



ZURICH®

Product and investment changes

Zurich Master Superannuation Fund



Product and Investment update

Date of preparation: 5 December 2017

This Significant Events Notice provides members of the Zurich Master Superannuation Fund ('Fund') with a summary of the changes that may affect your investment in the Fund.

The Trustee of the Zurich Master Superannuation Fund (ABN 33 632 838 393 SFN 2540/969/42 Registration No. R1067651) is:

Zurich Australian Superannuation Pty Limited

ABN 78 000 880 553 AFSL 232500RSE

Licence No. L0003216

5 Blue Street North Sydney NSW 2060

Telephone: 131 551

This notice is to be read in conjunction with the Zurich Master Superannuation Fund Annual Fund Report for the year ending 30 June 2017 (available at www.zurich.com.au/annualreports) which further explains the changes. A copy is available free of charge by contacting Zurich Customer Care.

If you have any questions, please contact either your financial adviser or Zurich Customer Care on 131 551.

In this section, ZSP stands for Zurich Superannuation Plan, ZRP stands for Zurich Retirement Plan, ZABP stands for Zurich Account- Based Pension and ZTAP stands for Zurich Term Allocated Pension.

Please note that the information in the following section applies to all investment plans (unless as indicated).

Increase to the minimum Monthly Portfolio Management Charge (ZSP, ZABP and ZTAP clients only)

Effective 1 April 2017 the minimum monthly Portfolio Management Charge for the Zurich Superannuation Plan (ZSP), the Zurich Account-Based Pension (ZABP) and the Zurich Term Allocated Pension (ZTAP) increased from \$21.56 to \$21.88. The cheque fee (ZABP and ZTAP only) has increased from \$7.51 to \$7.62.

As disclosed in the PDS, the increase has been calculated on the Consumer Price Index ('CPI') increase measured over the 12 months ending 31 December of the previous year (ie. 2016). The CPI is the "Weighted Average of Eight Capital Cities Index" published by the Australian Bureau of Statistics.

Non-commutable account-based pension (transition to retirement pension) – closed to new pensioners

The Federal Government in its 2016 Budget announced significant changes to the taxation of superannuation, including superannuation pensions. One change was to introduce tax on earnings for Transition to Retirement (TTR) pensions. From 1 July 2017, the tax rate on earnings for TTR pensions is 15% pa. Unfortunately Zurich was not able to make the modifications to implement the TTR change by the 30 June deadline.

As Zurich was unable to provide a complying TTR pension, effective 28 April 2017, the non-commutable account-based pension (transition to retirement pension) covered on page 15 of the Zurich Superannuation Plan and Zurich Account-Based Pension Fee Guide and Additional Information Booklet, with an issue date of 1 January 2017, was closed to new pensioners.

For existing pensioners, the Trustee decided to transfer Zurich Master Superannuation Fund members with a TTR pension into another complying fund via a Successor Fund Transfer (SFT). This transfer was made on 2 June 2017.

Family law fees - waived from 23 October 2017

With effect 23 October 2017, a decision was made by Zurich to waive fees levied for additional services required in dealing with superannuation benefits under legislation relating to the splitting or flagging of superannuation benefits on divorce.

Zurich reserves the right to charge family law fees in the future. If Zurich does exercise their right to charge family law fees, these fees together with any legal costs incurred by the Trustee may be deducted from the relevant member's account and/or the benefit to be paid to the non-member spouse.

Capital Guarantee – cost of guarantee reduced (ZRP only)

Zurich guarantees the Capital Guaranteed investment option will never declare a negative rate of investment return. Currently there is a maximum deduction of 0.70% from the declared rate of the option for the cost of providing this guarantee.

Zurich conducted a review of fees and charges and is pleased to advise we have been able to reduce the Cost of Capital Guarantee charge from a maximum of 0.70% to a maximum of 0.50%.

This change applies for annual investment returns credited to policies for statement periods beginning on or after 1 January 2017.

Change of investment objectives

During the period, changes to the investment objectives for a number of diversified and single-sector options to include specific return targets together with an update to the Standard Risk Measures were made.

In respect of the changes to investment objectives the Trustee was satisfied these changes:

- were specific and measurable
- reflect the nature of the investment options
- are consistent with previous disclosure documents
- did not reflect a change in the investment strategy of each option

Standard Risk Measures

During the period the Standard Risk Measure ("SRM") for each option was reviewed by third-party organisations to not only ensure compliance with SRM guidelines introduced by industry bodies, but also to take into account the impact of new costs disclosed in compliance with Regulatory Guide 97 ("RG97").

RG97 was issued by the Australian Securities & Investment Commission ("ASIC") to ensure investors are provided with adequate information on the full costs of investing including indirect costs. Under RG97, the indirect cost ratio will be calculated taking into consideration transaction costs and certain investment-related costs. It is important to note the disclosure of these costs do not represent new or increased costs by Zurich, but instead are costs incurred within underlying investments and deducted from investment returns prior to calculation of daily unit prices.

Please refer to the Zurich Master Superannuation Fund Annual Report for further information regarding the current objectives and SRMs for each option. Previous objectives (including SRMs) can be found in last year's annual fund report located online at www.zurich.com.au/annualreports.

Change of Strategic Investment Partners

With effect 17 May 2017, Nikko AM Limited replaced Above the Index Asset Management Pty Ltd as the investment partner for the Australian shares asset class within the Diversified options, including the Capital Stable, Balanced, Managed Growth and Priority Growth options, and for the Australian Value Share option.

With effect 5 December 2017, Sigma Funds Management Pty Limited replaced Ellerston Capital Limited as an investment partner for the Australian shares asset class within the Diversified options, including the Capital Stable, Balanced, Managed Growth and Priority Growth options.

The details of the strategic investment partners for the investment options are in the brochure entitled "Zurich Investments – Global Expertise, Specialist Application, Unique products" or from the website www.zurich.com.au/strategicpartners.

Change to Buy/Sell spread for Global Growth Share option (ZSP/ZABP)

The buy/sell spread for the Global Growth Share option changed following a review of the underlying transaction costs incurred by the fund. Effective 1 December 2017 the buy/sell spread for this option reduced from 0.08/0.08 to 0.06/0.06.

Please refer to the Zurich Superannuation Plan & Zurich Account-Based Pension Investment Option booklet for further information on buy/sell spreads and transaction costs.

Update to ZSP Optional Protection Benefits (ZSP clients only)

Effective from 15 May 2017, Zurich have improved some of the terms of the ZSP Optional Protection benefits. As your policy includes a guarantee of upgrade provision, some improvements made are automatically passed on to you for insured events which occur on or after the effective date of the improvement. In summary, the improvements which may affect your cover are as follows:

Zurich Superannuation Income Protector/Plus

- The Funeral benefit will now pay a lump sum of 4 times the insured monthly benefit in the event of death during a claim.
- If your waiting period is 1 or 2 years because you have salary continuance cover with an employer, you can reduce the waiting period without medical underwriting to 1 year or 90 days if you leave that employer and no longer have the cover.

Zurich Superannuation Income Protector

In addition to the above the following change applies to Zurich Superannuation Income Protector clients only:

- Qualifying for a Total disability or Partial disability benefit under the Zurich Superannuation Income Protector policy is now less onerous. The life insured must be totally disabled for at least five consecutive days during the waiting period in order to qualify, where this qualification period previously extended to the entire waiting period.

Zurich Superannuation Term Life Plus

- If you have Death cover, the definition of terminal illness has been improved so that it is now an advance payment of the Death benefit if the life insured is diagnosed as terminally ill and expected to live for no more than 24 months (certain medical certification requirements apply). The definition currently restricts payments to life expectancy of less than 12 months.

These are only a summary of the improvements. Please refer to the Wealth Protection Policy Updates section of our website zurich.com.au for full details.

Other Significant Notices

Federal Budget 2017 – Superannuation & Retirement update

During the 2017 Federal Budget the Treasurer, Mr Scott Morrison, proposed an opportunity for individuals to access the superannuation system by:

1. Helping individuals to boost their savings for their first home by allowing them to build a deposit inside superannuation; and
2. Encouraging older Australians to downsize from homes that no longer meet their needs by allowing some of the proceeds of the sale of their home to be added to superannuation.

First home super saver scheme

The government proposed that from 1 July 2017, first home buyers will be able to help build a deposit in their superannuation. Voluntary contributions of up to \$15,000 per year, and \$30,000 in total, will attract concessional tax treatment under this scheme. These contributions together with deemed earnings (net of tax) can be withdrawn for a first home deposit.

If eligible, both members of a couple can take advantage of this scheme, making it possible to save a total of \$60,000 towards the deposit of a first home.

Voluntary contributions, which must be made within existing superannuation caps, could include:

- salary sacrificed contributions (concessional contribution);
- personal contributions from after-tax monies for which the individual claims a tax deduction (concessional contribution); or
- personal contributions from after-tax monies for which no deduction is claimed (non-concessional contribution).

If you make a concessional contribution, it will be taxed at 15% rather than your marginal tax rate (assuming you pay more than 15 cents in the dollar tax), and any investment earnings on those super contributions, once the money reaches your super account, are also subject to 15% tax. On withdrawal, you shall be taxed at your marginal tax rates less a 30% tax offset.

If you want to see how you could benefit from the First home super saver scheme, there is a great calculator on the government's budget website at www.budget.gov.au/estimator.

Reducing barriers to downsizing

Unable to invest the proceeds of selling their home into superannuation, older Australians have been discouraged over the years to downsize their larger family home to something that better suits their changing needs. The government has addressed these concerns by announcing individuals aged 65 or over will be able to make a non-concessional contribution of up to \$300,000 from the proceeds of selling their home from 1 July 2018. These new contributions will be in addition to any other voluntary contribution made under the existing contribution rules and caps.

This measure will apply to sales of a principal residence owned for at least the past 10 years. Both members of a couple will be able to take advantage of this measure for the same home, meaning up to \$600,000 per couple can be contributed through the downsizing cap.

Under current rules, individuals are unable to make voluntary non-concessional contributions between the ages of 65 – 74 years, unless they meet the work test; and for those aged 75 or older – voluntary contributions can't be made regardless of whether you are working or not. The good news is, these existing age-based restrictions will not apply to contributions made under the proposed downsizing cap and neither will the restriction on not

being able to make non-concessional contributions if your balance is above \$1.6million.

Whilst having a balance of \$1.6million in your superannuation account won't stop you from making a non-concessional contribution up to the downsizing cap, you should be aware the transfer cap (from accumulation to pension) of \$1.6million will still apply.

At the time of preparing this Annual Fund Report, the First Home Super Saver Tax Bill 2017 and Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures No 1) Bill 2017 (Bills) had been introduced into the House of Representatives, but had not been passed as legislation. You should speak to your adviser for further information.

In addition to these changes, the following announcements were made.

Pensioner Concession Card — reinstatement

Did you cease to become entitled to the Pensioner Concession card following the changes to the pension assets test from 1 January 2017? If so, here's some good news for you.

The Government announced they will reinstate the Pensioner Concession Card for pensioners who were no longer entitled to the pension as a result of those changes.

Reinstating the Pensioner Concession Card will enable pensioners to access Commonwealth subsidised hearing services.

Increase to the Medicare levy

The Medicare levy will be increased from 2% to 2.5% of taxable income from 1 July 2019 to ensure the National Disability Insurance Scheme (NDIS) is fully funded. Other tax rates that are linked to the top personal tax rate, such as the fringe benefits tax rate, will also be increased.

Further information

If you are interested in any of the other announcements from Budget night, Zurich have put together a summary which can be located at www.zurich.com.au.

Changes effective 1 July 2017

As outlined in the 2016 Annual Fund Report, significant changes to super were passed into legislation through the year, most of which apply from 1 July 2017.

These changes include lowering of contribution caps and capping amounts that can be transferred to super.

For more information on changes to contribution caps and other superannuation thresholds, please refer to the ATO website: <https://www.ato.gov.au/Individuals/Super/Super-changes/>

For current and historic Superannuation rates and thresholds go to "News and Views" section on the Superannuation and Retirement page at www.zurich.com.au

Transfers to an Eligible Rollover Fund (ERF)

Where one of the following occurs, a Fund member's benefit may be transferred to an Eligible Rollover Fund ("ERF"):

- The benefit is immediately payable, and we have not been provided with instructions for payment within 90 days from the date the benefit became payable;
- We have lost track of the member (this is usually when we believe a member has not received at least two consecutive statements from Zurich);
- The member does not meet the relevant plan's minimum account balance;
- The member is inactive and has a balance of under \$1,000;
- Members in respect of whom their account balance in the Fund is identified as being an 'accrued default amount' as defined in the Superannuation Industry (Supervision) Act for a period of more than 3 months; or
- The member has engaged in activity which could result in, or has resulted in, financial detriment to other Fund members or beneficiaries ("misconduct").

Superannuation law also allows the trustee to determine other transfer circumstances. The Zurich Master Superannuation Fund's nominated ERF is AUSfund. Where we intend to transfer your benefits to AUSfund, we will provide you with prior notification. If your benefits are transferred:

- you will no longer be a member of the Zurich Master Superannuation Fund and all associated benefits such as insurance (if any) will cease;
- you will instead become a member of AUSfund;
- AUSfund will invest your benefit using a default investment strategy without knowing whether it is appropriate to your needs;
- AUSfund will have a different fee structure;
- AUSfund will not provide death or disablement insurance benefits.

If you are transferred to the AUSfund, you may request access to, or correction of, any personal information held by AUSfund by writing to AUSfund's Privacy Officer. AUSfund's postal address is:

AUSfund Administration

PO Box 543
Carlton South VIC 3053

If you would like further information on AUSfund, please visit their website at unclaimedsuper.com.au call them on 1300 361 798 or email them at admin@ausfund.net.au

Unclaimed superannuation

Broadly speaking if we do not transfer your benefit to an ERF, your superannuation benefit may become unclaimed and paid to the Australian Taxation Office (ATO) if you are:

- over 65 years old, haven't made a contribution for the last two years and have been uncontactable by your fund for five years#
- deceased, haven't made a contribution for the last two years and your fund has been unable to pay the benefit to the rightful beneficiary because they are uncontactable
- a former temporary Australian resident and it has been six months since you left Australia or since your visa expired
- entitled to be paid your ex-spouse's super in a divorce and the fund is unable to contact you
- a lost member* whose account balance is less than \$6,000
- a lost member* whose account has been inactive for 12 months and your fund does not have the information needed to make a payment to you.

You may contact the ATO to claim your benefits should that occur. For further information about unclaimed superannuation and how to claim, please contact your financial adviser or visit the ATO website, www.ato.gov.au.

Generally, for there to be communication between the fund and the member, it needs to be established that both parties sent and received information. Unfortunately, this does not include where the fund has sent the member their annual statement as the fund is unable to verify if the member actually received the statement.

* A person may be a lost member if they have not made a contribution in the last two years and the fund receives returned mail from their last known address.

A change in residency might require Zurich to suspend or terminate your insurance (if any) accordingly.

We and other companies within the worldwide Zurich group of companies have obligations under Australian and foreign laws. Regardless of any other policy terms and conditions, Zurich and the Trustee reserves the right to take any action (or not take any action) which could place us or another company within the group at risk of breaching Australian laws or laws in any other country.

All financial transactions, including acceptance of premium payments, claim payments and other reimbursements, are subject to compliance with applicable trade or economic sanctions laws and regulations.

Zurich may terminate a policy where you are considered to be a sanctioned person, or you conduct an activity which is sanctioned, according to trade or economic sanctions laws and regulations. Further, neither Zurich nor the Trustee will provide any cover, service or benefit to any party if we determine this places Zurich or the Trustee at risk of breaching applicable trade or economic sanctions laws or regulations.

Each policy is based on the legal and regulatory requirements applicable at the time the policy is issued. Should the legal and regulatory requirements change in a material way, Zurich is entitled to adapt the terms and condition to the changed legal and regulatory requirements, provided the change is lawful.

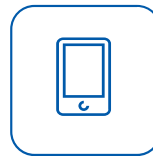
Planning to move overseas?

Please contact us before moving so that we can provide you with further information, and consider taking independent financial and/or tax advice on your circumstances. You may be asked to provide additional information and your details may be passed to relevant government authorities. We can also transfer your details to another Zurich worldwide company to check whether a more suitable product is available if you ask us to do so.

Enquiries and Fund administration

The team at Zurich Customer Care understands the Fund, and are well equipped to answer questions about the Fund and provide extra information, although they are not able to give financial advice.

Please contact Zurich Customer Care in the most convenient way for you:



131 551



**Locked Bag 994
North Sydney NSW 2059**



client.service@zurich.com.au



www.zurich.com.au

Financial advice

Your financial adviser should be your first point of contact for financial advice. Zurich can only provide you with factual information about your plan and how it operates.

**Zurich Australian Superannuation
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