

Changes to insurance fees, investments and the administration fee rebate threshold

Significant Event Notice

ISSUED 15 SEPTEMBER 2020

Since 1989, legalsuper has been committed to supporting the legal community.

On 1 November 2020, we're making some important changes to your legalsuper account.

1. Changes to insurance fees (insurance premiums)

- The cost of insurance cover will increase due to a sustained and material increase in the number of insured claims and the number of members to pay premiums which fund the payment of benefits has reduced significantly as a result of government reforms. This has been further compounded by the additional pressures arising from the COVID-19 pandemic. These pressures have also impacted many other super funds and insurance premium increases have been widespread.

2. Changes to investments

- Changes in risk profile and risk level for the Balanced index investment option.
- Changes in return objectives for the Balanced Socially responsible and Balanced index investment options.
- Change of investment manager for the Balanced Socially responsible option.
- Asset allocation changes for some investment options.

3. Administration fee rebate threshold

- Administration fees for balances which exceed an average of \$350,000 and higher in a financial year are capped. The \$350,000 threshold has not been indexed since 2009 and will increase to \$450,000.

1. Increases to your insurance fees (insurance premiums)

Many super funds have announced material increases in premiums for Death, Total and Permanent Disablement (TPD) and Salary Continuance insurance. These premium increases have occurred due to a range of factors including increases in the number of claims, the rising incidence of mental illness claims and legislative changes which reduce the number of members eligible for insurance. The legal community has a higher incidence of anxiety and depression symptoms relative to other sectors.

The number of claims lodged and paid to legalsuper members for TPD is at a high level. This number is expected to continue to increase due to the effect of COVID-19 and the economic fallout on the health and well-being of Australians.

The number of members to pay premiums which fund the payment of benefits has reduced significantly.

This is as a direct result of three specific Government reforms, which we have previously communicated to you:

- Protecting Your Super (PYS) effective 1 July 2019;
- Putting Members' Interests First effective 1 April 2020; and
- Early Access to superannuation in response to the COVID-19 pandemic effective 20 April 2020.

The reduced pool of members paying premiums and the increasing cost of claims has resulted in higher premiums needing to be paid, to maintain the existing level of Death and TPD insurance cover provided through legalsuper to its members.

legalsuper engaged Rice Warner to undertake an independent review of the proposed increases in premiums by OnePath (legalsuper's insurer) which involved them working closely with the insurer's pricing actuary to understand and query the methodology and assumptions used. Rice Warner concluded that OnePath's increased premiums were reasonable.

legalsuper will soon commission a holistic review of its insured benefit in the context of the significantly changed insurance landscape.

What options do you have?

Death and TPD insurance exists to provide increased peace of mind by providing additional financial support for you and your dependents in the event you die, become terminally ill or totally and permanently disabled. The amount of insurance that is appropriate for you will vary depending on your personal circumstances and will change through your life. If you want help with checking the level of insurance that may be appropriate for you, our website includes calculators to indicate how much insurance you may need. Visit legalsuper.com.au/insurance-needs

Most members will have been allocated a 'default' level of Death and TPD insurance on joining. The amount of insurance varies by age. By way of example, members aged 25 to 44 may currently receive default Death & TPD cover of \$440,000 for an insurance fee of \$7.80 per week. The amount of cover varies as you get older. A tax deduction arises in respect of insurance fees and so the net amount deducted from your account will be \$6.63 per week (\$7.80 per week less 15% tax). For self-employed members, the default level of Death and TPD insurance is \$250,000 and insurance fees vary by age.

Given the increase in insurance fees, the options you have include the following:

- **Take no action.** Any insurance you now have will continue. Your insurance fees will increase as set out below.
- **Increase your insurance.** Your application to increase your insurance is subject to acceptance by the insurer.
- **Reduce your insurance.** You can apply to reduce your insurance at any time.
- **Cancel your insurance.** You are able to cancel your insurance at any time. Insurance fees will cease.

What is changing?

1. Increased insurance fees for Death and TPD Insurance cover

From 1 November 2020, insurance fees for Death cover and TPD cover will increase for all members by 35.6%.

If your Death and TPD cover (or Death Only cover) is unitised insurance cover, the new weekly fee per unit of cover, from 1 November 2020, will be:

- \$2.64 Death & TPD (previously \$1.95)
- \$1.86 Death Only (previously \$1.37)

If you have fixed insurance cover, the new insurance fee continues to depend on your age and gender. The fixed insurance cover fees that will apply from 1 November 2020 are shown in Table 1 on page 4.

2. Increased insurance fees for Salary Continuance cover

If you have applied for and been issued Salary Continuance cover, the level of increase in insurance fees, from 1 November 2020 is shown below:

Benefit Payment Period	Increase in insurance fees from 1 November 2020
2 years, To age 60 or To age 65	25.4%

The increased insurance fees continue to depend on your age, gender, chosen Waiting Period, chosen Benefit Payment Period and any loading applied by the Insurer because of factors such as your health or occupation. The Salary Continuance insurance fees that will apply from 1 November 2020 are shown in Tables 2 to 4 on pages 4 to 6.

Why has the cost of cover increased?

legalsuper has partnered with OnePath Life Limited (OnePath) (ABN 33 009 657 176), (AFSL 238341) ('Insurer'), for the provision of our group insurance since 1 October 2005. Since that time, this is only the second insurance premium increase. The last increase was four years ago in October 2016. Many other super funds have passed on several premium increases in that same timeframe.

We comprehensively review our insurance offer every three years and continually monitor all aspects of our arrangements with OnePath.

Our core focus during these reviews is to optimise overall benefits to our members and continue providing a competitive and sustainable insurance offering.

Having completed the most recent review, legalsuper will continue with OnePath, under the arrangements as set out below.

The importance of insurance

Your legalsuper insurance offers you the flexibility to change your cover to suit your needs at different life stages. You have the option to apply to increase, decrease or cancel your cover at any time.

You should consider that insurance is not ‘set and forget’ and that you will derive the most benefit from your cover by continually assessing important milestones in your life related to your career, your health and your personal circumstances, for example marriage, children, divorce, mortgage, etc.

You can read more information about your insurance options in the current legalsuper *Superannuation Product Disclosure Statement* (PDS) and *Employer Sponsored Super & Personal Super Additional Information* document available at legalsuper.com.au

New insurance fees for fixed insurance cover (Effective 1 November 2020)

Death Only Cover and combined Death & TPD cover — Fixed Cover

Fixed insurance cover applies to members of the Personal Division as well as to Employer-sponsored members who elect to switch from unitised cover to fixed cover.

Table 1: Annual insurance fee per \$10,000 of fixed cover

Current Age	Male		Female	
	Death Only Age Rates	Death and TPD Age Rates	Death Only Age Rates	Death and TPD Age Rates
15 – 19	\$8.56	\$9.78	\$3.48	\$4.00
20 – 24	\$7.70	\$9.79	\$3.08	\$4.11
25 – 29	\$5.78	\$8.41	\$2.37	\$3.72
30 – 34	\$5.48	\$9.19	\$2.75	\$5.25
35 – 39	\$6.20	\$12.01	\$4.07	\$9.41
40 – 44	\$8.83	\$19.85	\$6.01	\$16.95
45 – 49	\$13.37	\$34.98	\$7.73	\$27.34
50 – 54	\$19.66	\$60.17	\$11.68	\$48.61
55 – 59	\$28.80	\$98.32	\$17.57	\$75.30
60	\$36.76	\$132.41	\$21.91	\$93.85
61	\$39.88	\$146.61	\$23.85	\$102.16
62	\$43.07	\$161.76	\$26.28	\$112.53
63	\$46.38	\$178.02	\$29.18	\$125.01
64	\$49.85	\$195.81	\$32.48	\$139.10
65	\$65.21	\$233.63	\$44.29	\$167.30
66	\$74.44	\$268.87	\$51.08	\$193.11

Current Age	Male		Female	
	Death Only Age Rates	Death and TPD Age Rates	Death Only Age Rates	Death and TPD Age Rates
67	\$84.82	\$310.58	\$58.99	\$223.92
68	\$96.93	\$360.71	\$67.56	\$260.23
69	\$109.40	\$416.70	\$77.08	\$301.57
70	\$126.01	NA	\$85.37	NA
71	\$144.94	NA	\$95.69	NA
72	\$166.23	NA	\$108.64	NA
73	\$190.27	NA	\$124.20	NA
74	\$217.33	NA	\$142.94	NA
75	\$247.94	NA	\$165.30	NA
76	\$282.54	NA	\$191.87	NA
77	\$322.06	NA	\$223.09	NA
78	\$367.30	NA	\$259.66	NA
79	\$418.92	NA	\$302.23	NA
80	Nil	NA	Nil	NA

Salary Continuance

Table 2 – Annual insurance fee per \$100 Monthly Benefit* (Benefit Payment Period – 2 years)

Current Age	30 day Waiting Period		60 day Waiting Period		90 day Waiting Period	
	Male	Female	Male	Female	Male	Female
15 - 19	\$3.16	\$3.51	\$1.83	\$2.01	\$1.18	\$1.28
20 - 24	\$3.29	\$3.62	\$1.92	\$2.09	\$1.20	\$1.32
25 - 29	\$3.52	\$4.14	\$2.08	\$2.41	\$1.17	\$1.48
30 - 34	\$4.26	\$5.42	\$2.50	\$3.14	\$1.29	\$1.73
35 - 39	\$5.64	\$7.40	\$3.34	\$4.31	\$1.74	\$2.33
40 - 44	\$7.74	\$10.07	\$4.75	\$6.12	\$2.71	\$3.71
45 - 49	\$10.91	\$13.58	\$6.73	\$8.29	\$4.59	\$6.09
50 - 54	\$15.91	\$18.38	\$10.60	\$11.96	\$8.11	\$9.58
55 - 59	\$24.29	\$25.53	\$16.25	\$16.69	\$14.37	\$14.06
60	\$31.75	\$31.56	\$22.42	\$20.90	\$19.85	\$17.07
61	\$34.95	\$34.01	\$24.70	\$22.56	\$22.10	\$18.06
62	\$37.39	\$30.64	\$25.91	\$23.20	\$22.52	\$17.56
63	\$25.47	\$24.21	\$16.65	\$14.88	\$12.75	\$9.67
64	\$8.40	\$7.99	\$5.49	\$4.92	\$4.21	\$3.19

* The above rates include stamp duty.

Table 3 – Annual insurance fee per \$100 Monthly Benefit* (Benefit Payment Period – to age 60)

Current Age	30 day Waiting Period		60 day Waiting Period		90 day Waiting Period	
	Male	Female	Male	Female	Male	Female
15 - 19	\$10.50	\$14.07	\$5.86	\$7.93	\$4.45	\$6.38
20 - 24	\$11.56	\$15.42	\$6.55	\$8.75	\$4.85	\$6.93
25 - 29	\$13.66	\$19.25	\$7.81	\$11.02	\$5.24	\$8.56
30 - 34	\$17.79	\$26.77	\$10.12	\$15.15	\$6.28	\$10.45
35 - 39	\$24.60	\$37.54	\$14.04	\$21.31	\$8.75	\$14.25
40 - 44	\$34.08	\$50.32	\$20.16	\$29.67	\$13.46	\$21.66
45 - 49	\$46.15	\$63.00	\$27.26	\$37.02	\$21.31	\$31.83
50 - 54	\$58.66	\$70.99	\$36.98	\$43.92	\$31.22	\$39.33
55	\$62.35	\$69.20	\$38.89	\$42.27	\$34.72	\$37.98
56	\$60.94	\$65.53	\$37.72	\$39.70	\$33.80	\$34.94
57	\$54.31	\$57.03	\$33.06	\$33.95	\$28.75	\$28.29
58	\$37.53	\$39.20	\$21.53	\$22.01	\$16.64	\$15.83
59	\$12.38	\$12.93	\$7.11	\$7.26	\$5.49	\$5.23

* The above rates include stamp duty.

Table 4 – Annual insurance fee per \$100 Monthly Benefit* (Benefit Payment Period – to age 65)

Current Age	30 day Waiting Period		60 day Waiting Period		90 day Waiting Period	
	Male	Female	Male	Female	Male	Female
15 - 19	\$10.56	\$14.31	\$5.91	\$8.05	\$4.50	\$6.55
20 - 24	\$11.67	\$15.76	\$6.61	\$8.95	\$4.92	\$7.14
25 - 29	\$13.89	\$19.84	\$7.96	\$11.37	\$5.35	\$8.87
30 - 34	\$18.28	\$28.00	\$10.41	\$15.86	\$6.47	\$11.02
35 - 39	\$25.66	\$40.08	\$14.68	\$22.76	\$9.22	\$15.36
40 - 44	\$36.39	\$55.30	\$21.57	\$32.68	\$14.53	\$24.14
45 - 49	\$51.20	\$72.64	\$30.37	\$42.84	\$24.10	\$37.48
50 - 54	\$70.86	\$90.26	\$45.06	\$56.29	\$39.20	\$52.17
55 - 59	\$93.07	\$102.90	\$58.77	\$63.64	\$56.97	\$59.60
60	\$100.60	\$101.30	\$66.16	\$62.59	\$62.11	\$54.45
61	\$98.38	\$95.92	\$64.28	\$58.84	\$59.54	\$48.87
62	\$86.78	\$82.71	\$55.74	\$49.91	\$49.45	\$38.54
63	\$58.57	\$55.70	\$35.51	\$31.74	\$27.71	\$20.98
64	\$19.34	\$18.37	\$11.72	\$10.47	\$9.15	\$6.91

* The above rates include stamp duty.

2. Changes to investments

Risk Profile Changes

The ASFA Standard Risk Measure for the Balanced index investment option has been adjusted:

Investment option	Risk profile – Likelihood of producing a negative return every 20 years		Risk Level	
	Until 31/10/20	From 1/11/20	Until 31/10/20	From 1/11/20
Balanced index (accumulation)	3 - 4 in every 20 years	4-6 in every 20 years	5: Medium to High	6: High
Balanced index (pension)	3 - 4 in every 20 years	4-6 in every 20 years	5: Medium to High	6: High

Change of manager for the Balanced Socially responsible option

The investment manager for the Balanced Socially responsible option has changed from AMP Capital to Pandal Group.

The Balanced Socially responsible option was until recently invested in AMP Capital's AMP Capital Ethical Leaders Balanced Fund. Due to concerns with investment performance and recent reports about culture at AMP, legalsuper has terminated AMP Capital and transferred the investment into the Pandal Group's Sustainable Balanced Fund.

As a result of this change, there has been a corresponding change in both the return objective and the strategic asset allocation for this option.

Return Objective Changes – effective 1 November 2020

The return objectives of the following investment options have been updated.

Investment Option	Return objective (pa, over rolling 10-year periods)*	
	Until 31/10/20	From 1/11/20
Balanced Socially responsible (accumulation)	CPI + 3.5%	CPI + 3.0%
Balanced index (accumulation)	CPI + 2.8%	CPI + 3.0%
Balanced index (pension)	CPI + 3.3%	CPI + 3.5%

*net of all fees and taxes except the weekly \$1.30 administration fee

We're here to help

Further investment related information is available at legalsuper.com.au/investments

If you have any questions, contact us on **1800 060 312** Monday to Friday between 8am to 8pm AEST or email mail@legalsuper.com.au

Asset allocation changes - effective 1 November 2020

Asset allocation is the combination of different asset categories or classes, such as Australian shares, overseas shares, fixed interest and cash. The investment return and risk of an investment option are largely determined by its asset allocation.

The following changes will be made to each option:

- Strategic asset allocation changes in line with current portfolio strategy.
- The permitted ranges for some asset classes have also been adjusted.

Details of these changes are below:

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
MySuper balanced/ Balanced	Australian Shares	27%	27%	20% - 50%	10% - 40%
	International Shares	27%	27%	10% - 40%	10% - 40%
	Alternatives	20%	20%	10% - 30%	10% - 30%
	Property	12%	12%	0% - 25%	0% - 25%
	Fixed Interest	12%	11%	0% - 20%	0% - 20%
	Enhanced Cash	2%	0%	0% - 30%	0%
	Cash	0%	3%	0%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
Growth	Australian Shares	34%	34%	20% - 50%	10% - 50%
	International Shares	34%	34%	20% - 50%	20% - 50%
	Alternatives	12%	12%	0% - 20%	0% - 20%
	Property	10%	10%	0% - 20%	0% - 20%
	Fixed Interest	7%	7%	0% - 20%	0% - 20%
	Enhanced Cash	3%	0%	0% - 20%	0%
	Cash	0%	3%	0%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
High growth	Australian Shares	42%	40.5%	30% - 60%	20% - 50%
	International Shares	42%	40.5%	20% - 50%	20% - 50%
	Alternatives	10%	10%	0% - 20%	0% - 20%
	Property	6%	6%	0% - 20%	0% - 20%
	Cash	0%	3%	0%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
Balanced Socially responsible	Australian Shares	25%	29.1%	15% - 40%	10% - 40%
	International Shares	33%	29.1%	15% - 40%	10% - 40%
	Alternatives	6%	14.5%	0% - 13%	0% - 20%
	Property	9%	3.9%	0% - 20%	0% - 20%
	Fixed Interest	25%	12.6%	0% - 45%	0% - 50%
	Cash	2%	10.8%	0% - 20%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
Balanced index	Australian Shares	35%	34%	20% - 45%	10% - 45%
	International Shares	25%	24%	10% - 45%	10% - 45%
	Property	10%	10%	0% - 20%	0% - 20%
	Fixed Interest	25%	24%	0 - 50%	0 - 50%
	Enhanced Cash	5%	0%	10% - 50%	0%
	Cash	0%	8%	0%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
Enhanced cash	Enhanced Cash	100%	97%	0% - 100%	0% - 100%
	Cash	0%	3%	0%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
Australian shares	Australian Shares	100%	97%	0% - 100%	0% - 100%
	Cash	0%	3%	0%	0% - 20%

Investment option	Asset class	Asset allocation (%)		Permitted range (%)	
		Up to 31/10/20	From 1/11/20	Up to 31/10/20	From 1/11/20
Overseas shares	International Shares	100%	97%	0% - 100%	0% - 100%
	Cash	0%	3%	0%	0% - 20%



Personal support from a Client Service Manager

As a legalsuper member, you have access to a highly experienced and qualified Client Service Manager who you can speak with in person (via zoom meetings) or over the phone, at no additional cost.

Your Client Service Manager can help with matters that relate to:

- Your super and retirement savings
- Your insurance options
- Retirement planning strategies

To arrange an appointment online with a Client Service Manager near you, visit legalsuper.com.au/Contact

3. Administration fee rebate threshold increase

In July 2009, legalsuper introduced an 'Administration fee rebate' such that administration fees charged by legalsuper were capped for average account balances in excess of \$350,000.

The threshold from which the rebate applied has not changed since its introduction in 2009.

If your average account balance* at the end of a financial year exceeds \$350,000 during the entire financial year, legalsuper caps the total combined amount of administration fees (including the DIO Asset fee, if applicable) and DIO account fee (if applicable) so that you are only charged administration fees up to that \$350,000 average.

Where the fee cap applies, any excess fees will be rebated effective 1 July of the next financial year and the rebate will be shown on your next annual statement.

If you exit legalsuper after 30 June, but before the fee cap is applied, you will receive the fee cap rebate as an additional payment.

Changes effective 1 November 2020

1. The 'Administration fee rebate threshold' will increase to \$450,000.
This means that, for the 2020/21 financial year, the 'Administration fee rebate threshold' will be \$350,000 up to 31 October 2020 and then \$450,000 from 1 November 2020.
2. The 'Administration fee rebate threshold' will be indexed annually from 1 July 2021 in accordance with the 'All Groups Consumer Price Index (CPI)'.

The table below shows the treatment for the 2020/21 and 2021/22 financial years:

Financial Year	Administration fee rebate threshold
1 July 2020 to 30 June 2021	\$350,000 to 31 October 2020 (123 days) and then \$450,000 to 30 June 2021 (242 days) i.e. $= (\$350,000 \times 123/365) + (\$450,000 \times 242/365)$ $= \$416,301.37$
1 July 2021 to 30 June 2022	\$450,000 indexed in accordance with the annual movement of the All Groups CPI between 30 June 2020 to 30 June 2021.

*The fee cap does not apply if your account with legalsuper is closed on or before 30 June during that financial year.

 legalsuper.com.au

 1800 060 312

 mail@legalsuper.com.au

 Locked Bag 5081, Parramatta NSW 2124

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