

# StatePlus Tailored Super Plan & Flexible Income Plan

## Important Changes



Formerly State Super Financial Services

## Changes to the way we disclose our fees

*New regulatory requirements have been introduced across the superannuation and investment industry requiring all super funds to change the way they disclose investment fees, performance related fees and other costs.*

At StatePlus, the way we charge our fees has not changed. However, like all super funds, we now need to disclose a broader range of costs in the calculation and disclosure of our fees and costs that have not been included historically.

The management fees (which are set by us) have not changed. However, the disclosed estimations of the following fees and costs have changed: performance related fees, government costs and levies, and indirect costs. This is due to both the enhanced disclosure requirements and because these estimated fees and costs will change from year to year. We explain, below, how these estimated fees and costs are calculated and why they may change.

We have always factored in all costs in our unit pricing calculations. So the return on your investment has always reflected all of the fees and costs that have been incurred in managing your investment.

This is an industry-wide change, so all super funds need to comply. Our updated disclosure concerning the investment fees and indirect costs of your investment, effective 1 July 2017, is shown below. For clarity, there have been no changes to the rebating of management fees as previously disclosed to you.

## Fees and other costs

The fees and other costs for each Fund offered in the Tailored Super Plan and Flexible Investment Plan are set out below.

| Type of fee  | Amount   | How and when paid  |
|--|--|--|
| Investment fee <sup>1,3</sup>  | <p>The <b>Investment fee</b> comprises of 3 components:</p> <ul style="list-style-type: none"> <li>• Management fee</li> <li>• Performance related fees</li> <li>• Government costs &amp; levies</li> </ul> <p><b>Management fee</b> - Depending on the investment option selected, the amount you pay for each Fund ranges from 0.39% p.a. to 0.77% p.a. (\$195 to \$385 per \$50,000) of the amount you invest in that Fund.</p> <p><b>Plus</b></p> <p><b>Performance related fees</b><sup>6</sup> – depending on the investment option selected a performance related fee<sup>2</sup> will be payable when certain investment managers exceed performance targets. The level of the performance related fee expressed as a percentage of the amount you invest in each Fund is estimated to range from 0.01% p.a. to 0.03% p.a. for the 2016/17 financial year.</p> <p><b>Plus</b></p> <p><b>Government costs &amp; levies</b><sup>2</sup> – depending on the investment option selected these costs and levies are estimated to be 0.01% p.a. for the 2016/17 financial year.</p> <p>See the table on page 3 for the details of these fees and costs for each investment option.</p> | <p>Management fees for unitised Funds are calculated each day, and accrued in the calculation of the unit price of each unitised Fund on each business day and paid monthly. Management fees are deducted from unitised Fund assets at the end of each month.</p> <p>Management fees for a non-unitised Fund are calculated on a monthly basis and deducted from the returns generated by the underlying assets at the end of each month.</p> <p>The rate on the Fixed Term Fund is quoted after these management fees and is locked in for the term of your investment.</p> <p>Performance related fees are calculated and accrued on a regular basis (at least monthly) and incorporated into the calculation of unit prices. Performance related fees are deducted from unitised Fund assets as they become payable typically after a period of one year or longer (in certain circumstances payments may be delayed).</p> <p>Government costs and levies for unitised Funds are calculated each day, and accrued in the calculation of the unit price of each unitised Fund on each business day and paid monthly. Government costs and levies are deducted from unitised Fund assets at the end of each month.</p> <p>Government costs and levies for a non-unitised Fund are calculated on a monthly basis and deducted from the income generated by the underlying assets at the end of each month.</p> <p>The rate on the Fixed Term Fund is quoted after these fees and costs and is locked in for the term of your investment.</p> |
| Administration fee <sup>1</sup>  | Nil  | N/A  |
| Buy- sell spread <sup>1</sup>  | Nil  | N/A  |
| Switching fee <sup>1</sup>   | Nil  | N/A  |
| Exit fee <sup>1</sup>  | Nil  | N/A  |
| Advice fees<br>Relating to all members investing in a particular investment option | Nil  | N/A  |
| Other fees and costs   | An early closure cost may be incurred if your investment in a non-unitised Fund is redeemed before maturity <sup>4</sup> .   | If applicable, early closure costs will be deducted before the withdrawal amount is paid to you.   |
| Indirect cost ratio <sup>1,2,5</sup>   | For the 2016/17 financial year, depending on the investment option selected, estimated to range from 0.00% p.a. to 0.15% p.a. year (\$0 to \$75 per \$50,000) of the amount invested in the Fund.  | For unitised Funds, costs are accrued into the calculation of unit prices when they become known and deducted as they are incurred.<br>For a non-unitised Fund, costs are factored into rates prior to them being confirmed.   |

1. For a definition of each fee see the 'Defined Fees' section at [stateplus.com.au/documents](http://stateplus.com.au/documents)
2. Calculated/estimated for the 2016/17 financial year
3. The investment fee includes costs of access to financial advice. See the 'Costs of financial advice' section under the heading 'Additional explanation of fees and costs'.
4. There are costs associated with closing a Fixed Term Fund investment before maturity. Please refer to the PDS dated 1 July 2017 and the Investment and Fee Booklet dated 1 July 2017 for more information
5. This amount reflects an estimate of the indirect cost ratio for the 2016/17 financial year. The indirect cost information is based on information available and (if applicable) estimates as at the date of issue of the PDS (1 July 2017). Refer to our website, [stateplus.com.au/documents](http://stateplus.com.au/documents), for any updates which are not materially adverse from time to time. The actual indirect cost ratio in any given financial year may be more or less than the amount shown above. See the 'Indirect cost ratio' section under the heading 'Additional explanation of fees and costs'.
6. No performance related fees are currently payable for the Cash, Fixed Interest, Fixed Term, Australian Equities or International Equities Funds. See 'Additional explanation of fees and costs' for more details.

## Additional explanation of fees and costs

### Fees and other costs by investment option

The fees and other costs for each investment option are made up of the following fees and costs:

1. Investment Fee. The Investment Fee is also made up of the following components:
  - a. management fee
  - b. performance related fees
  - c. government costs & levies
2. indirect costs

In addition, an early closure cost may be incurred if your investment in a non-unitised Fund is redeemed before maturity.

How and when you pay these fees and costs is outlined in the 'Fees and other costs' table above. The table below shows an estimate of the total fees and costs (and total estimated corresponding dollar amounts) for the 12 months to 30 June 2017 for each investment option.

**Please note:** that the total fees and costs payable will change from year to year as a result of changes in fees and expenses incurred.

In addition you may have to pay additional transaction or borrowing costs. These are explained further in the 'Other costs and charges' section, below.

The indirect costs, performance related fees, government costs and levies and transactional and operational costs information included is based on information available and (if applicable) estimates of the fees and costs incurred as at the date of issue of the PDS (1 July 2017). You should refer to our website at [stateplus.com.au/documents](http://stateplus.com.au/documents) for any updates to fees and costs which are not materially adverse from time to time.

| Investment option           | Investment Fee  |                          |                           | Indirect cost ratio<br>(estimated)<br>% | Total Estimated investment fees and indirect costs expressed as<br>\$ per \$50,000 |
|-----------------------------|-----------------|--------------------------|---------------------------|---|--|
|                             | Management fees | Performance related fees | Government costs & levies |   |  |
|                             | %               | (estimated)<br>%         | (estimated)<br>%          |   |  |
| Cash Fund                   | 0.39%           | N/A                      | 0.01%                     | 0.00%                                   | \$200  |
| Fixed Interest Fund         | 0.50%           | N/A                      | 0.01%                     | 0.06%                                   | \$285  |
| Capital Stable Fund         | 0.57%           | 0.02%                    | 0.01%                     | 0.06%                                   | \$330  |
| Moderate Fund               | 0.61%           | 0.03%                    | 0.01%                     | 0.10%                                   | \$375  |
| Balanced Fund               | 0.70%           | 0.03%                    | 0.01%                     | 0.13%                                   | \$435  |
| Growth Fund                 | 0.77%           | 0.02%                    | 0.01%                     | 0.15%                                   | \$475  |
| Australian Equities Fund    | 0.77%           | N/A                      | 0.01%                     | 0.15%                                   | \$465  |
| International Equities Fund | 0.77%           | N/A                      | 0.01%                     | 0.12%                                   | \$450  |
| Fixed Term Fund             | 0.50%           | N/A                      | 0.01%                     | 0.02%                                   | \$265  |

## Management fees

The management fee for each investment option is set by us. Currently we do not intend to change these fees. We will give you at least 30 days' notice, as required by law, before changing any of the above management fees.

## Government costs and levies

Superannuation Funds are required to pay levies to the Australian Prudential Regulation Authority (APRA) and accrue an Operational Risk Financial Reserve (ORFR). The ORFR has been established to comply with an APRA requirement for registrable superannuation entity licensees to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations. Our target ORFR has been determined at 0.25 per cent of total funds under management of the Retirement Fund and will be held within the Retirement Fund. Levies payable to APRA and costs of building and maintaining the ORFR represent a cost to investors and are set out in the 'Fees and other costs by investment option' table above. Details of our ORFR are also included in the Annual Report for the Retirement Fund each year.

## Performance related fees

We may pay some investment managers of the Funds a performance related fee for achieving specific targets. This is passed onto you through an increase in the investment fee. Performance related fees are based on the returns a manager delivers. Therefore the amount actually payable in any year will rise and fall depending on the level of performance the manager generates. Performance related fees may be payable to an investment manager even where the performance of a Fund as a whole does not exceed the specified return target for that Fund.

Performance related fees for the last three financial years and forward-looking estimated fees that are expected to apply for later financial years are outlined in the table below. The forward-looking estimated performance related fees are based on the long run expected returns for the investment managers appointed in our current investment strategies. Actual performance related fees paid on a year to year basis will vary and could be materially higher.

Currently performance related fees do not apply to the Cash, Fixed Interest, Australian Equities, International Equities and Fixed Term Funds.

| Investment Option   | FY2015 actual<br>performance<br>related fees<br>% | FY2016 actual<br>performance<br>related fees<br>% | FY2017 actual<br>performance<br>related fees<br>% | Forward looking<br>expected performance<br>related fees range<br>% p.a. |
|---------------------|---|---|---|---|
| Capital Stable Fund | 0.00%   | 0.01%   | 0.02%   | 0.07% p.a.  |
| Moderate Fund       | 0.06%   | 0.02%   | 0.03%   | 0.11% p.a.  |
| Balanced Fund       | 0.13%   | 0.03%   | 0.03%   | 0.11% p.a.  |
| Growth Fund         | 0.16%   | 0.05%   | 0.02%   | 0.11% p.a.  |

Each performance related fee is calculated slightly differently however they all have the following common elements:

- A performance related fee is only payable to a manager if they achieve a target level of return
- Each time a performance related fee is paid the investment manager's portfolio must reach the previous highest value plus the appropriate performance hurdle before a new performance related fee is payable
- Performance related fees are calculated and accrued regularly (at least monthly) and incorporated into the calculation of unit prices. The accrued performance related fee can rise or fall in line with delivered performance
- Performance related fees are typically only payable after a period of one year or longer and in certain circumstance payments may be delayed.

## Indirect cost ratio (ICR)

There are certain expenses that are not deducted directly from your account and are not charged as a fee but are paid from assets of the Retirement Fund and reduce the return on your investment.

These expenses can include a number of different costs such as:

- Securities lending costs
- Explicit transaction costs, such as brokerage
- The costs of managing or administering a fund in which we invest
- Certain over the counter derivative costs.

The total amount of these costs divided by the total average net assets of a Fund is called the Indirect Cost Ratio for that Fund. The actual costs and therefore the ICR will change each year. The amounts shown in the 'Indirect costs' table below are the actual indirect costs incurred in the 2015/16 financial year and an estimate of the indirect costs incurred in the 2016/17 financial year. The indirect costs incurred in any year may differ from those disclosed in the table below. Your periodic statements will include the amount of indirect costs incurred for the relevant period.

## Indirect costs table

| Investment Option           | FY2016 actual ICR <sup>1</sup><br>% | FY2017 ICR (estimated)<br>% |
|-----------------------------|-------------------------------------|-----------------------------|
| Cash Fund                   | 0.02%                               | 0.00%                       |
| Fixed Interest Fund         | 0.03%                               | 0.06%                       |
| Capital Stable Fund         | 0.11%                               | 0.06%                       |
| Moderate Fund               | 0.13%                               | 0.10%                       |
| Balanced Fund               | 0.17%                               | 0.13%                       |
| Growth Fund                 | 0.18%                               | 0.15%                       |
| Australian Equities Fund    | 0.19%                               | 0.15%                       |
| International Equities Fund | 0.09%                               | 0.12%                       |
| Fixed Term Fund             | 0.02%                               | 0.02%                       |

1. In 2015/16 government costs and levies were classified as indirect costs and included in the ICR

## Transactional and operational costs

Transactional and operational costs are a broad category of costs incurred by the Fund that relate to the investment of the Fund's assets. Some of these costs are explicit amounts charged by third parties such as brokers to buy and sell securities, while others are implicit costs, for instance buy/sell spreads incurred by the Fund when converting one currency to another. Transactional and operational costs are generally either deducted from the assets attributable to the Fund at the time they are incurred or reflected in the unit price of the Fund. Transactional and operational costs are an additional cost to you, which are paid to third parties (and not to us).

It is important to note that the amount of transactional and operational costs will vary from year-to-year depending on the type, size and frequency of transactions. In general, illiquid asset classes, for example property and infrastructure, tend to have higher transactional and operational costs compared to more liquid asset classes such as cash and equities. Similarly, actively managed portfolios that trade investments frequently tend to incur greater transactional and operational costs compared to passive strategies which replicate an index.

Examples of some of the explicit and implicit costs included in the transactional and operational costs are:

#### Explicit costs

- Brokerage
- Buy-sell spreads
- Clearing/settlement costs
- Stamp duty & other taxes
- Other acquisition/disposal costs (i.e. commissions)

#### Implicit costs

- Bid offer spreads (fixed income securities)
- Bid/ask spread on direct listed equities
- FX spot conversions

The amounts shown in the 'Transactional and operational costs' table below are an estimate of the transactional and operational costs incurred in the 2016/17 financial year. The amount actually payable in any year may vary from the amounts disclosed in the table below depending on the type, size and frequency of transactions.

#### Transactional and operational costs table

| Investment Option           | (A)<br>Transactional &<br>operational costs<br>(estimated)<br>% | (B)<br>Explicit<br>transactional &<br>operational costs<br>(estimated)<br>% | (C = A – B)<br>Implicit<br>transactional &<br>operational costs<br>(estimated)<br>% |
|-----------------------------|---|---|---|
| Cash Fund                   | 0.00%   | 0.00%   | 0.00%   |
| Fixed Interest Fund         | 0.16%   | 0.06%   | 0.10%   |
| Capital Stable Fund         | 0.09%   | 0.05%   | 0.04%   |
| Moderate Fund               | 0.16%   | 0.09%   | 0.07%   |
| Balanced Fund               | 0.19%   | 0.12%   | 0.07%   |
| Growth Fund                 | 0.21%   | 0.15%   | 0.06%   |
| Australian Equities Fund    | 0.17%   | 0.15%   | 0.02%   |
| International Equities Fund | 0.14%   | 0.12%   | 0.02%   |
| Fixed Term Fund             | 0.00%   | 0.00%   | 0.00%   |

The explicit transactional and operational costs outlined in column B in the table above are included in the Indirect Cost Ratio shown in the fees and other costs table on page 5. The implicit transactional and operational costs outlined in column C in the table above do not form part of the fees and costs shown in the fee and other costs table on page 3.

### Other Costs & charges

#### Borrowing costs

Borrowing costs include costs such as loan establishment fees and ongoing interest payments in relation to borrowings. The majority of these costs relate to investments we have in externally managed investment vehicles, known as interposed vehicles. Borrowing costs are most significant in the illiquid asset classes such as property, infrastructure and private equity, where asset prices can be substantial and borrowing is therefore more common. Borrowing costs for the 2016/17 financial year are estimated to have ranged from 0.00% to 0.05%. Borrowing costs are generally deducted from the assets attributable to the Fund at the time they are incurred. Borrowing costs are an additional cost to you.

**Taxation**

Taxation costs are set out in the 'How super is taxed' section of the Tailored Super Plan PDS issued 1 July 2017 and 'How super in retirement is taxed' section of the Flexible Investment Plan PDS issued 1 July 2017.

A tax deduction is claimed for the investment fees of the Retirement Fund and for expenses incurred by the Retirement Fund, the benefit of which is passed on to members through lower taxation costs and hence reduced investment fees.

**Government charges**

Where applicable, government charges will be deducted from your account. These deductions will be itemised in your annual statement (see the 'Reporting' section of the Retirement Fund Additional Information Booklet, for information regarding your annual statement).

**Goods and Services Tax (GST)**

GST generally applies to the fees, costs and expenses payable by the investment options, including investment fees and other fees payable to StatePlus. The investment options may be entitled to claim a reduced input tax credit (RITC), which represents a proportion of the GST applicable to investment fees and certain other expenses, as set out in the GST law.

Unless otherwise stated, the investment fees and other fees specified in the 'Fees and other costs' table above are inclusive of GST and net of any RITC at the prescribed rate. The table shows the approximate net cost to the investment options of these amounts payable to StatePlus.

**Costs of financial advice**

The management fees in the 'Fees and other costs' table above are not negotiable. From this fee, we provide you with access to a range of product and related services including financial planning. Please see your Statement of Advice from your financial planner for more details.

Dated 7 August 2017

*The information in this notice is general information only and doesn't take into account your financial situation or needs. You may wish to consult your financial planner to obtain financial advice, and you should read the applicable product disclosure statement for the StatePlus Tailored Super Plan or StatePlus Flexible Investment Plan (the '**Products**'), before making any decisions concerning the Products.*

*A paper or electronic copy of the product disclosure statement for any of the Products, their Booklets and any updated information concerning any of the Products (including this notice) may be obtained without charge from your financial planner or by calling 1800 620 305.*