



Product and investment changes

Zurich Master Superannuation Fund



Date of preparation: 10 November 2015

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 232500

RSE Licence No. L0003216

5 Blue Street North Sydney NSW 2060

Telephone: 131 551

Facsimile: 02 9995 3797

This notice is to be read in conjunction with the Zurich Master Superannuation Fund Annual Fund Report for the year ending 30 June 2015 (available at www.zurich.com.au/annualreports) which further explains the changes. A copy is available free of charge by contacting Zurich's Client Service Centre.

If you have any questions, please contact either your financial adviser or Zurich's Client Service Centre on 131 551.

Update: Product and Investment

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).

Superannuation death benefit nominations - enhanced certainty for members

While we all dream of retirement and look forward to the time when we can reap the rewards of a lifetime of hard work, it is important that you plan ahead to ensure your superannuation benefit will be distributed in accordance with your wishes if you die.

To give certainty and remove doubts or confusion about paying your superannuation death benefit there will be a change in the way death benefits are paid **for all current members from 1 July 2016**. From that date Zurich Master Superannuation Fund members (the Fund) will have the following options for deciding how to pay your superannuation death benefit.

1. **Binding death benefit nomination** – If you have a valid binding nomination in place at the time of your death, the trustee will pay your death benefit to your nominated beneficiaries¹ as long as they are your dependants at the time of death, or your legal personal representative (generally the executor of your will). A dependant includes your spouse, child, financial dependant or someone who you are in an interdependency relationship with. Existing valid binding nominations will continue until they expire (3 years after the nomination or renewal).

2. **Reversionary pensioner** – For pension products, at the time you commence your plan, you will be able to nominate an eligible dependant to receive your pension at death. An existing reversionary pensioner nomination already in place will continue to apply.
3. **No nomination** - If you do not have a valid binding death benefit nomination or reversionary pensioner, or if a nominated beneficiary is no longer your dependant at death, the trustee will pay your death benefit (or applicable portion) to your estate, unless the trustee believes that your estate is insolvent.

Where the trustee believes that your estate is insolvent, the superannuation death benefit will be paid to your spouse or, where there is no spouse, to children (equally if more than one).

In instances where a death benefit is paid to the estate, Grant of Probate or letters of administration will not be required where the death benefit is less than \$100,000 (this amount may change in the future).

Previously members could make a non-binding nomination to guide death benefit payments. But superannuation law can require the Trustee to get the views of all potential 'dependants' to determine if the Fund member's wishes can be followed, or to otherwise determine how benefits should be paid. **From 1 July 2016 non-binding nominations will no longer be valid.**

By removing the non-binding nomination option, you will have greater control of who receives your superannuation death benefit. And, removing the need for the Trustee to identify and find beneficiaries, means the death benefit claim can be paid quicker.

Members who had made a non-binding nomination

Non-binding nominations will continue to be used as a guide by Trustees until 30 June 2016 after which time, if it has not been replaced by a valid binding death benefit nomination, death benefits will be paid under the 'No nomination' option above.

How to make a binding death benefit nomination

If you wish to make a binding death benefit nomination complete the form in the Zurich Binding Death Benefit Nomination online brochure at www.zurich.com.au. Or call the Zurich Client Service Centre on 131 551 for a hard copy and return it to Zurich.

Making a binding nomination is an important part of your estate planning strategy and there could be taxation consequences. Therefore, we strongly recommend that you discuss your new binding nomination with your financial adviser.

¹ If you have more than one product through the Zurich Master Superannuation Fund (the Fund), e.g. you have a ZSP and a separate Superannuation Term Life Plus, you will need to make a binding nomination in respect of the benefits attributable to each product. If you hold more than one product within the Fund, but make only one binding nomination, the Trustee is only bound to your instructions in relation to the product for which you have made your nomination.

Binding death benefit nomination – removal of Beneficiary by Category method

To further increase certainty about who receives your death benefit, we are removing the option to make a binding death benefit nomination by Category.

When making a binding death benefit nomination you will need to nominate specific individuals. This allows members to take a 'bigger picture' approach to the distribution of your estate. For example you may wish to provide for some dependants through superannuation benefits but other dependants through non-superannuation assets.

If we are unable to make a payment to a nominated person under superannuation law prevailing at the time of your death, or because the named individual pre-deceased you then we will pay that benefit under the 'No nomination' arrangements mentioned on page 4. For example, if you nominate a spouse who had ceased to be your spouse at the time of your death, that person will not be eligible to receive the benefit unless they can satisfy the requirements of superannuation law – for example, that they were financially dependent on you at the time of death.

Further information

If you have any enquiries regarding your binding nominations, including if you are unsure if the person you wish to nominate is a dependant, please contact your financial adviser or our Client Service Centre on 131 551.

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

Effective 1 April 2015 the minimum monthly Portfolio Management Charge for the Zurich Superannuation Plan (ZSP), the Zurich Account-Based Pension (ZABP), the Zurich Allocated Pension (ZAP) and the Zurich Term Allocated Pension (ZTAP) increased from \$20.85 to \$21.20.

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. 2014). The CPI is the "Weighted Average of Eight Capital Cities Index" published by the Australian Bureau of Statistics.

Zurich Equity Income option fee reduction (ZSP and ZABP clients only)

With effect 1 July 2015, the Indirect Cost Ratio (Investment management cost deducted from the underlying assets) reduced from 1.87% pa to 1.39% pa.

Change of investment objectives

Since the previous Annual Fund Report, changes to the investment objectives for the Global Thematic Share, Equity Income, Global Equity Income, Capital Guaranteed and Government Securities options have been made. Details and effective dates follow:

Global Thematic Share option

Effective date: 1 October 2015

The primary objective of the fund is to provide long term capital growth with the benefits of global diversification. The fund aims to achieve risk adjusted returns that exceed the MSCI World (ex-Australia) Accumulation Index in \$A (net dividends reinvested) over periods of seven or more years.

Equity Income option (ZSP and ZABP only)

Effective date: 1 July 2015

To provide investors with regular income[^] and some capital growth from the Australian share market. The Fund aims to provide 7-9% gross running yield per annum over rolling three year periods before fees and taxes.

[^]For investors in ZSP and ZABP, this income is automatically reinvested in the investment option and forms part of the options' unit price; it is not paid out in distributions to members.

Global Equity Income option (ZSP and ZABP only)

Effective date: 1 July 2015

To provide investors with higher than market income distributed quarterly[^] and derived from three sources;

1. Capital growth from stock selection;
2. Dividends and franking credits from share ownership; and
3. Income from selling option premium.

The option aims to provide 6% to 8% running yield per annum over rolling five year periods before fees and taxes.

[^]For investors in ZSP and ZABP, this income is automatically reinvested in the investment option and forms part of the options' unit price; it is not paid out in distributions to members.

Capital Guaranteed option (ZRP only)

Effective date: 1 October 2015

To provide investors with a guarantee of capital and outperform the Bloomberg AusBond Bank Bill Index over a seven year period before fees and taxes.

Government Securities option (ZRP only)

Effective date: 1 October 2015

To provide some capital growth, over the medium to long term, by investing in Australian government securities markets.

The option aims to outperform the Bloomberg AusBond Composite Bond Index over rolling three year periods before fees and taxes.

Change of Strategic Investment Partners

Effective 22 September 2015, Antares Capital Partners Ltd was appointed investment manager for part of the Australian Equity allocation within the Diversified options, including the Capital Stable, Balanced, Managed Growth and Priority Growth options.

Effective 29 October 2015, American Century Investment Management Inc was appointed investment manager for part of the Global Equity allocation within the Managed Share option.

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

Other significant notices

Federal Budget 2015-16

On 12 May 2015 the then Treasurer, Mr Joe Hockey, delivered his second Federal Budget. There was very little impact on superannuation with the government staying true to their prior announcement that “there will be no new taxes on superannuation under this government”.

Following are other government announcements that may affect your superannuation investments. We strongly recommend that you check with your financial adviser before making changes. Please note that unless otherwise stated, proposed legislation may not yet have passed into law.

Release of superannuation for terminal medical condition — relaxing criteria

From 1 July 2015, the Government has extended the life expectancy period for people with a terminal medical condition to access their superannuation savings. Previously, patients had to have two medical practitioners certify that they are likely to die within one year to gain unrestricted tax free access to their superannuation. The regulations were amended to extend the life expectancy period from 12 months to 24 months. This should give terminally ill patients earlier access to their superannuation savings.

Important: The change to regulations do not extend to insurance cover under the Fund; therefore to qualify as terminally ill under insurance, the life expectancy period of up to 12 months will still apply. If this is relevant to you, then it is important that you discuss this with your financial adviser.

Lost and unclaimed superannuation

From 1 July 2016 the government wants to streamline lost and unclaimed superannuation administration. Proposals are likely to include:

- Updating the definition of 'uncontactable' and simplifying the definition of 'lost member'
- Allowing the ATO to pay unclaimed superannuation directly to a person who is suffering a terminal medical condition
- Working with the New Zealand government to investigate whether it is possible for the ATO to pay unclaimed superannuation directly into a KiwiSaver account.

This is in addition to the increase to the balance threshold for transfers to unclaimed super to the ATO from \$2,000 to \$4,000 (from 31 December 2015) and then \$6,000 (from 31 December 2016).

Additional Budget announcements

You can have a look at Zurich's overview of the 2015-16 Federal Budget announcements about superannuation, investments and taxation on the Superannuation and Retirement page at www.zurich.com.au.

2015-16 superannuation rates and thresholds

This is a handy snapshot of key rates and thresholds that apply to superannuation for the 2015-16 financial year. For historical rates / thresholds, go to the “Super rates and thresholds” section on the Superannuation and Retirement page at www.zurich.com.au.

Concessional contribution cap:	
- Aged less than 49	\$30,000
- Aged 49 or more (on 30 June 2015)	\$35,000
Non-concession contribution cap ¹	\$180,000
Government co-contributions ² :	
- Lower income threshold	\$35,454
- Higher income threshold	\$50,454
Superannuation Guarantee (SG) Charge	
- SG rate	9.5%
- Maximum quarterly contribution base	\$50,810
Low rate cap	\$195,000
Capital Gains Tax (CGT) cap ³	\$1.395m

- ¹ People under 65 years old may be able to make non-concessional contributions of up to three times their non-concessional contributions cap over a three-year period. This is known as the ‘bring-forward’ option. The bring-forward cap is three times the non-concessional contributions cap of the first year. If you bring forward your contributions in 2015-16, it would be $3 \times \$180,000 = \$540,000$.
- ² Your maximum entitlement is \$500. However, you must reduce this by 3.333 cents for every dollar your total income, less any allowable business deductions, is over the lower income threshold until it reaches zero at the higher income threshold.
- ³ Under certain circumstances, the proceeds of the sale of small business and assets contributed to superannuation might not count towards the concessional and non-concessional contribution caps. Provided certain conditions are satisfied, these additional amounts may count towards a separate cap (CGT cap) instead. The CGT cap amount is a lifetime limit.

Preservation age

Generally, accessing your superannuation is restricted to members who have permanently retired on or after reaching their preservation age.

For anyone born before July 1960, your preservation age is 55. For those born on or after 1 July 1960 (ie you are turning 55 from July 2015 onwards) your preservation age is at least 56 years, and can be as late as 60 years, depending on your date of birth. Refer to the table below to determine your preservation age.

Date of birth	Preservation age	When you will reach your Preservation age
Before 1 July 1960	55	Before 1 July 2015
1 July 1960 – 30 June 1961	56	1 July 2016 – 30 June 2017
1 July 1961 – 30 June 1962	57	1 July 2018 – 30 June 2019
1 July 1962 – 30 June 1963	58	1 July 2020 – 30 June 2021
1 July 1963 – 30 June 1964	59	1 July 2022 – 30 June 2023
From 1 July 1964	60	From 1 July 2024

Excess non-concessional contributions

For any excess contributions made after 1 July 2013 breaching the non-concessional cap, the Government will allow individuals to withdraw those excess contributions and associated earnings. If an individual chooses this option, no excess contributions tax will be payable and any related earnings will be taxed at the individual's marginal tax rate. For further information, please contact the ATO.

Excess Concessional contributions

From 1 July 2013, if you exceed your concessional cap, your excess concessional contributions will be included in your assessable income and are subject to your marginal rate of tax plus an interest charge. The excess contributions are eligible for a 15% tax offset, to allow for the 15% contributions tax already deducted from the super contribution upon entry to the super fund. You can choose to withdraw part or up to 85% of the excess contributions to help pay the higher amount of income tax. You can do this by filling out the excess concessional contributions election form, which provides a release authority to the fund.

Alternatively, you can choose to retain the excess concessional contributions within your super account, and pay the extra income tax from your personal savings. If you do choose to retain the excess contributions within your super account, the excess amount will count towards your non-concessional cap.

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 can be contacted at:

AUSfund Administration

PO Box 543

Carlton South VIC 3053

Phone: 1300 361 798

Fax: 1300 366 233

Email: admin@ausfund.net.au

Web: <http://unclaimedsuper.com.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 \$2,000^
- 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.

^ As part of the 2013-14 Federal Budget the Government announced their intention to increase the balance threshold for transferral of Unclaimed Super Monies to the Tax Office. This proposes to incrementally increase the current threshold of \$2000, to a threshold of \$4000 from 31 December 2015, and to a threshold of \$6000 from 31 December 2016.

**Zurich Australian Superannuation
Pty Limited**

ABN 78 000 880 553 AFSL 232500

RSE L0003216

Registration No. R1067651

5 Blue Street North Sydney NSW 2060

Zurich Client Service Centre

Telephone: 131 551

Facsimile: 61 2 9995 3797

Email client.service@zurich.com.au

www.zurich.com.au

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