CommonwealthBank GroupSuper

News Update

RETIREMENT ACCESS — JANUARY 2017

INVESTMENT STRATEGY CHANGES: COMING MARCH 2017

As part of your benefits in Commonwealth Bank Group Super you have the flexibility to choose how your pension account is invested. From 1 March 2017, features of the investment options that are available to you will change. An explanation of the changes follows.

INVESTMENT ENVIRONMENT OUTLOOK

With continuing uncertainty and the ongoing low expectations for economic growth, global interest rates and inflation, the outlook is for lower investment returns to remain in place for the medium to long term.

Investment research of recent years indicates that investment returns across all asset classes are expected to be lower compared to past performance for an extended period of time (at least 10 years). With the outlook of low returns for the medium to long term, the likelihood of meeting our current return objectives, especially over the short term, is lower than it has been in the past.

To manage some of the uncertainty of this changing investment environment and reduce the probability that actual returns will differ from our long-term objectives we conducted a comprehensive review of the investment strategies supporting all the Retirement Access investment options with the support of the fund's investment consultant.

The review considered the global and local economic environment, the return and risk investment objectives and strategic asset allocation of all the investment options.

The review was aligned to our investment philosophy of delivering sustainable long-term returns that achieve our set investment objectives.

Changes on the way

We believe the way to provide you with confidence in likely returns is through diversification of assets; active allocation and management of assets; the adjustment of our risk and return objectives; all while being conscious of costs.

From 1 March 2017 the following changes will take effect:

- renaming and regrouping asset classes
- reweighting of asset allocation benchmarks and ranges
- increase in the allocation of investments with multi-asset managers, real assets and alternatives
- adjustment of both investment return and risk objectives
- revision of the estimated investment fees based on the above changes.

Read more inside your News Update...

OurSuperFund

ASSET ALLOCATION CHANGES

Renaming asset classes for simplicity and flexibility

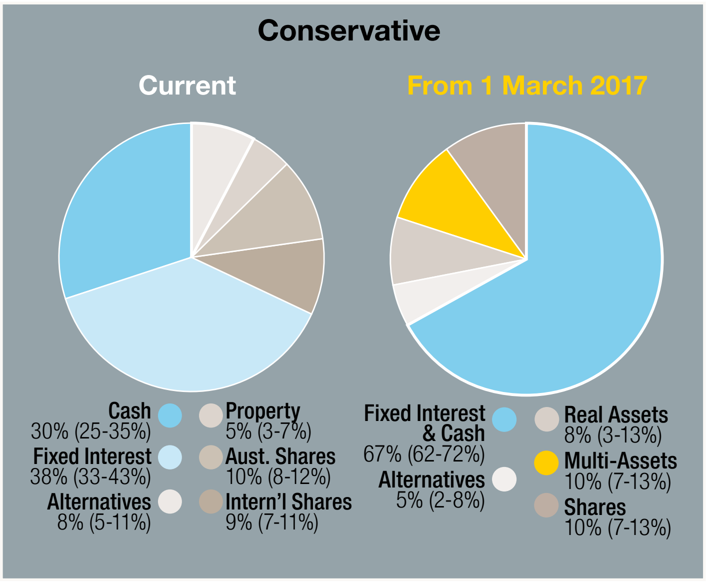
In investments you'll often hear the term 'asset classes', which is simply a way of grouping similar types of investments together, e.g. shares, property, cash, fixed interest.

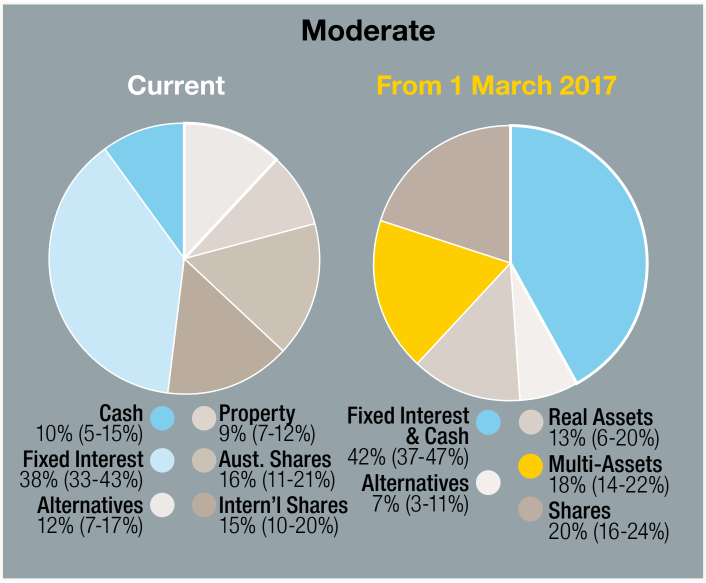
The diversified investment options currently use six assets classes to describe where your money is invested. They are Cash, Fixed interest, Property, Alternatives, Australian shares and International shares. From 1 March 2017, the existing diversified investment option assets classes will be regrouped and renamed. Going forward five asset class groups will be used:

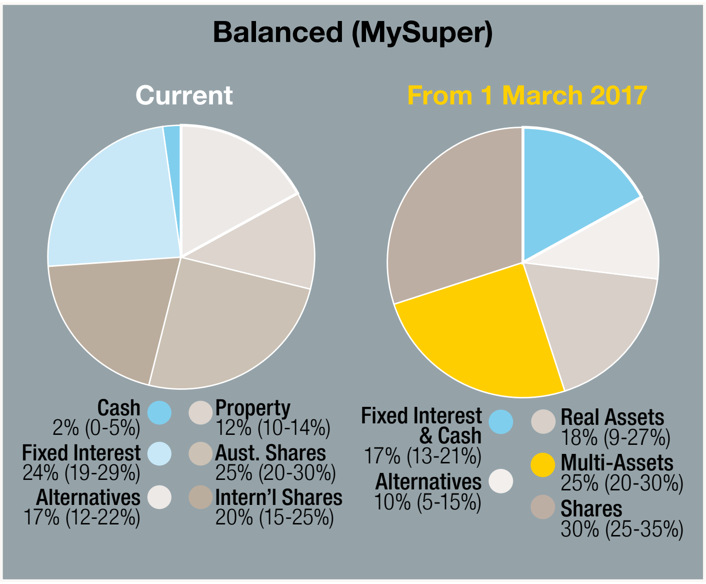
New asset classes	Examples
Fixed Interest and Cash	Fixed interest, bonds and cash
Real Assets	Property, infrastructure and other real assets (e.g. timber, agriculture)
Alternatives	Alternative risk premia investments, hedge funds, and other alternative investments
Multi-assets	Investment managers using objective-based and dynamic asset allocations and risk parity strategies
Shares	Australian shares and International shares

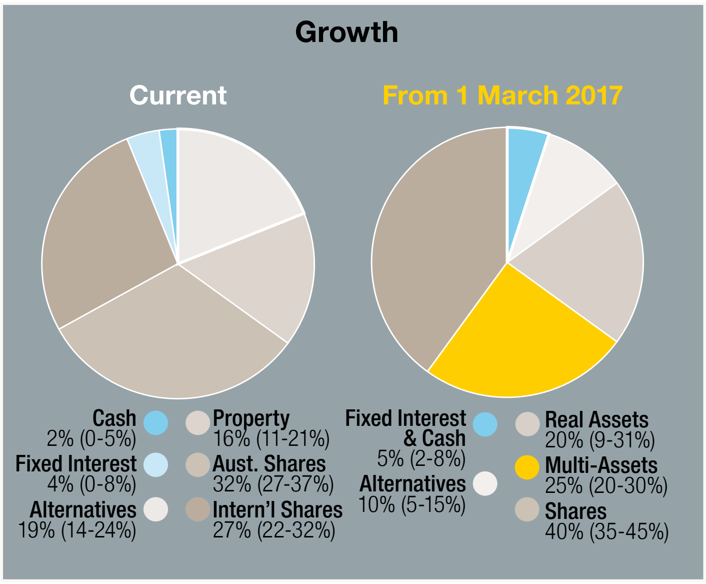
Reweighting asset allocations to improve diversity and balance risk

Our long-term investment strategy objective is to deliver members a smoother return experience through improved diversification. On this basis, the asset allocation of all the diversified investment options will change. Please see the tables below for details.









PLEASE NOTE: The strategic asset allocation and asset mix show the longer-term targets for the investment option. From time to time the trustee may vary the benchmark allocation within the range shown. The actual proportion of growth and income assets, or individual asset classes, may vary slightly from the benchmark due to investment fluctuations.

MORE ABOUT THE NEW ASSET CLASSES

The real assets class

We have created a real assets class combining our property and infrastructure allocations, previously found in our Alternatives asset class. The current allocation includes Australian unlisted opportunities and global listed infrastructure. Over time we plan to include more diverse investments like global unlisted infrastructure and property, other real assets and value add strategies. This change is expected to produce a greater level of return with a lower level of volatility.

The multi-asset class

The active management of our asset allocation will be enhanced through increased investment in multi-asset funds. Generally, investment managers provide active asset allocation through multi-asset funds. Using different assets, managers have greater flexibility and agility to achieve returns with less volatility. This process can be referred to as having objective-based asset allocation strategies.

INVESTMENT OBJECTIVE CHANGES

Return objectives – diversified investment options

In this lower for longer investment return environment we estimate that the likelihood of meeting our current return objectives over the stated timeframes has weakened, even with the changes to our asset allocation.

To provide greater confidence of meeting our return objectives, the return objective will be reduced by 0.5 percent per year for the Moderate, Balanced and Growth investment options.

The current and new return objectives are shown in the table below:

Investment option	Return objective	
	Current	**New (from March 2017)**
Conservative	CPI + 2% pa	No change
Moderate	CPI + 3% pa	CPI + 2.5% pa
Balanced	CPI + 4% pa	CPI + 3.5% pa
Growth	CPI + 4.5% pa	CPI + 4% pa

Risk objectives

While we expect our asset allocation changes to reduce the likelihood of a negative return, we also believe that all investment options will experience more negative returns over a 20-year period due to the long term investment outlook. On this basis we have also revised our risk objectives for most investment options.

The current and new risk objectives are shown in the table below:

Investment option	Risk objective Negative returns in a 20-year period		Level of investment risk (standard risk measure)	
	Current	**New (from March 2017)**	**Current**	**New (from March 2017)**
Conservative	2 years in 20	3 years in 20	Medium (4)	No change
Moderate	3 years in 20	4 years in 20	Medium-high (5)	No change
Balanced	4 years in 20	5 years in 20	High (6)	No change
Growth	5 years in 20	No change	High (6)	No change
Cash	0 years in 20	No change	Very low (1)	No change

INVESTMENT FEES CHANGES

Fee increases are never a welcome change, but we are confident in committing to you that our member fees are only used to manage the fund in the best interests of all members.

Changes to our investment strategy include more active management of our assets to ensure we are on track to meet our objectives. As a result, we expect an impact on investment management fees. The estimated investment fee for all investment options from March 2017 are contained in the table below:

Investment option	Current investment fee % pa of account balance	Estimated investment fee % pa of account balance
Conservative	0.244	0.24
Moderate	0.316	0.33
Balanced	0.372	0.41
Growth	0.411	0.44
Cash	0.066	0.07

These fees are estimates based on the target asset allocation and target investment manager allocations and fees as at 1 March 2017, and may vary from time to time based on the actual amounts charged by investment managers or the costs that they incur and pass on.

The investment fee is not deducted directly from your account but deducted from the investment option's returns. A fixed administration fee and an asset-based administration fee also apply to your account – these fees are not changing at this time.

MORE INFORMATION

For more information about investment options, refer to the Member Guide (PDS), and the 'Reference Guide: Invest your account' available on our website oursuperfund.com.au or you can call us on 1800 023 928 between 8am and 7pm (Sydney time) Monday to Friday.

Helping members understand more about the VALUE OF FINANCIAL ADVICE

Most people appreciate that financial advice is important, but for many it is something that is often perceived as either too expensive or difficult to undertake, too early or late in life to seriously consider, or a combination of these.

Even if you're already in retirement or close to it, it's never too late to seek financial advice.

In fact, at this stage in life it can make a critical difference to your financial situation.

To help you find out more about how financial advice can help, whatever stage of life you're in, we've created some helpful videos which you can find on our website oursuperfund.com.au under Help & advice options > Seeking financial advice.

These short videos provide useful tips on seeking financial advice, from what to expect from a first appointment with an adviser, to how financial advice can help when life events take place, to financial advice tips to think about when in retirement.

Financial advice is about much more than just your super – there other factors to consider, such as insurance, investments, estate planning and even aged care planning. Seeing an adviser can help you with peace of mind – and potentially achieve tax savings too.

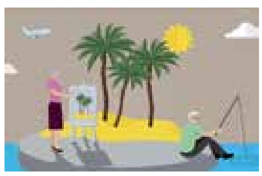
If you haven't considered financial advice or are wondering how an adviser can help you on the path to your ideal financial future, we encourage you to have a look at these videos. Not just for you, but for your loved ones too.

Value of advice

Young professionals

Couples & families

Pre-retirees



Retirees

4

The member perspective: WHAT DOES 'RETIREMENT' LOOK LIKE TO YOU?

The notion of 'retirement' is a fascinating topic, because everyone is unique - for example, one person's retirement may be another's second career opportunity.

As part of Commonwealth Bank Group Super's centenary celebrations in 2016, we ran a competition asking members to tell us about their version of 'retirement' and how they planned to make it happen.

We had over 140 responses, with a wide range of plans for life post-work. While travel and hobbies (and more travel!) featured highly on many retirement to-do lists, it's very clear that plans come in all shapes and sizes – not surprising given people plan for a future suited to their individual needs and interests.

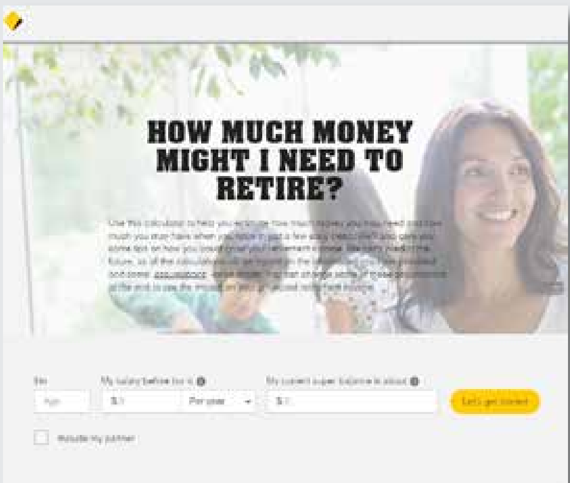
The second part of the competition question, how to make those plans come to life, received just as much consideration. One of our goals as a super fund is to help get members thinking more about preparing for their financial future and the role super can play. It was great to see so many insightful entries showing many members are already doing just that.

Our grand prize winner was the happy recipient of an AppleWatch, and our secondary prize winners each received a Fitbit fitness tracker. Their responses showed careful consideration of both the financial and personal aspects of their style of retirement.

THE GRAND PRIZE WINNER!

"Retirement will revolve around planning for one overseas trip per year and a comfortable standard of living having already paid off my home. I've planned to live until I'm 85 and if I happen to live beyond that I will consider selling up and downsizing to fund living in an aged care community. I have researched the amount of super I require and the level of risk vs return at my age and switched to high growth. I consolidated super sources and got some financial advice regarding Life and TPD insurance and am funding them outside of my super as this is better in the long run. I looked at voluntary contributions but I am ahead right of the plan right now so am choosing not to do that right now. Once my home loan is down to a certain level I have planned a further financial review to look at what investments I can make. I'm also adjusting my career focus to enable me to work part time as a management consultant if I want to top up my income. So all in all I have a plan and am ahead of where I need to be."

A NEW TOOL TO HELP TARGET AND REFINE YOUR IDEAL RETIREMENT INCOME



As part of our commitment to members, we continually aim to provide resources to help educate them about super and planning for their financial future.

Commonwealth Bank has recently launched a new retirement calculator that helps users estimate their expected retirement income with more targeted results.

By factoring in super and other personal assets, this tool can produce an informed view of how you may be tracking towards your retirement goals, as well as estimating Age Pension entitlements.

The calculator displays a clean, simple and user-friendly design, allowing you to confidently explore assumptions and test the impact of potential changes to your super contributions, retirement goals and other assets.

We encourage you to try the calculator and see what you can do to enhance your financial situation in retirement. Simply visit **www.commbank.com.au/digital/calculators/retirement** to try it today.

WHAT IF I AM AFFECTED BY AGE PENSION CHANGES?

If you are impacted by the new rules, talk to the Department of Human Services on 13 23 00 to discuss or visit their website at www.humanservices.gov.au and search for changes to the pension assets test.

If you are affected, it is a good idea to review your assets and financial situation to see if you can change some of your asset holdings as well as maintaining your cash flow requirements.

It may beneficial to speak to a financial adviser. If you wish to seek financial advice visit our website oursuperfund.com.au for more information. Simply go to Help & support > Help & advice options > Seeking financial advice.

Other helpful retirement resources

There a number of great resources available to help you plan for and manage retirement.

For information about maintaining health and finances; government benefits and concessions, wills and powers of attorney, aged care planning and more, visit our website. Simply go to Retirement > Life after work.

Contact us

If you have any questions about your account or need assistance, please contact us on **1800 023 928** between 8.00am and 7.00pm (Sydney time) Monday to Friday or email **oursuperfund@cba.com.au**.

AGE PENSION ASSETS TEST CHANGES FROM 1 JANUARY 2017

There have been changes to the assets test affecting the Age Pension from 1 January 2017. Here is a brief overview of the changes that have now come into place.

About the changes

The assets test threshold for a full pension has increased, and the reduction (taper) rate where assets exceed the threshold will double. Retirees will lose $3 per fortnight of the age pension for every $1,000 they have in assets above the threshold.

People who lose the Age Pension as a result of these assets test changes may be automatically issued with a Commonwealth Seniors Health Card, which provides access to bulk billing and a range of medical, household, transport, and recreation concessions.

Also from 1 July 2017, the qualifying age for the Age Pension will increase from 65 years to 65 years and 6 months, then increase by 6 months every 2 years, reaching 67 years by 1 July 2023.

Assets test

The value of various assets you own can affect your eligibility for a pension. If your assets exceed the assets test threshold for a full pension, you may receive a part pension. If your assets go over a certain amount you will no longer receive any pension payment.

Your assets don't affect your payment if they are below the assets test lower threshold. Part pension payments will be cancelled when your assets exceed the assets test upper threshold. From 1 January 2017 the assets test thresholds are now:

	Assets test lower threshold	Asset test upper threshold
Single homeowner	$250,000	$542,500
Single non-homeowner	$450,000	$742,500
Homeowner couple (combined)	$375,000	$816,000
Non-homeowner couple (combined)	$575,000	$1,016,000

More about assets

Assets such as cars, superannuation investments, bank accounts and investment properties are included in the assets test. The total value of some kinds of future income, such as those received from annuities or defined benefit pensions, is also calculated and included in the assets test. Your principal home is excluded from the calculation. For more information about assets visit the Department of Human Services website at www.humanservices.gov.au.

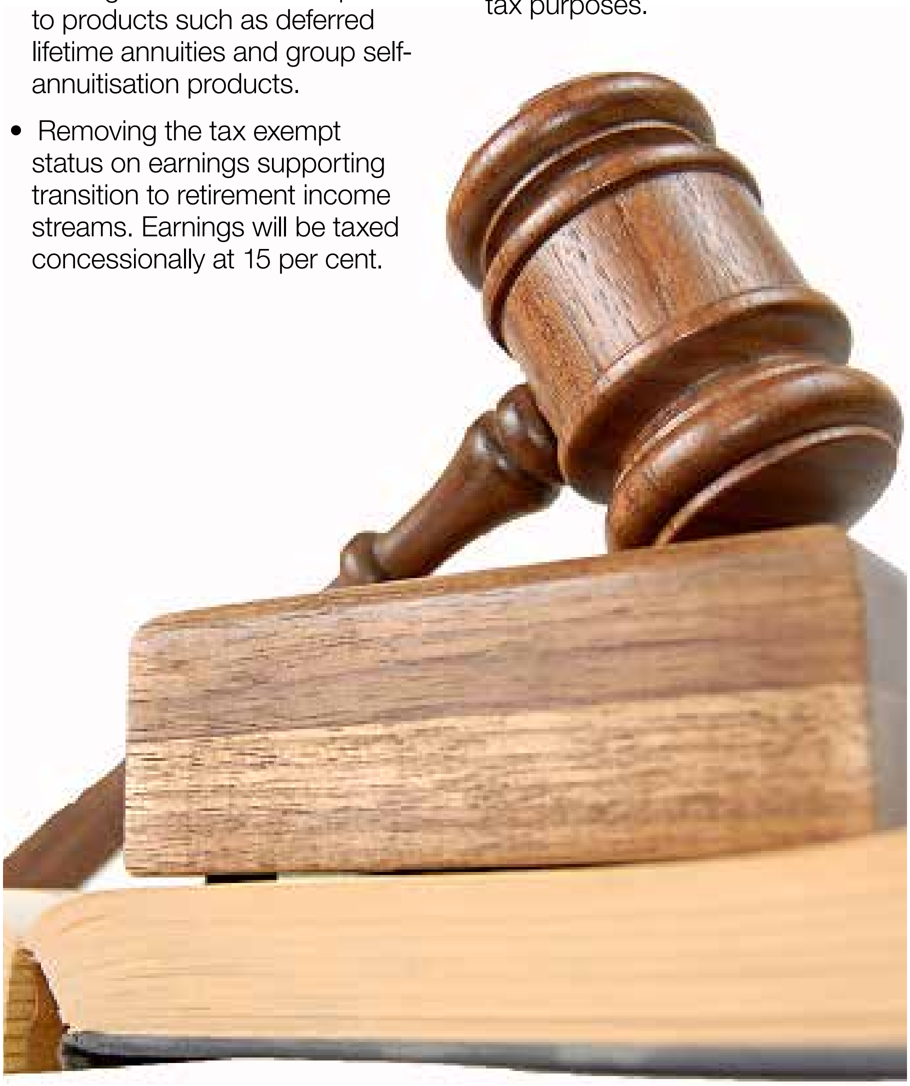
MEMBER NOTICES

Update to the proposed 2016 Federal Budget super changes

The government's announced adjustments to its proposed superannuation changes outlined in the 2016 Federal Budget have now been legislated. The effective date for the majority of changes is 1 July 2017.

The changes include:

- Introducing a $1.6 million cap on the total amount of superannuation that can be used to fund superannuation income streams. People with more than $1.6 million in the pension phase should consider whether to withdraw the excess amount or transfer the excess amount to the accumulation phase (which is then subject to 15% tax on earnings), before 1 July 2017. Note that special rules apply to defined benefit pensions.
- Lifting the adjusted income threshold to $37,000 and phasing out at $40,000 for the spouse contribution tax offset. A contributing spouse will be able to claim an 18% offset up to $540 for contributions made to an eligible spouse's superannuation account.
- Removing the anti-detriment provision from death benefits.
- Extending the tax exemption on earnings in the retirement phase to products such as deferred lifetime annuities and group self-annuitisation products.
- Removing the tax exempt status on earnings supporting transition to retirement income streams. Earnings will be taxed concessionally at 15 per cent.
- Individuals will also no longer be allowed to treat certain superannuation income stream payments as lump sums for tax purposes.



Commonwealth Bank Group Super

Accumulate Plus and Retirement Access members

oursuperfund.com.au

1800 023 928 from 8am to 7pm (Sydney time) Monday to Friday

oursuperfund@cba.com.au

GPO Box 4758
Sydney NSW 2001

(02) 9303 7700

Defined Benefit members and pensioners

oursuperfund.com.au

1800 135 970 from 8am to 7pm (Melbourne time) Monday to Friday

via online member login

GPO Box 4303
Melbourne VIC 3001

(03) 9245 5827