

ADVISER

Frequently asked questions

Property option changes

What's changing?

From **Monday 19 November 2018**, we're making two changes to better manage liquidity risk in the Property option.

1. Introducing a Cap of 70% on the amount you can invest in the Property option.
2. In exceptional circumstances in response to a market stress event, AustralianSuper will have the ability to freeze switches, contributions and withdrawals into and out of the Property option for a maximum period of up to two years.

Why are you introducing a cap on investments in the Property option?

The Cap is being introduced to manage the risk of your clients not being able to access their super if they're 100% invested in the Property option and it is frozen.

How does the Cap apply to my client's account?

The Cap applies to the value of your client's investments held across AustralianSuper, excluding in Member Direct. The Cap is applied when they make a decision to invest into the Property option, on the value of their funds across AustralianSuper at the time they invest into the Property option.

As an example, if your client has \$10,000 in super at AustralianSuper, they can invest up to \$7,000 into the Property option and must invest a minimum of \$3,000 into another PreMixed or DIY option.

Choice Income or TTR Income account holders may also have the Cap applied at other times, for further information see "What happens if my investments go up / down and are no longer within the Cap?".

We may change the Cap from time to time.

What if my client has more than one account with AustralianSuper?

The Cap applies within each account. So, if for example your client has a superannuation account and a TTR Income account, they can effectively have up to 70% of their super in Property for each of those accounts.

As an example, if they have \$10,000 in super at AustralianSuper and an additional \$10,000 in a TTR account, they can invest up to \$7,000 into the super Property option and \$7,000 into the TTR Property option.

What happens if my client's investments go up / down and are no longer within the cap?

For most members, if the value of their property investments in their super account go above or below the Cap, the account will not be automatically 'rebalanced'.

If your client has a Choice Income or TTR Income account, a rebalance will apply if their Property option exposure is above the Cap of 70%. We will automatically 'rebalance' the investments for the end of each financial year, to ensure their allocation to the Property option doesn't exceed the amount they chose in their most recent selection. The effective date of a rebalance may occur a few days before the end of the financial year to accommodate operational matters, such as settlement cycles, and if the last day falls on a weekend.

Why are you making these changes?

Because direct property assets can't be easily bought and sold at short notice, if the market experiences a stress event which causes lots of investors to sell property assets at the same time, or makes it more difficult for investors to finance transactions, we may not be able to find willing buyers at reasonable prices. Having the ability to freeze the option provides a safeguard by allowing some time for the market to recover before selling property assets.

The Cap, which is the maximum members can invest in the Property option, ensures they don't have all their super invested in the Property option so they can still access some of it if the Property option is ever frozen.

Is it likely a freeze will happen?

A freeze will only be applied to the Property option in exceptional circumstances, when an event occurs that has the potential to excessively restrict the ability of AustralianSuper to sell a property asset at a reasonable price. Although events like these are difficult to predict, historically, extreme market events have been rare and fall outside the usual ups and downs of investment cycles.

Who can make a decision to Freeze the Property option?

The decision to freeze the Property option will be made at the discretion of the Trustee of AustralianSuper.

How will my client be told about a decision to Freeze the Property Option?

If we decide to freeze the Property option, your clients will be informed through their account online as soon as possible after a freeze has been imposed.

What kind of event could lead to a freeze?

A freeze will only be applied in exceptional circumstances in response to a market stress event that has the potential to excessively restrict the ability of AustralianSuper to sell a property asset at a reasonable price.

Will the option be frozen for the full two years?

Two years is the maximum amount of time a freeze may be applied for. When market conditions support appropriate levels of liquidity e.g. there are enough buyers in the market willing to pay a reasonable price for property assets, a freeze would be lifted.

How will you know when to unfreeze the option?

We'll be monitoring markets for signs of sustained improvement as well as and general market conditions and expectations to determine when we believe it is in the best interests of members to unfreeze the option.

What happens if my client wants to switch out of Property and switch back in later?

They can still switch into and out of the Property option providing it isn't frozen. They will need to provide consent each time they invest in the Property option and they will be subject to the Cap that's in place at the time they switch back in.

Can I switch my client's investments to the Property option on their behalf?

You cannot consent to the changes on your client's behalf; they must consent to the changes themselves. This means you will no longer be able to switch their investments into the Property option.

How does my client provide consent?



To provide consent, your client will need to:

1. visit australiansuper.com/OptionChanges
2. 'Login' under 'Stay invested in Property'
3. select 'Stay in Property' in the 'If you are invested in the Property option' message
4. select 'Start'
5. allocate your new investment and contribution percentages to be effective from 19 November 2018, and/or
6. allocate your new income account drawdown strategy for your Choice Income or TTR Income Account to be effective from 19 November 2018
7. **review** your changes
8. read the information under 'Some things you should know before investing in the Property option'
9. 'tick' both checkboxes to confirm you have read and understood the information and then 'Submit'.

If my client wants to stay invested in the Property option, what do I need to do?

If they're comfortable with the changes, your client will need to provide their consent and re-select their investments before 4pm AEST 9 November 2018.

What happens to my client's pension drawdowns during a freeze?

We will make sure we continue to pay your client's minimum pension payment at 30 June each year from their other investment options. We will only pay the minimum pension payment from the Property option if all other investment options are exhausted.

If my client is not happy with the changes, what are my options?

If they're not happy with the changes, your client can switch out of the Property option before 9 November 2018.

What if we do nothing?

If your client decides to do nothing, their Property option assets will be moved to the Balanced option with effect from 16 November 2018.

Are you making these changes because you know the market is going to drop?

No. The changes are being put in place now as a proactive risk measure to ensure we're able to act in the best interests of our members should a stressed market event occur in future.

What if my client wants to transfer their super during a freeze?

During a freeze your client will be unable to transfer super from the Property option. They will still be able to transfer any super they have invested in other investment options if they choose to do so. Once the freeze is lifted from the Property option and we have deducted administration fees and insurance premiums, we will transfer the balance of your Property option as requested.

Can my client make withdrawals from their Choice Income or TTR Income account during a freeze?

During a freeze they will, in most cases, be unable to make lump-sum withdrawals or receive an income from funds invested in the Property option. Once the freeze is lifted from the Property option and we have met minimum pension payments and deducted administration fees, we will honour any valid withdrawal, rollover or transfer requests we have received during the freeze.

In limited circumstances we may release funds invested in the Property option while it is frozen, for example in cases of death, financial hardship or on compassionate grounds. Claims for the release of funds in limited circumstances will be considered on a case-by-case basis.

What happens to my client's pension drawdowns during a freeze?

We will continue to pay requested pension payments from your client's other investment options where possible. If all other investment options have a \$0 balance, we will only pay the minimum pension payment from the Property option.

During a freeze, pension payments will continue to be made as per your client's drawdown instructions from their other investment options. For example:

- › **If they have chosen pension payments to be made on a Pro-rata basis:** payments will be made from other investment options (excluding Property) on a pro-rata basis.
- › **If they have chosen pension payments to be made from the investment option with the highest balance:** payments will be made from the highest balance option (excluding Property).
- › **If they have chosen a specific pension payment order:** Payments will be made in the order requested (excluding Property).

Can my client contribute into the Property option during a freeze?

Your client won't be able to make contributions into the Property option if it is frozen. Any contributions they make or that are made on their behalf will be invested proportionately across their other investment options. This includes all forms of contributions, such as Superannuation Guarantee contributions from employers and concessional and non-concessional personal contributions. They can also choose which investment option/s they would like your contributions to go into during a freeze on the Property option.

What if my client has more than one account with AustralianSuper?

The Cap applies within each account. So, if for example they have a superannuation account and a TTR Income account, they can effectively have up to 70% of their super in Property for each of those accounts.

As an example, if they have \$10,000 in super at AustralianSuper and an additional \$10,000 in a TTR account, they can invest up to \$7,000 into the super Property option and \$7,000 into the TTR Property option.

Will my client be charged a fee if they switch their investments because of this change?

No. We do not charge members a switching fee for investment switches.

Will my client be charged fees for my investment in the Property option if this is frozen?

Yes. The Property option's investment fees will continue to be deducted from returns. Administration fees, insurance premiums (if applicable), and other fees and costs will be deducted from your other (non-property) investment options until you have insufficient funds in those options to facilitate payments in which case they will be accrued against the Property option and deducted after the freeze has been lifted.

Will my client be charged a fee if they withdraw their super?

Yes. The standard exit fee of \$35 will apply if they make a full or partial withdrawal of their super or pension account balance out of AustralianSuper. This fee is a standard fee that applies to all withdrawals, regardless of the investment options they have chosen.

Will my client's investment fees go up because of this change?

No. Investment fees for the Property option will not increase as a result of these changes.

What communication will my affected clients receive about the changes?

From 8 October 2018, we'll be sending all affected clients a Significant Event Notice (SEN) and link to *Property option - additional information*. A copy of the SEN and link to the Adviser FAQs will be posted to Adviser Resources early October.

Why can't I switch my client's PreMixed and DIY investments in Member Direct?

There are additional important considerations that your clients must read and provide consent to in order to invest in the Property option. This means you can't select the Property option on behalf of your client and will need to direct them to their account online if they want to invest in Property.

Does this affect how I use the Member Direct portal?

There is no other change to the way you use the Member Direct portal.

How do the investments in Member Direct affect the Cap on an investment option?

A Cap on an investment option is maximum percentage amount of your account balance that you can invest and contribute to an investment option at the time of instruction. Your client's investments in Member Direct are excluded in the account balance that is used to determine the Cap. The Cap can be changed anytime at the Trustee's discretion.

We're here to help

Call **1300 362 453**
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