

Important information for members

Stronger Super changes



The Government is making some changes to the superannuation system that it believes will reduce costs, improve efficiency and provide better retirement outcomes for Australians. Although there are a number of initiatives, the MySuper initiative will have the greatest impact on super fund members.

Key points

- Prime Super will offer a MySuper product from 1 July 2013 (subject to approval from APRA).
- All members whose **total** account balance is invested in the Fund's current Default option must, by law, be automatically transferred to the new MySuper option. This will start from 1 July 2013 and affects over 90% of members.
- The MySuper option will have the same investment objectives, asset allocation and insurance benefits as the current Default option. It will, however, have a different fee structure, to comply with new legislation. Please refer to the table on page 3 for further details.
 - This means that from 1 July 2013, members with account balances of more than \$100,000 who are invested solely in the Default option will be better off remaining in that option.
- If you are invested solely in the Default option you can choose to remain in that option rather than automatically being transferred to MySuper by completing the attached *Balanced investment option election form*.
- The current Default option will be renamed the Balanced option and will be offered as a separate investment option from 1 October 2013.
- Details on the MySuper option will be available in a Short-Form Product Disclosure Statement (PDS) which will be available on our website www.primesuper.com.au from mid-March 2013.

What you need to do

If you're invested 100% in the Default option

If you have a larger account balance and are invested 100% in the Default option, you should consider completing the *Balanced investment option election form* at the back of this notice and send it back to us.

If part of your super is invested in the Default option

If only a portion of your balance is invested in the Default option, there is no need for you to do anything. Any money invested in Default will remain in that option.

See overleaf for a detailed explanation of the changes.



What is MySuper?

According to the Government, MySuper is a new, simple superannuation product that is designed to replace existing default products. All MySuper products will have a similar set of features, irrespective of who provides them, which should enable members to compare products across funds more easily.

The key features of MySuper will be:

- A single diversified investment strategy.
- Comparable data on long-term net returns.
- New heightened duties for trustees.
- Restrictions on some fees (including new standards on performance fees to fund managers, some banned commissions and a ban on entry fees).
- A reasonable allocation of costs between MySuper and other products.
- Life and total and permanent disability (TPD) insurance offered on an opt-out basis.
- Standardised reporting requirements.

Funds will be allowed to offer MySuper products from **1 July 2013**.

When will MySuper be offered by Prime Super?

Subject to approval by APRA, Prime Super intends to offer a MySuper product from 1 July 2013.

This means that from 1 July 2013 any member who joins the Fund and does not make an investment choice will be placed in the MySuper option.

What will Prime Super's MySuper option look like?

Prime Super's MySuper option will replicate the existing Default option but with a few adjustments made to the fee structure in order to comply with new legislation.

The MySuper option will have:

- The same investment strategy and asset allocation as the existing Default option.
- The same insurance benefits for members as the existing Default option.
- A different fee structure to the Default option – the Member fee will not be capped, instead it will apply to the total account balance in the MySuper option.

The Short-Form PDS for the MySuper investment option will be available from mid-March 2013 and will be available on our website.

What's happening to the current Default option?

From 1 October 2013, Prime Super's Default investment option will be renamed the Balanced option and offered to members as an investment choice option (that is, members can still elect to invest in it). All other features of the option will remain the same.

What will happen to members currently invested in the existing Default investment option?

Starting from 1 July 2013, Prime Super will be transferring all existing members whose total account balance is invested in the Default option to the MySuper option as required by law.

By law, we are required to give members at least 90 days' written notice before we transfer them to the MySuper option. This means that existing members will only be transferred 90 days after receiving this notice starting 1 July 2013 with the final transfer of existing members made on 1 October 2013. The transfer of monies from the Default option to the MySuper option will be done at no cost to members.

Please note that members invested in the Default option can elect not to have their balance transferred to the MySuper option by completing the attached *Balanced investment option election form*.

If you would like to transfer your money to another investment choice option, please complete an *Investment choice form* available on our website.

What happens if I only have a portion of my balance invested in the Default option?

If you only have a portion of your account invested in the Default option, your money will not be transferred into the MySuper option.

Prime Super's MySuper investment option

Prime Super's MySuper and Default options in detail

	Default option (Renamed Balanced option from 1 October 2013)			MySuper option (From 1 July 2013)			
Investment objective	To outperform the Consumer Price Index (after tax and investment expenses) by at least 4% p.a. over the long-term. To limit the likelihood of a negative return to approximately 5 in 20 years.			To outperform the Consumer Price Index (after tax and investment expenses) by at least 4% p.a. over the long-term. To limit the likelihood of a negative return to approximately 5 in 20 years.			
Asset allocation	Asset class	Ranges (%)	Target (%)	Asset class	Ranges (%)	Target (%)	
	Aus. shares	5.0 - 40.0	25.5	Aus. shares	5.0 - 40.0	25.5	
	Int. shares	5.0 - 35.0	16.5	Int. shares	5.0 - 35.0	16.5	
	Emerging markets	0.0 - 10.0	5.0	Emerging markets	0.0 - 10.0	5.0	
	Cash	0.5 - 30.0	6.5	Cash	0.5 - 30.0	6.5	
	Aus. fixed interest	0.0 - 15.0	7.5	Aus. fixed interest	0.0 - 15.0	7.5	
	Int. fixed interest	0.0 - 15.0	1.5	Int. fixed interest	0.0 - 15.0	1.5	
	Infrastructure	0.0 - 25.0	15.0	Infrastructure	0.0 - 25.0	15.0	
	Property	0.0 - 22.5	12.5	Property	0.0 - 22.5	12.5	
	Private equity	0.0 - 7.5	3.0	Private equity	0.0 - 7.5	3.0	
	Credit opportunities	0.0 - 15.0	7.0	Credit opportunities	0.0 - 15.0	7.0	
	Other Alternatives	0.0 - 5.0	0.0	Other Alternatives	0.0 - 5.0	0.0	
	Total			100.0	Total		
Fee structure	Account keeping fees			Account keeping fees			
	Establishment fee	nil		Establishment fee	nil		
	Contribution fee	nil		Contribution fee	nil		
	Withdrawal fee - To 30 June 2013 - From 1 July 2013	\$70 for the first & \$30 for subsequent* nil		Withdrawal fee	nil		
				Investment switch fee	nil for first switch \$60 for subsequent switches		
	Investment switch fee	nil for first switch \$60 for subsequent switches		Termination fee	nil [#]		
	Termination fee	nil [#]		Management costs			
	Management costs			Member fee	\$1.40 per week, plus 0.50% p.a. of account balance		
	Member fee	\$1.40 per week, plus 0.50% p.a. of account balance to \$100,000 then nil on amounts over \$100,000					
Investment costs	Indirect Investment costs			Indirect Investment costs			
	Investment manager (ICR) fee	0.60% p.a.^		Investment manager (ICR) fee	0.60% p.a.^		
Insurance benefits	Default cover is 2 units charged at \$1.50 per member per week for death and total and permanent disability cover.			Default cover is 2 units charged at \$1.50 per member per week for death and total and permanent disability cover.			
	Benefit amounts vary depending on the age of the member. Please see the current Short-form PDS for benefit amounts.			Benefit amounts vary depending on the age of the member. Please see the current Short-form PDS for benefit amounts.			

* Unless the payment is a retirement, death, total and permanent disability, compassionate or hardship benefit payment.

A \$10 fee is charged if a member's balance is transferred to an Eligible Rollover Fund.

[^] This is the Investment option ICR cost which is a percentage of a member's account balance depending on the investment option chosen. This amount changes each year. This cost is not charged to you directly. It is deducted from investment earnings prior to the declaration of crediting rates.

Members with account balances over \$100,000 will be better off in the Balanced option

Because the MySuper product has a different fee structure to the current Default option, members with large account balances (more than \$100,000) invested 100% in the Default option prior to 1 July 2013 will be charged more in fees when their account balance is transferred to the MySuper option.

Currently Prime Super caps its Member fee. However, the Government does not allow MySuper fees to be capped, therefore, the Member fee in the MySuper option will apply to the whole account balance. This means members with an account balance of more than \$100,000 invested in the MySuper option will end up paying a higher Member fee than if they were invested in the Balanced option.

Yearly fees* for a member with an account balance of \$150,000	Balanced option	MySuper option
Contribution fee	nil	nil
Withdrawal fee	nil	nil
Member fee	\$1.40 x 52 = \$72.80, plus 0.50% x \$100,000 = \$500	\$1.40 x 52 = \$72.80, plus 0.50% x \$150,000 = \$750
Indirect Investment manager ICR fee**	0.60% x \$150,000 = \$900	0.60% x \$150,000 = \$900
Total fees	\$1,472.80	\$1,722.80
Difference in fees		-\$250

* Other fees and charges may apply. Please refer to the current Short-form PDS for more information.

** This cost is not charged to you directly. It is deducted from investment earnings prior to the declaration of crediting rates.

So rather than having members disadvantaged by these new MySuper fee requirements, we are encouraging all members with large account balances invested in the current Default option to elect to remain in that option.

If you wish to remain in the Default option rather than being transferred to the MySuper option from 1 July 2013, please complete the attached *Balanced investment option election form* and send it back to us.

If Prime Super knows that members with over \$100,000 are going to be disadvantaged by the MySuper fee structure, why doesn't it just keep members in the Default option?

The new legislation requires all super funds to transfer all members with 100% of their account balance invested in the Default option to the MySuper product regardless of whether the member is worse off. Unfortunately the law does not allow us to automatically transfer members to other investment choice options without the member's express written consent. So even though this may seem like a simple transfer, legally, we can only make the transfer if you complete the attached *Balanced investment option election form* and send it back to us.

Other important changes – Operational Risk Reserve

What is the Operational Risk Reserve?

From 1 July 2013, all super funds must build up an Operational Risk Reserve (ORR) (in addition to the existing administration and investment reserves) to cover potential losses arising from operational risks that may affect the Fund's business operations. The Government defines an *operational risk* as 'the risk of loss resulting from inadequate or failed internal processes, people and systems, and/or from external events.'

The ORR will be drawn upon where there has been a significant cost to the Fund (greater than 0.05% of total assets of the Fund) as a result of an *operational risk*.

How will Prime Super build up its ORR?

As legislatively required of all funds, Prime Super will start building up its ORR from 1 July 2013. As required by APRA, the ORR will be set at a target amount of 0.25% of the total value of the Fund as at 30 June each year. This amount will be established over a three year transition period by transferring a portion from members' accounts to the ORR. The amount to be transferred will be calculated in the following manner:

- 0.10% p.a. of each member's account balance will be transferred as at 30 June 2014, 30 June 2015 and 30 June 2016; and
- if a member exits the Fund between 1 July 2013 and 30 June 2016, 0.10% p.a. of the member's account balance pro-rated for the period from the last 30 June to the date the member exits the Fund, will be transferred to the ORR.

Will the ORR need be replenished in the future?

We will assess the level of the ORR at least annually at 30 June each year. If the balance of the ORR falls below 0.25%, we may top up the ORR by either:

- a transfer of funds from the existing Administration Reserve; or
- if the balance falls below a tolerance limit (as determined by the Trustee) or an adverse significant event occurs, through the implementation of a Replenishment Plan which will involve levying a direct charge on members over a period of no more than three years.

What are the rights of exiting members?

The maintenance of an ORR is a legislative obligation imposed on all super funds and members that exit the Fund are not entitled to any share of the ORR when they leave.

Questions or concerns?

If you've got any questions or concerns, please contact your Regional Manager or our customer service centre on **1800 675 839**.

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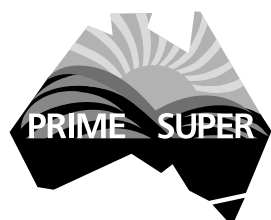
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asfa member



Prime Super Balanced investment option election form

This form is for members who DO NOT want to have their account balance transferred to the MySuper option (subject to approval by APRA). By completing this form, your account balance will remain in the Default option (to be renamed the Balanced option from 1 October 2013).



SECTION 1 – PERSONAL DETAILS

Member Number	Date of Birth (DDMMYYYY)	Tax File Number (TFN)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Surname	Title	
<input type="text"/>	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Miss <input type="checkbox"/> Mr <input type="checkbox"/> Dr	
Given Names	Gender	
<input type="text"/>	<input type="checkbox"/> Male <input type="checkbox"/> Female	
Residential Address		
<input type="text"/>		
<input type="text"/>		
Suburb/City/Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>
Phone Number (BH)	Phone Number (AH)	Mobile Number
<input type="text"/>	<input type="text"/>	<input type="text"/>
Email		
<input type="text"/>		
Name of Employer		
<input type="text"/>		
Occupation		
<input type="text"/>		

SECTION 2 – YOUR INVESTMENT CHOICE

- ☒ Yes, please retain all amounts currently invested in the Default option.
I do not want my account balance transferred to the MySuper option.

SECTION 3 – MEMBER DECLARATION

I declare that:

- I understand that if I fail to complete this form correctly, the Trustee may be unable to process this request and my account balance invested in the Default option will be transferred to the MySuper option (subject to approval by APRA).

Full Name	Date (DDMMYYYY)
<input type="text"/>	<input type="text"/>
<input type="text"/>	

Member Signature

WHERE TO SEND THIS FORM

Once completed please return this form to us via mail.

Mail Prime Super
Locked Bag 5103
Parramatta NSW 2124

If you have any questions about this form or Prime Super please call us on **1800 675 839**
(8.00am to 8.00pm Monday-Friday Sydney time).

