

16 April 2014



041 / 21 [S03]

Mr Sam Sample  
1 Sample Street  
SAMPLETOWN VIC 3999

Member Number: 99999999

Dear Sam,

We are writing to update you on some recent developments and important changes at the Trustee of the Fund and to provide you with some additional information on the merger with Prime Super.

## IMPORTANT CHANGES AT THE TRUSTEE OF HIP

### Changes to the current HIP Board and executive management team

On 26 February 2014, the HIP Board terminated the employment of the CEO and on 27 February 2014 the Board removed the Chair as a Director, as a result of an investigation by the Australian Prudential Regulation Authority into corporate expenses. A further two Directors stood aside on 1 April 2014 pending these ongoing investigations.

These changes at the Board level have resulted in the remaining Directors not being enough to constitute a quorum to make decisions as required under superannuation law. APRA has issued a modification to these requirements to enable the Trustee to continue to function with the reduced number of Directors until the merger with Prime Super on 1 May 2014.

An existing Director, Mr Bob Whyburn, will act as the Chairman of the Fund, and Ms Sirran Syme, Compliance Manager, will be the acting CEO up to the date of the merger with Prime Super.

The Trustee continues to conduct its duties under the HIP Trust Deed and superannuation laws.

### Your future representation

Earlier this year, we notified you that the sponsoring bodies for HIP, the NSW Nurses and Midwives' Association and the NSW Private Hospitals Association, would retain their nominating rights and appoint two directors each to the Board of the merged fund.

Both Associations will no longer have direct representation on the Board of Prime Super. It is intended that four persons who represent the health and aged care industries will be appointed to the Board of Prime Super as independent directors. They will not be nominated by the Private Hospitals

This notice is issued by the Trustee of Health Industry Plan (HIP) ABN 50 030 598 247, Private Hospitals Superannuation Pty Ltd, ABN 59 006 792 749. Australian Financial Service Licence (AFSL): 247 063, MySuper authorisation number 50030598247691, RSE Licence Number L0001533 and RSE Registration Number R1056617. Registered address: Level 5, 477 Pitt Street Sydney NSW 2000. Contact Customer Service Representative: Locked Bag 23, Haymarket NSW 1236. Ph: 1300 654 099. [hipsuper@superpartners.com.au](mailto:hipsuper@superpartners.com.au). [hipsuper.com.au](http://hipsuper.com.au).

The merging entity is Prime Super Pty Ltd ABN 81 067 241 016. AFSL No. 219723. RSE Licence No. L0000277. ABN 60 562 335 823; RN 1000276. Registered address: Level 15, 190 Queen Street, Melbourne VIC 3000. HIP 35598.

Phone 1300 654 099 • [www.hipsuper.com.au](http://www.hipsuper.com.au) • Fax (02) 9375 7878  
Health Industry Plan Postal Address: Locked Bag 23, Haymarket, Sydney NSW 1236

MELBOURNE  
Level 2, Casselden Place  
2 Lonsdale Street  
MELBOURNE

SYDNEY  
Level 5  
477 Pitt Street  
SYDNEY  
Fax (02) 9375 7878

CANBERRA  
Level 2  
11 London Circuit  
CANBERRA

PERTH  
Level 2  
12 St Georges Terrace  
PERTH

ADELAIDE  
Level 2  
104 Frome Street  
ADELAIDE

BRISBANE  
Level 10  
120 Edward Street  
BRISBANE

HOBART  
Ground Floor  
119 Macquarie Street  
HOBART

DARWIN  
c/- Level 2  
104 Frome Street  
ADELAIDE

Trustee: Private Hospitals Superannuation Pty Ltd | ABN 59 006 792 749 | AFSL 247063 as the Trustee of Health Industry Plan (HIP) ABN 50 030 598 247

Association or the NSW Nurses and Midwives' Association. Prime Super will advise you of the new Board appointees when they send you your annual statement in late August. The appointment of these independent Directors to the Board of Prime Super will provide direct health and aged care experience and representation to the Board of Prime Super, and is aimed at ensuring your interests are considered by the Board in its decision making process.

## Fee Disclosure

It has been identified that the costs to members of HIP have not been fully disclosed.

The total of fees and costs are as follows:

### Asset fees

In addition to the asset fees disclosed in the Product Disclosure Statement an additional fee has been incurred by the members. The additional asset fees have arisen due to the fact that the costs of running the Fund exceed the revenue derived from the disclosed asset fee charged to members. These fees have been charged via a deduction from the investment earnings of the Fund prior to them being credited to members. Previous communications to members have not included details of the additional asset fees.

The additional asset fees for the last three years are as follows:

Year ended 30 June 2012	0.29% p.a.
Year ended 30 June 2013	0.21% p.a.
10 months ended 30 April 2014 (estimated)	0.34% p.a.
<b>Three Year Average</b>	<b>0.28% p.a.</b>

The total asset fees for the last three years are therefore as follows:

	Disclosed	Undisclosed Asset Fee			Total Asset Fee		
	Asset Fee	2014 Estimate	2013	2012	2014 Estimate	2013	2012
First \$500,000	0.45%	0.34%	0.21%	0.29%	0.79%	0.66%	0.74%
Over \$500,000 to \$1m	0.35%				0.69%	0.56%	0.64%
Over \$1m to \$1.5m	0.25%				0.59%	0.46%	0.54%
Over \$1.5m	0%				0.34%	0.21%	0.29%

### *Example of total asset fees for the last three years:*

This table below gives an example of how the disclosed and undisclosed asset fees would affect an Income Stream member with an account balance of \$500,000.

	Disclosed Asset Fee	Undisclosed Asset Fee	Total Asset Fee
<b>2012</b>	0.45%	0.29%	0.74%
<b>2013</b>	0.45%	0.21%	0.66%
<b>2014 Estimate</b>	0.45%	0.34%	0.79%

Investment indirect cost ratio:

HIP Growth option	0.85%
Capital Stable option	0.61%
Cash option	0.25%



## **MERGER WITH PRIME SUPER**

### **HIP is merging with Prime Super**

We are pleased to announce that effective 1 May 2014 HIP will merge with Prime Super to create a fund with more than \$2 billion in assets and 152,000 members.

### **Why the merger is great for HIP members**

We remain committed to providing members with the stability and service that they expect from us. However, the costs of administering a super fund have increased significantly in the last few years. We have found that the administration fees we disclosed to members have not covered the costs of running the Fund. This shortfall has been met through a reduction in the investment returns to members (as described above).

Rather than continue this practice, we were faced with the reality of having to substantially increase member fees or find a partner to merge with so that the Fund could benefit from economies of scale. The merger with Prime Super offers this, and more, and positions members well for the future. Through the merger with Prime Super we will be able to provide members with improved services whilst ensuring that we will not be so large that we will lose focus on what is important to our members and employers.

### **What are the benefits of a merger with Prime Super?**

- Lower costs to members – every member will be better off, regardless of account balance
- More flexibility in investment choice options
- Improved online access
- Better member and employer services
- Public offer fund available to family and friends
- The same great insurance benefits

Like HIP, Prime Super is a national industry super fund where the members' interests come first. Prime Super has over 130,000 members and 40,000 employers. The merger will also provide HIP members with greater regional support and access to super education.

### **New contact details from 1 May 2014**

There will be new contact details from 1 May when the merger with Prime Super is official. Please update your records to avoid any delays or inconvenience.

<b>Postal address:</b>	Locked Bag 5103, Parramatta NSW 2124
<b>Freecall:</b>	1800 675 839
(International)	+612 9374 3967
<b>Freefax:</b>	1800 023 662
(International)	+612 9372 6210
<b>Email:</b>	administration@primesuper.com.au
<b>Web:</b>	www.primesuper.com.au

### **More investment choice options from 1 May 2014**

When HIP merges with Prime Super, your savings will be transferred into the investment options that are most closely aligned with the options you are currently invested in.

Current HIP investment options	To be transferred to	Prime Super investment options
Growth option	→	Balanced option
Capital stable option	→	Conservative option
Cash option	→	Cash option

The names of the investment option may be different, however, the same broad parameters of the investment options remain the same. These transfers will be made automatically, and you do not need to do anything.

You will also receive information about Prime Super's range of investment options in your welcome letter and will have the opportunity to change investment options at that time.

### Limited processing period for transactions

As part of the merger, your account will be transferred to a new administration provider. This is a complex task and there will be a period of time where access to member information or services may be limited and you may experience delays in paying contributions or viewing your account details. This limited processing period is expected to take place between **24 April 2014** and **2 June 2014**.

For Income Stream members, this means that during this period;

- There will be no lump sum withdrawals or rollovers/transfers out of your account,
- Your account balance will be unavailable, and
- You can't change any details on your account.

If you wish to rollover or transfer your account to another fund prior to the merger, you must send us your request and all required information by close of business on **24 April 2014**. Contact us for information about how to rollover or transfer your account.

If we do not receive your request by close of business on 24 April 2014, Prime Super will process your rollover or transfer after the limited processing period.

Under the merger with Prime Super, the HIP insurance policy is being transferred and your current insurance will continue. If you transfer to another fund, your insurance with HIP will be cancelled and the new fund may not automatically give you insurance cover. If you are considering transferring to another fund, you should consider obtaining independent advice about whether this will affect you before you make a decision.

If there is any change to these dates or any further impact on the service we provide to you, we will do our best to let you know via the HIP website ([www.hipsuper.com.au](http://www.hipsuper.com.au)) until 30 April 2014 and the Prime Super website ([www.primesuper.com.au](http://www.primesuper.com.au)) from 1 May 2014.

### Income Stream payment dates

As part of this transition to Prime Super, there will be some slight changes to your payment dates.

Your final income stream payment from HIP will be on **29 April 2014**. Your first payment from Prime Super will be between **24 May 2014** and **28 May 2014**. From June onwards, your payments will be made on the 15<sup>th</sup> of every month.

## Online services

There will be a new online service system for members to use called *MemberOnline* from 2 June 2014. You will need to register for a *MemberOnline* account.

To do this you will need your HIP member number, full name, date of birth and your postcode.

## Your member account and fees

As previously advised, your HIP member account will be transferred to the HIP division of Prime Super effective 1 May 2014, and new fees will apply. A comparison of fees is detailed in the table below.

	Current fees – HIP*	New fees – Prime Super																								
Investment fees	Nil	Nil																								
Asset fees	<div>A percentage of your account balance depending on your account balance</div> <table><tr><th>Balance</th><th>% charged</th></tr><tr><td>&lt;\$500,000</td><td>0.45</td></tr><tr><td>over \$500,000 - \$1m</td><td>0.35</td></tr><tr><td>over \$1m - \$1.5m</td><td>0.25</td></tr><tr><td>over \$1.5</td><td>Nil</td></tr></table>	Balance	% charged	<\$500,000	0.45	over \$500,000 - \$1m	0.35	over \$1m - \$1.5m	0.25	over \$1.5	Nil	\$1.40 per week (\$72.80 p.a.) plus 0.5% p.a. of your account balance to \$100,000, then nil on amounts over \$100,000														
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Switching fee	Nil for the first switch, then \$20 for every subsequent switch in the same calendar year	Nil for the first switch, then \$60 for every subsequent switch in the same calendar year																								
Exit fee	Nil	Nil, unless your balance is transferred to an ERF, them \$10 is charged																								
Other fees and costs																										
Establishment fee The fee to open your account	Nil	Nil																								
Contribution fee (entry fee) The fee on each amount contributed by you or your employer	Nil	Nil																								
Withdrawal fee The fee on each amount you take out of your account	Nil	Nil																								
Indirect cost ratio Calculated as at 30 June 2013 and may vary year-to-year	<table><tr><td>Growth</td><td>0.85%</td></tr><tr><td>Capital Stable</td><td>0.61%</td></tr><tr><td>Cash</td><td>0.25%</td></tr></table>	Growth	0.85%	Capital Stable	0.61%	Cash	0.25%	<table><tr><td>Balanced</td><td>0.68%</td></tr><tr><td>Managed Growth</td><td>0.76%</td></tr><tr><td>Conservative</td><td>0.40%</td></tr><tr><td>Alternatives</td><td>0.88%</td></tr><tr><td>Australian Shares</td><td>0.62%</td></tr><tr><td>International Shares</td><td>0.73%</td></tr><tr><td>Property</td><td>1.22%</td></tr><tr><td>Fixed Interest</td><td>0.25%</td></tr><tr><td>Cash</td><td>0.20%</td></tr></table>	Balanced	0.68%	Managed Growth	0.76%	Conservative	0.40%	Alternatives	0.88%	Australian Shares	0.62%	International Shares	0.73%	Property	1.22%	Fixed Interest	0.25%	Cash	0.20%
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\* Please note that the fees levied by HIP do not cover the cost of administering the Fund. A deduction is made from the investment reserve prior to the crediting of interest to members. For the last three years the average deduction from the investment reserve was approximately 0.28%. This deduction should be taken into account when considering the overall fees paid by you as a member of the Fund.

The table below illustrates the comparison of fees and costs for a range of Super members' account balances, taking into account the total costs to members:

Account balance	HIP annual fee <sup>1</sup>	Prime Super annual fee <sup>2</sup>	Difference
\$50,000	\$790.00	\$662.80	\$127.20
\$100,000	\$1,580.00	\$1,252.80	\$327.20
\$250,000	\$3,950.00	\$2,272.80	\$1,677.20
\$500,000	\$7,900.00	\$3,972.80	\$3,927.20
\$750,000	\$11,600.00	\$5,672.80	\$5,927.20
\$1,000,000	\$15,300.00	\$7,372.80	\$7,927.20
\$1,500,000	\$22,200.00	\$10,772.80	\$11,427.20

- HIP fees are calculated as follows: Asset fee based on account balance as follows:  
First \$500,000 0.45%  
Over \$500,000 to \$1m 0.35%  
Over \$1m to \$1.5m 0.25%  
Over \$1.5m Nil  
*plus* an Indirect Cost Ratio of 0.85% for the Growth option  
*plus* an undisclosed Asset fee of 0.28% being the average for the last three years.
- Prime Super fees are calculated as follows: Administration fee of \$1.40 per week (\$72.80 p.a.) plus 0.5% p.a. of your account balance to \$100,000, then nil on amounts over \$100,000 *plus* an Indirect Cost Ratio of 0.68% for the Growth option.

### What's next?

After the merger, you will receive an exit statement from HIP showing your account balance as at 30 April 2014. You will also receive a welcome letter from Prime Super and a product disclosure statement explaining your rights as a member of Prime Super. Please review and consider this important information carefully.

If you are a new member having joined since 11 April 2014, you will receive a Prime Super Product Disclosure Statement within 90 days as required by superannuation law, or you can access this information now at [www.primesuper.com.au](http://www.primesuper.com.au).

If you have any questions or would like further information on the issues contained in this notice, please call our information service on **1300 654 099**. To view the latest updates from HIP, visit the Newsboard section of the website at [www.hipsuper.com.au](http://www.hipsuper.com.au). Alternatively you can write to us at: Locked Bag 23, Haymarket NSW 1236.

Yours sincerely,



**Sirran Syme**  
Acting Chief Executive Officer  
Health Industry Plan