

# Product News and other important information

For the year ending 30 June 2020

Your Annual Statement in two parts:

- Part 1 – Annual Statement for the period **1 July 2019 to 30 June 2020**.
- Part 2 – Product news and other important information (this document).

## Investment performance

Additional investment performance information is available online. Simply visit [commbank.com.au/superreports](http://commbank.com.au/superreports) select *Performance information* and click on the link. If you require a printed version of your performance information, please call us.

## Investment update

Your product may include investment options managed by The Colonial Mutual Life Assurance Society Limited and other investment managers. Investments are periodically reviewed to identify opportunities that may help enhance the investment returns and to respond to market changes. Changes have been made to a number of investment options for example:

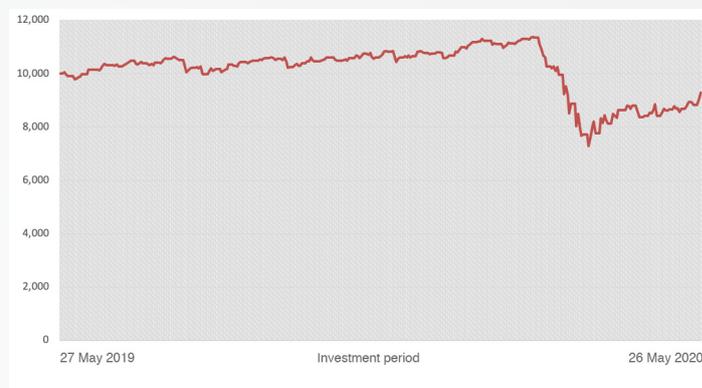
- replacing or adding investment managers to investment options and underlying asset class strategies
- updates to the asset allocation ranges, benchmarks, strategies or objectives.

For more information about these and other changes, simply visit [commbank.com.au/superreports](http://commbank.com.au/superreports) select *Product and Regulatory Updates* and click on the links *Commonwealth Investment Update 2020* or *Colonial Investment Update 2020*.

Please contact us if you would like us to mail you a copy of this document.

## Staying committed to your super and investments during volatile times

In the last 12 months we have experienced an extraordinary chain of events with drought, fires, floods and COVID-19 causing market uncertainty and volatility. The graph below highlights the impacts of these events on the Australian Share Market over the last 12 months to 26 May 2020.



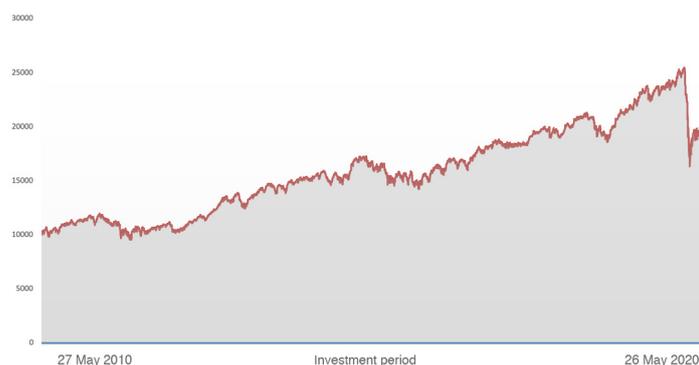
Source: Bloomberg. Performance of a \$10,000 investment in the ASX200 accumulation index for 12 months to 26 May 2020.

This market volatility can impact the value of your account by potentially decreasing the value of the investment option(s) you hold. Each investment option has its own 'asset class' profile (e.g. invests wholly or partially in shares) and will be subject to changes in share markets. You can see which asset classes your option(s) invest into in the Annual Performance reports at [commbank.com.au/super-retiring/unit-prices-and-performance.html](http://commbank.com.au/super-retiring/unit-prices-and-performance.html)

## Markets move in cycles

In times of market volatility investment balances may decline, but it is important to remember that markets move in cycles. Volatility is a natural part of the economic cycle and markets are influenced by a range of factors and are inherently unpredictable.

The graph below demonstrates that historically, over the long-term, the general trend of share markets has been upward, although investments can go up and down and past performance is not an indication of future performance.



Source: Bloomberg. Performance of a \$10,000 investment in the ASX200 accumulation index for 10 years to 26 May 2020.

## Market volatility and superannuation

It is important to remember that for most investors, superannuation is generally a long-term investment of 20 years or more. When investing over the long term, your super investments will likely need to withstand the volatility produced by these cycles more than once.

Despite this, short-term volatility shouldn't diminish the long-term potential of your investments. Growth assets (such as shares) tend to fluctuate in the short term, but have historically provided reasonable returns for investors over the long term.

During times of heightened volatility, it's even more important to focus on your long term strategy and think carefully before making any significant changes.

We understand however, that the impact of market volatility can be unsettling, and that everyone's situation is different. You may be nearing retirement or drawing a pension, and feel that time is against you to recover any potential losses. Now may be the time to reassess the way you feel about risk and seek professional financial advice.

## Falling interest rates and cash investments

To help the Australian economy and ease the economic pressures caused by COVID-19, the Reserve Bank of Australia cut interest rates to 0.25% in March 2020, the second rate cut for that month and fourth since June 19 (1.25%). The interest rate reduction is intended to help the wider economy but can significantly impact savers and cash investment returns.

Interest rates often determine the level of investment returns in the 'cash' asset class. This means that if your investment option has been fully or partially invested in the 'cash' asset class the returns for this investment are likely to be very low or potentially negative once any investment management fee has been deducted.

It's therefore important to consider the impact on your financial goals and if the product and investment option you are invested in meets your personal needs.

## Understand your risk profile

All investments carry some risk. How much risk you're willing to accept will be influenced by your financial situation, family considerations, time horizon and even your personality. If market volatility has caused you to reassess the way you feel about risk, it's important to consider seeking professional financial advice tailored to your personal needs.

## Understanding the implications of switching or withdrawing

When times are more volatile, it's human nature to want to move your investment to a 'safer' place. Before taking any action, you should understand all the implications, risks and costs involved.

- Selling at a loss. When you move funds, you're selling your investment in one fund to buy an investment in the other. If market movements caused the value of your units in the current fund to fall, when you sell them you may turn a 'paper loss' into a 'real loss' and potentially miss out on any market recovery.
- There may be a cost involved. Transaction costs of selling and buying investments as you transfer between products and options may further reduce the value of your investments.
- Insurance. If you have life insurance you'll need to check that the other fund will agree to insure you for the same amount (or at all), on the same terms and whether you'll need a medical examination.
- Losing features. Different super funds offer different features. Super funds offer different features that are more appealing to some people than others. The new fund may not meet all your expectations.
- Paying more tax. Super is one of the more tax-effective investments that you can make. If you're looking to take money out of the super environment, consider that you may pay more tax on your investment earnings.

## Investment option changes

We have identified an opportunity to simplify the investment menus, whilst ensuring we continue to offer a suite of investment options for you to choose from. Certain options will be removed from your product's investment menu and new investment managers introduced. Any replacement option we offer will generally include revised investment objectives, improved or similar expected risk adjusted returns (higher return and/or lower risk) and potential changes to your ongoing fees and costs. In addition, these changes are expected to remove some of the risks associated with maintaining options with smaller pools of investable assets, which can make them costly to administer. Overall these changes are designed to help enhance your expected financial outcomes and are expected to take effect in September 2020\*.

A significant event notice (SEN) will be sent to members that are directly impacted by the replacement of their existing option at least 30 days prior to implementation\*\*. For more information, a copy of the 'Investment option changes' booklet can be downloaded at [commbank.com.au/investmentoptionchanges](http://commbank.com.au/investmentoptionchanges).

Certain investment options will also have a simple name change, which does not impact the existing underlying strategy, fees or asset allocation. The new option name will then be reflected in your 2021 annual statement (if applicable to you). Refer to the table below for investment option with a name only change:

Current option name	Updated option name
Capital Guaranteed Cash Fund	Cash
Balanced Fund	Growth
Colonial Balanced Fund	Growth
Colonial Cash Fund	Cash
Managed	Growth

\*Please note the date of the implementation may change if we believe that investment market volatility or another risk may have an adverse impact on your investment balance. We may postpone the implementation to a date later than noted above.

\*\* You will automatically receive the SEN if applicable to you.

## Ceasing Grandfathered Conflicted Remuneration

In October 2019, the Treasury Laws Amendment (ceasing Grandfathered Conflicted Remuneration) Bill 2019 was passed into law and requires product providers to stop paying grandfathered conflicted remuneration (commissions) by 1 January 2021. Commission payments to Advisers are paid from the costs to operate the product overall and are not individualised or an additional cost to policyholders.

Colonial Mutual Life Assurance Society Limited (CMLA) is committed to meeting our regulatory obligation in a phased and measured way. Our approach is focused on passing on the full benefit of removed grandfathered commission payments to members or policyholders.

Members and policyholders will be informed at the time of the change via a website notification and subsequently via their periodic statement.

For more information on this visit [commbank.com.au/feechangesetsl](http://commbank.com.au/feechangesetsl) for super products or [commbank.com.au/feechangesordinary](http://commbank.com.au/feechangesordinary) for ordinary products.

## Definition notice – Terminal Illness

The terminal illness definition has either been added or changed by extending the life expectancy period from six or 12 months, to 24 months effective 30 September 2019. For more information on this enhancement and how it impacts you, visit [commbank.com.au/tietsl](http://commbank.com.au/tietsl) for super products or [commbank.com.au/tiord](http://commbank.com.au/tiord) for ordinary products.

## Insurance in Super Voluntary Code of Practice

The Code is the superannuation industry's commitment to high standards when providing insurance to fund members.

It is designed to ensure the insurance cover super funds offer their members is affordable and appropriate to their needs.

Super funds have until 30 June 2021 to fully implement The Code. As part of our commitment, we have published our plans to transition to the Code on [commbank.com.au/super-retiring/forms-and-documents.html](http://commbank.com.au/super-retiring/forms-and-documents.html)

## Group insurance policy premium increase

From 1 July 2020, Death and Total and Permanent Disability group insurance premium rates increased. This increase was due to the expiry of the premium rate guarantee for your group plan, the impact of recent legislative changes and the continued cost of claims being paid to members.

Existing Colonial Select Personal Superannuation, Colonial Personal Superannuation Portfolio and CPSL Masterfund Superannuation members with group insurance policies received a letter informing them of an increase to Death and Total and Permanent Disability premium rates in March 2020.

To view the Death and Total and Permanent Disability group insurance premium rates effective from 1 July 2020, please visit [commbank.com.au/super-retiring/forms-and-documents.html](http://commbank.com.au/super-retiring/forms-and-documents.html)

Income protection premium rates remain unchanged.

## Coronavirus support

In March 2020, the Government announced new measures to provide support to you through these challenging times. For more information on the services available to you, such as early access to your super, visit [www.moneysmart.gov.au/covid-19](http://www.moneysmart.gov.au/covid-19)

To support these new measures we have made changes to our products to provide you with additional options.

For further details on temporary reduction of minimum pension payments and early access to your super, visit [commbank.com.au/super-retiring/forms-and-documents.html](http://commbank.com.au/super-retiring/forms-and-documents.html)

## Member disclosure requirements for fees and costs

In November 2019, ASIC released an updated version of Regulatory Guide 97 *Disclosing Fees and Costs in PDSs and Periodic Statements (RG97)* which outlines how issuers of superannuation and managed investment products should disclose fees and costs.

The intention of this update is to provide members, investors and their advisers with consistent and comparable disclosure to help to better understand the fees and costs involved, compare products more easily and make more informed assessments about whether a product is suitable.

The changes will result in significant changes to how fees and costs will be reported in your annual statements from July 2021.

To find out more on the changes, visit <https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-97-disclosing-fees-and-costs-in-pdss-and-periodic-statements/>

## Returns on investment options with guaranteed returns

Where your investment option is marked with an asterisk (\*) on your annual statement, investment earnings are added to your account using a crediting rate which smooths investment performance over time, as explained in your product disclosure statement and according to legislative requirements.

Due to an internal error, the asset values of your investment option have been overstated since May 2007, which has meant crediting rates and your account value have also been overstated since that date.

As your account value is guaranteed, no changes will be made to your account balance. Going forward, the asset value has been corrected which will lead to a reduction in the future investment earnings in this option and lower crediting rates, compared to if the correction had not been made.

We will ensure that you will remain in a position equal to or better than if the error had not occurred.

## Improvements to flexibility for older Australians

On 1 July 2020, changes under the 'Work Test' came into effect. In summary, these changes include:

- Those aged 65 and 66 can make voluntary superannuation contributions (both concessional and non-concessional) without having to meet the work test;

- Those up to and including age 74 can receive spouse contributions, with those 65 and 66 no longer needing to meet a work test.

A change proposed in the 2019 Federal budget in relation to those aged 65 and 66 being able to contribute a total of \$300,000 in a single year (based on the annual \$100,000 cap), effectively 'bringing forward' or having the opportunity to make three years of future super contributions in one contribution, remains outstanding and has not yet been legislated.

**General advice warning about using or relying on this information:** The information in this fact sheet is general information only and does not take into account your individual objectives, financial situation or needs. You should consider the information and its appropriateness, having regard to your own objectives, financial situation and needs, before making any decisions. You should seek professional financial advice tailored to your personal circumstances from an authorised financial adviser.

Issued by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) and Equity Trustees Superannuation Limited (ETSL) (ABN 50 055 641 757 AFSL No. 229757 RSE Licence L0001458) (Trustee), the Trustee of Colonial Super Retirement Fund ABN 40 328 908 469.

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