

Significant Event Notice to First Super members

30 August 2019

This document contains important information for members about incoming changes that may affect their First Super accounts. It includes events that impact, and changes to, the information provided within the Product Disclosure Statements (PDSs) of those products, including the associated supplementary documents.

All changes will be incorporated within subsequent releases of the PDSs, which will be available at firstsuper.com.au/pds.

The past year has seen another raft of new legislation and developments in the superannuation industry. This Significant Event Notice provides details of those changes and what they mean for First Super members, as follows:

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Review of First Super insurance cover fees

This notice explains the changes that will be made to the current insurance arrangements described in the First Super Insurance Product Disclosure Statement. These will be effective and published in the updated Insurance PDS as at 1 November 2019 from firstsuper.com.au/pds.

What is changing?

Insurance inside superannuation fee changes

Commencing from 1 November 2019, costs will increase for Death, Total and Permanent Disablement (TPD), and Income Protection (IP) insurance. These increases are as a result of the recent introduction of Protecting Your Super Package legislation* coupled with claims experience. The increase is a fixed percentage increase dependent on age, occupation and risk rating (standard/low/professional).

When you first joined First Super, you received cover automatically for 4 units of Death and TPD insurance (provided you were aged between 11 and 69 years of age). The cost for 4 units of cover was \$9.24 per week (\$4.24 per week for low risk rates and \$3.84 per week for professional rates), subject to eligibility conditions being met.

With recent changes as part of the Protecting Your Super Package legislation*, your insurance cover also may have changed from the default cover provided when you first joined.

How will this change impact me?

Our insurer, MetLife has confirmed that insurance rates for Death and TPD will increase by 21.4% and Income Protection by 4.3% from 1 November 2019.

Costs for 4 units of Death and TPD cover will now be \$11.22 per week (\$5.15 per week for low risk rates and \$4.66 per week for professional rates), subject to eligibility conditions being met.

*For more information about the Protecting Your Super Package legislation please see page 4 of this document, our web page firstsuper.com.au/protecting-your-super or contact our Member Services Team on **1300 360 988**.

Where can I get more information?

Further information can be found on our website at firstsuper.com.au/pds or by contacting our Member Services Team on **1300 360 988**.

Transition to Retirement: limit on opening accounts

This notice explains a new Fund rule relating to Transition to Retirement Allocated Pension Accounts (TTR Pensions) that may impact members. These will be effective and published in the updated Allocated Pension Product Disclosure Statement as at 1 November 2019 from firstsuper.com.au/pds.

What is changing?

First Super Transition to Retirement – new Fund rule

Commencing from 1 November 2019, the Fund will implement a new rule on how many Transition to Retirement Allocated Pension Accounts (TTR Pensions) can be opened during each financial year period in line with the Fund's overall goal of promoting a dignified retirement for members.

How will this change impact me?

A TTR Pension, also known as an 'income stream', is a way for a member to access their super while they are still working. The member must have reached their preservation age to start a TTR Pension.

The TTR Pension was designed to enable people to start reducing their working hours once they reach preservation age but keep earning a regular income. This way, the member can supplement their reduced income via funds from their TTR Pension. The idea is that members either work less or maximise their superannuation contributions but retain the same standard of living that they have with the equivalent or new targeted level of income.

The Fund will set a limit of two (2) TTR Allocated Pension Accounts that can be opened each financial year.

Where can I get more information?

Further information can be found on our website at firstsuper.com.au/ttr or by contacting our Member Services Team on **1300 360 988**.

Changes due to Protecting Your Super Package legislation

In February 2019, the Federal Government passed legislation to support the Protecting Your Super Package introduced in the 2018/19 Budget.

The Protecting Your Super Package introduces several measures that are designed to ensure that members' super balances are not eaten into by unnecessary fees and charges:

- Removal of exit fees
- Capping of fees
- Inactive low-balance account transfers to the ATO
- Cancellation of insurance cover on inactive member accounts.

Removal of exit fees

From 1 July 2019, Australian super funds will no longer be able to charge exit fees on any super account. As such, as of 1 July 2019 First Super has removed all its exit fees for full or partial account withdrawals.

The Fund did not previously charge exit fees for retirement benefits, death and disablement benefits, or financial hardship and compassionate payments.

Capping of fees

Have you got less than \$6,000 in a super account?

From 1 July 2019, there will be a limit on the amount of administration fees, investment fees and indirect costs that can be charged to members with an account balance of below \$6,000. The total combined amount of these fees will be capped at a maximum of 3% of that member's account balance.

If your First Super account falls into this category, you don't need to do anything to activate the fee cap – we will process that for you automatically.

Inactive low-balance account transfers to the ATO

If you haven't made a contribution to your First Super account for 16 months and have a balance below \$6,000, then we may need to transfer it to the Australian Taxation Office (ATO).

Under the new legislation, super funds will need to identify inactive accounts of less than \$6,000 as at 30 June 2019, then transfer these funds to the ATO by 31 October 2019. The ATO will then try and reunite these funds with each member's active account elsewhere.

After 31 October 2019, these transfers to the ATO will become an ongoing process for any member's low-balance account that has been inactive for a period of 16 months or more at 30 June or 31 December every year.

Will I be affected by this change?

Your account may be transferred to the ATO if:

- your account balance is less than \$6,000;
- we have not received a contribution or rollover to your account for 16 months;
- you have no insurance cover; and
- you have not met a prescribed condition of release.

However, an inactive low-balance account is deemed to be active if any of the following have occurred within the past 16 months:

- you changed your investment option(s);
- you changed your insurance cover;
- you made or amended a binding Nomination of Beneficiary;
- you notify the ATO in writing that you are not a member of an inactive low-balance account (you can do this through First Super); or
- First Super was owed an amount in respect of your account (e.g. unpaid Superannuation Guarantee contributions).

What happens if my account balance is transferred to the ATO?

If your inactive First Super balance is transferred, the ATO will keep your money safe and you won't pay any fees. Within 28 days of receiving your money, the ATO will try to reunite it with an active super account if you have one, and where the transfer would take your total balance to \$6,000 or more.

If they cannot reunite it with an account in your name, when you claim this amount as "lost super", any interest due will be paid to you. Interest is based on the Consumer Price Index (CPI).

If your account is transferred, you will no longer be a member of First Super. This means you will also lose any insurance cover you have, so you will no longer be covered for Death (including terminal illness), Total and Permanent Disablement (TPD), and Income Protection (if you selected it).

Changes due to Protecting Your Super Package legislation

(Continued)

Cancellation of insurance cover on inactive member accounts

When you joined First Super, you automatically received a 'default' level of cover for Death and Total and Permanent Disablement (TPD). The level of default cover you receive depends on your age and employment type.

From 1 July 2019, all super funds will have to switch off a member's insurance cover when their account has been inactive for 16 months, regardless of account balance.

For the purposes of this law, an account is considered "inactive" when:

- First Super has not received a payment (such as a rollover or contribution) to your account within the past 16 months; and
- you have not elected to keep your insurance inside super.

From 1 July 2019, all super funds must write to members when their account has been inactive for 9, 12 and 15 months notifying them of their risk of having their insurance cover cancelled.

What happens if I'm affected?

If you are affected by this change, First Super will write to you with more information and about the action you need to take to keep your insurance cover.

If you don't elect to keep your insurance and your account doesn't receive any payments, your First Super insurance cover will end on the date we advise you that follows a continuous period of 15 months during which we have not received a contribution or rollover into your account.

Your insurance cover will continue until it is cancelled. Your rights to be covered by insurance remain unaffected until the end of the period for which premiums have been charged (subject to eligibility criteria).

Where do I get more details?

You can find more details about these changes on our dedicated Insurance and Inactive Member Accounts web page – firstsuper.com.au/inactive_insurance. Alternatively, for help on this or any other super matter, please contact our Member Services Team on **1300 360 988** or mail@firstsuper.com.au.

Work Test Exemption rules

The Australian Taxation Office has updated its Work Test Exemption rules to be effective from 1 July 2019.

There are age-related conditions under which a super fund can accept member contributions.

If you are between 65 and 74 years old at the end of the income year in which you made the contribution, you need to satisfy a Work Test or meet the Work Test Exemption criteria in each financial year that you make a contribution in order for your fund to accept the contribution for which you can claim a deduction.

To satisfy the Work Test, you must work at least 40 hours during a consecutive 30-day period each financial year in order for your fund to accept a personal super contribution for which you can claim a deduction.

To meet the Work Test Exemption criteria, you must have:

- satisfied the work test in the financial year preceding the year in which you made the contribution,
- a total super balance of less than \$300,000 at the end of the previous financial year, and
- not previously used the Work Test Exemption.

Want to know more?

If you would like to discuss this notice or get help on any other super matter, please contact our Member Services Team on **1300 360 988** or **mail@firstsuper.com.au**. Alternatively, visit our website – **firstsuper.com.au**.

We're here to help, so let's talk.

If you'd like to discuss the information in this document or any other super matter, please contact our Member Services Team today.

Call: **1300 360 988** (Monday to Friday, 8.00am to 6.00pm AEST)

Email: **mail@firstsuper.com.au**

Website: **firstsuper.com.au**



Important information:

This publication was issued by First Super Pty Ltd (ABN 42 053 498 472, AFSL No. 223988), as the Trustee of First Super (ABN 56 286 625 181). This information is of a general nature. It does not take into account your objectives, financial situation or specific needs so you should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this.

Before making a decision about First Super products, you should read the relevant Product Disclosure Statement which is available from www.firstsuper.com.au/pds or by phoning **1300 360 988**.