducing the annual concessional contributions cap to \$25,000 (from the current \$30,000 and \$35,000 caps that applied depending on age).
- Lowering the annual non-concessional contributions cap to \$100,000 for those with superannuation balances below \$1.6 million. In some circumstances a 3-year bring forward period will be available for individuals under age 65. This measure replaces the 2016

Budget's proposed \$500,000 lifetime cap for non-concessional contributions.






- Introducing an indefinite Low Income Superannuation Tax Offset to replace the Low Income Superannuation Contribution when it ends on 30 June 2017. Individuals with an adjusted taxable income of \$37,000 (or less) may be eligible for a refund of up to \$500 for contributions tax paid on concessional contributions.
- Allowing more Australians under the age of 75 to claim a tax deduction for personal superannuation contributions made to an eligible superannuation fund, irrespective of their employment arrangements.
- Allowing catch-up concessional contributions for those with balances less than \$500,000 over five years. This change will apply for the 2019-2020 income year onwards.
- The removal of the work test for the over-age 65s wanting to make non concessional super contributions is no longer proceeding.

## Commonwealth Bank Group Super

### Accumulate Plus and Retirement Access members

-  [oursuperfund.com.au](http://oursuperfund.com.au)
-  **1800 023 928** from 8am to 7pm (Sydney time) Monday to Friday
-  [oursuperfund@cba.com.au](mailto:oursuperfund@cba.com.au)
-  GPO Box 4758  
Sydney NSW 2001
-  (02) 9303 7700

### Defined Benefit members and pensioners

-  [oursuperfund.com.au](http://oursuperfund.com.au)
-  **1800 135 970** from 8am to 7pm (Melbourne time) Monday to Friday
-  via online member login
-  GPO Box 4303  
Melbourne VIC 3001
-  (03) 9245 5827

**OurSuperFund**

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