



News update

Retirement Access – August 2019



“Helping members like you work towards your ideal financial future is at our core. I am proud of the continued focus our fund puts on members’ best interests and financial wellbeing.”

A note from Rosemary Vilgan, Chair, Trustee Board

The past year has been an eventful one for super and the wider financial services industry. Reports from the *Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* and the Productivity Commission’s *Inquiry into Competition in the Australian Financial System* have resulted in recommendations for substantial reform and shifts in cultural thinking.

We recognise the impact of these significant events, and our focus continues to be your best interests and value as a member. As the CBA Group’s default superannuation fund, we are adopting many of the changes the CBA Group is implementing in its response to the Royal Commission. As an independent and separate trustee board charged with the responsibility of governing our fund, we also have our own responsibility to implement changes as a result of the Royal Commission.

The Royal Commission and beyond

I am proud of the continued focus that our fund puts on members. Our foundational principle of doing things in the best interests of members has been unwavering and in place for many years. Read more about our fund’s view on the Royal Commission and its impact in *‘The Royal Commission and your fund’* on page 4.

From the fund

From 1 July 2019 retirees between the ages of 65-74 with a super balance below \$300,000 are able to make voluntary contributions for the first year after they no longer meet the work test requirements. We have worked through implementation of reforms, and will keep you informed of any changes that may affect your account.

A fond farewell to Group Super CEO Doug Carmichael

Commonwealth Bank Group Super CEO Doug Carmichael retired in August this year, after over nine years at the helm of our fund. We have been fortunate to have Doug leading our talented management team, guiding them and our fund through various regulatory reforms and investment market environments, and industry evolution. Throughout, he has never wavered in his genuine belief in the value of super, and working for the benefit of members to enhance their financial wellbeing. I, along with the Board’s directors and management would like to thank Doug wholeheartedly for his service to our fund and our members, and wish him all the best for his retirement.

It is a privilege to look after your savings for retirement, and we thank you for allowing us to help you on your path towards financial wellbeing.

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Reflections from a retiring CEO.

By Doug Carmichael

From member interactions and fund enhancements to awards and legislative impacts, I've seen a lot in my near-decade as CEO of our fund. But what has remained unchanging is our fund's strong commitment to members.

When I started as CEO in 2010, the Trustee Services management team was much smaller – that our team has since doubled in size is a testament to how our fund has grown over the last nine years, and how we have met increasing demands on the industry. Significantly, we are now over 74,000 members strong and look after \$12 billion in funds under management. With over half of our members no longer working with the Commonwealth Bank Group, we are pleased they have chosen to stay with us and in many cases, have their new employer contribute to our fund.

In my time here, there have been a number of changes that reflect our fund's evolution and keeping up with the changing member landscape. We welcomed our Bankwest members in 2012 and rebranded the fund from the Officers Super Fund to Commonwealth Bank Group Super, reflecting a more modern fund while valuing our strong ties to the Commonwealth Bank. We championed the 5-minute workout, encouraging members to think about their super even for just five minutes now to help their super later on. In today's somewhat uncertain regulatory, legislative and economic environment it is our fund's ability to change with the times that honours our 103-year history of putting our members first, and one I know will continue to be built upon.

On a personal note, while I may be stepping away from a full-time career I look forward to continuing to contribute to the industry in some way. My role as President of the Board of Directors of the Canadian Australian Chamber of Commerce will also remain a focus. As for leisure, my wife and I are planning to tick off some of our travel wish list!

I would like to sincerely thank the Trustee Services management team and our Board of Directors – working with them has been a highlight of my career, and I wish them, and our fund, the very best.

Most importantly, I would like to thank you. It has been an honour and a privilege to guide our fund forward in its firm commitment to members like you.

If I may leave you with one final thought, it is this: super may not be something you need to think about all the time, but if you do once in a while, it can make a real difference to your life.

Best regards,
Doug Carmichael



Welcome to Scott Durbin, new Group Super CEO

The Board is delighted to welcome Scott Durbin to our fund from 6 August 2019. Scott comes to us from Commonwealth Bank Group Wealth Management, where he was General Manager, Strategy and responsible for developing and supporting business strategy execution for the unit's various businesses. He brings with him valuable deep specialist knowledge gained from experience in superannuation, investments and development of member services. He is committed to continuing to improve member outcomes, both in helping them save for and enjoy a comfortable retirement. We are enthusiastic about Scott's appointment and what he will bring to our fund and our members moving forward.

The Royal Commission and your fund.



During 2018 the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* was held. Information provided by super funds from across the industry was considered and assessed by the Royal Commission. Retail funds, industry funds and corporate funds, like Group Super, were required to actively participate.

In February 2019 the Final Report (the Report) was released. It outlined 76 recommendations for the wider industry. The resulting recommendations will apply equally to super fund trustees whether they are from the retail funds, industry funds or corporate funds.

Our response to the Report's findings

We genuinely support the Report's recommendations. The 'member best interests' benchmark has always been a foundational principle of our model, and we will continue to challenge ourselves and strive for better member outcomes.

The broad themes from the Report that are likely to have an impact on our fund are outlined below, as are our responses.

1. Good governance

The Report concluded that existing best interests and conflicts duties, if properly applied by trustees, are broad enough to protect members against the conflicts inherent in related party arrangements. Additionally trustee boards should have an appropriate collective skill set, renew those skills through term limits, and at all times prioritise the interests of fund members over all others.

- We have a well-established framework to assess, manage and monitor related-parties arrangements and policies to ensure the Board, Trustee Services and service providers are acting in the best interests of members, and comply with legal requirements. Additionally we engage with the

Australian Prudential Regulation Authority (APRA) on a regular basis to discuss and review our fund's related-parties arrangements.

The board's relationship with management is robust with a minimum of quarterly board and subcommittee meetings. At each meeting a comprehensive flow of information is provided to the board so that the directors can confidently discharge their duties. The discharging of duties and board performance more generally is reviewed annually by independent assessors with feedback provided to the board for consideration and implementation.

All directors are evaluated for their skills and ability to deliver member best interest outcomes. Find out more about the appointment and office of our directors on our website.

2. Measuring performance and member outcomes

The Report recommends that all trustees proactively assess their performance across a range of dimensions, and develop strategies and plans to ensure they will continue to be able to meet their current and future obligations to members.

- The Trustee is implementing the adoption of the new APRA SPS 515 Member Outcomes standards. A gap analysis has been conducted and recommendations for the improvement of the Trustee's annual strategy planning process and setting of additional strategic outcomes ensuring the Trustee's goals and objectives meet their obligations to their members into the future. Trustee performance is and will continue to be measured across a range of areas including, but not limited to, investment performance, fees and costs; insurance; and scale and sustainability.

(continued overleaf)

3. Insurance

The Report recommends trustees ensure that insurance arrangements including the product terms offered, governance frameworks and operational processes remain appropriate and in the best interests of members. The Commissioner would like to see trustees enhancing the member's experience of insurance arrangements including claims handling and treatment of vulnerable customers.

- Our fund's Insurance Management Framework is reviewed annually by the trustee, and our insurance policy terms and conditions at least every three years. We have also adopted most standards prescribed in the Insurance in Superannuation Voluntary Code which are due to be implemented by 31 December 2020 – read more about our transition plan on our website.

4. Minimising multiple accounts

The Report recommends the reduction of unintended multiple accounts through the implementation of a single lifetime default allowing them to take that account with them as they change jobs.

- We see the merit of this driving better member outcomes and currently provide tools to members to compare what fund might suit them and offer the Australian Taxation Office's SuperMatch service to members to assist with finding and consolidating multiple accounts.

5. Financial advice and commissions

The Report recommends, except for intra-fund advice, prohibiting the payment of advice fees from MySuper accounts, and allowing payment of advice fees from Choice accounts only under limited conditions. The Report also recommends the annual renewal of ongoing advice relationship and removal of grandfathered commissions.

- Through our fund, members are only provided with access to intra-fund advice. While we currently do permit the payment of other advice services, this is arranged only where both the member and adviser have agreed on the payment in writing. However, this may be subject to changes in the future. We do not permit the payment of ongoing advice fees or grandfathered commissions.

The road ahead

Exactly which areas will be fully legislated and when is unknown. However, the superannuation industry is already reviewing and assessing how the final report recommendations will affect them and how and they can improve on their members' best interests measures.

Fear factor or prudent planning? A closer look at income in retirement.

With larger numbers of the baby boomer generation retiring, discussion has focussed on insufficient savings to fully self-fund retirement over a potentially decades-long period. Debate continues over whether this may place undue pressure on the Age Pension system and leave countless retirees without enough money to live reasonably.

But is this really the case? As a starting point, let's briefly look at how retirement income needs tend to be estimated.



Projections and benchmarks and research and...oh my!

The generally referenced benchmark for income needs is the Association of Superannuation Funds of Australia (ASFA) Retirement Standard¹. While it is a detailed and valuable yardstick, it is not exhaustive and may be better served when viewed in conjunction with other data sources for a more comprehensive picture.

Household Income and Labour Dynamics in Australia (HILDA) data^{2,3}, for example, includes rent and/or mortgage payments and analyses actual retirement expenditure patterns. Conversely, the Retirement Standard assumes outright home ownership and considers anticipated expenditures. However, the Retirement Standard accounts for household goods and services and leisure activity where the HILDA survey does not³.

So there's no one-stop-shop for benchmarks that can definitively inform every retiree's journey and income needs. A holistic view of available data may build awareness and help support your own planning.



Income in retirement – to spend or to save?

Some retirees will draw a pension from super and other potential assets such as property, shares, cash or business investments for income in retirement. Others in more modest households, may have a pension from super supplemented with the Age Pension as their main source of income. Irrespective of wealth levels, many retirees feel the need to watch each and every dollar once their working life is behind them⁴.

The thought of potential overindulgence in early retirement resulting in poverty later on 'because the money ran out' is understandably frightening and could lead to anxiety and excessive frugality in retirement. And this fear is not necessarily allayed by coverage in the media on rising healthcare costs, aged care costs, a longer life expectancy, and more recently the federal election 'retiree tax' campaign line, potentially eroding retirement savings.

How Retirement Access members are managing pension payments in our fund

53% withdraw the minimum required annual payment and 25% withdraw only up to twice the minimum. This suggests many may use their pension in conjunction with other sources of income or are more cautious in their spending.

58% arrange their payments to come fortnightly and 20% prefer monthly payments. This may reflect a desire to retain a regular 'salary' style of payment to cover regularly-occurring expenses.

But what about the flip side? A report from the Grattan Institute⁵ found many retirees today are living well, and are not under financial pressures as they naturally tend to spend less. This was found to be especially so as they age and activities such as overseas travel are in decline. While medical expenses do increase with age, these costs are largely covered by the taxpayer. Remarkably, some retirees were even found to have a higher standard of living than they did during their working lives. The Grattan findings are supported by the HILDA data, which paint a more optimistic picture of retirement income longevity.

It's important to note, however, that both the Grattan findings and HILDA data both concede that without home ownership, even those with healthy super balances are at greater risk of financial stress in retirement.

Keep an eye on the bigger picture

Retirement income is a hot topic, particularly now that more Australians are retiring and living longer in retirement than ever before⁶. How retirees will be living and spending money through their retirement is being watched by the government and industry – and how legislation will affect retirement savings is being closely watched by retirees!

In late May 2019, the Government confirmed it would be consulting with the cabinet and Treasury about establishing a review of the Australian retirement income system in response to the Productivity Commission recommendations⁷. Importantly, this is expected to include analysis of the relationship between super, government pensions and likely taxation.

Such a review is likely to feed into the anticipated introduction of Comprehensive Income Products for Retirement (CIPRs), intended to provide a low-cost, stable and flexible retirement income stream option to retirees⁸.

Don't lose sight of what makes retirement worthwhile

Benchmarks and projection data are useful sources of information to help inform your planning, but they support your retirement income plans, not dictate them. Your circumstances won't be the same as others and vice versa, which is why it's up to you to decide your own retirement income needs.

You may make some compromises in your retirement journey, and it's natural to be more discerning about income for the sake of longevity. But remember, your retirement income is meant for more than paying the bills! If something brings you joy and sparks your passion – consider the balance between savings for the future and enjoying the life you've worked for.

1 <https://www.superannuation.asn.au/resources/retirement-standard>
 2 <https://www.dss.gov.au/our-responsibilities/families-and-children/programmes-services/the-household-income-and-labour-dynamics-in-australia-hilda-survey>
 3 http://www.aist.asn.au/media/881914/aist_expendpatternsretirement_aug16_web.pdf
 4 <https://www.intheblack.com/articles/2018/07/10/retirees-not-spending-superannuation>
 5 <https://grattan.edu.au/wp-content/uploads/2018/11/912-Money-in-retirement.pdf>
 6 <http://www.abs.gov.au/ausstats/abs@.nsf/lookup/3302.0.55.001Media%20Release%202013-2015>
 7 <https://www.afr.com/news/policy/tax/retirement-incomes-face-review-20190524-p51qsi>
 8 <https://simplyretirement.com.au/income-retirement-CIPR>

Investing our fund to invest for your future.

The past financial year has seen increased volatility in global financial markets, and in particular global equity markets. A key factor driving this volatility has been the shift in outlook for interest rates. Early in the financial year, commentary and actions by central banks around the world created an expectation of rising interest rates. Over the past few months, however, central banks (including Australia’s RBA) have shifted direction and are now implementing and signalling multiple cuts to official rates.

Domestic and international markets have reacted favourably to this shift, with strong returns and growth outlook witnessed towards the end of the financial year. Tempering this recent increased optimism, however, are heightened uncertainty caused by global trade tensions, a slowdown in key growth rates, and uncertainty around Brexit. There are also contrasting signals in Australia, with housing market decline and low income growth, but at the same time, above average employment growth and increased infrastructure spending.

Given these uncertainties and the current low interest rate environment, we anticipate that the market environment will be challenging, and some further market volatility may be observed in the short term.

Superannuation is a long-term investment, and our investment mission is to deliver reliable long-term returns to members through investment options that span the risk spectrum. Positive performance over the last year means that our MySuper and other diversified options met their stated objectives, however it’s good to keep in mind that past performance is not an indication of future returns. Through strategic allocations to

multiple asset classes, our diversified options provide a smoother investment journey over time and manage market risk and volatility by lowering the risk associated with relying on any single asset class.

Fixed Interest option and the risk of negative returns

Fixed interest returns are made up of interest payments and profit (or losses) from trading fixed interest assets such as bonds and securities. Generally, if interest rates rise, bond and securities prices fall and vice versa; this can subsequently cause negative returns in some circumstances.

Our outlook for interest rates (and by extension bond yields) is one of lower levels for a more sustained period, and potentially with increased fluctuations therein. This outlook also leads us to anticipate a heightened probability of negative returns in fixed interest markets over the next 20 years.

As a result, we have adjusted our Standard Risk Measure (SRM) for our fund’s Fixed Interest option from “Medium” to “Medium to High”, which indicates our estimation of the number of negative returns in a 20 year period for this option. We believe that this adjustment will better reflect current and potential future market performance for members investing in this option over the longer term.

Important note: You should remember that returns are not guaranteed and may be positive or negative. Past investment performance is not a reliable indicator of future performance.



Did you know about our spouse accounts?

Would your spouse or partner like to enjoy the same Group Super benefits you do? All they need to do is open an Accumulate Plus account in our fund. Once this is done and the appropriate requirements are met, your spouse may then be eligible to open a Retirement Access pension account.

If your partner is interested in a Group Super Accumulate Plus account, simply visit oursuperfund.com.au/spouse to find out more!

You’ll both need to complete the application form, and as a member you will need to make a first spouse contribution to the new account. Easy!

Member notices.

Changes to fees and costs

Super funds are required to disclose information about fees and costs based on fees and costs incurred in the previous financial year. This means that investment-related fees and costs estimates generally change each year. The investment fees and costs for Retirement Access have been updated in the new Product Disclosure Statements (PDS) issued on 1 July 2019. The new figures are shown in Table 1 below. For comparison purposes, the estimates included in the last PDSs, issued on 1 July 2018, which are estimates for the 12 months to 30 June 2018, are set out in Table 2 over the page.

These fees and costs are not deducted directly from your account balance; instead they are deducted from the market value of the assets of each investment option before unit prices are calculated. In other words, these fees reduce investment returns. For Retirement Access TRIS accounts, the actual fees that apply to your account may be less than the gross figures disclosed in Table 1, as any tax benefit the fund is entitled to may be passed on to you.

For additional information on fees and costs, read the PDS for your account type – these documents are available from oursuperfund.com.au/pds or call us for a copy.

Important: All fees and costs in Table 1 are estimates of investment fees and costs paid in the 12 months to 30 June 2019. They are estimates of gross fees, and the transaction, borrowing and property operating costs include the net effect of GST.

Past costs are not a reliable indicator of future costs, and costs may vary from year to year depending on the allocation of assets between the fund’s investment managers and the investment activity of each manager.

As a guide, we estimate that the investment fee (total) for 2019–20 for each investment option may vary by up to 0.05% from the figures in Table 1 (column B). For example, the investment fee for 2019–20 for the Balanced option could be between 0.45% p.a. and 0.55% p.a.

The estimates for 2019–20 are based on information available as at 1 July 2019 but may be updated in the future. You should refer to the PDS for Retirement Access from oursuperfund.com.au/pds for the most up-to-date fee estimates.

Table 1: Estimate of total fees and costs that reduce investment returns for the 12 months to 30 June 2019.

Investment option	Estimated investment fees (%pa)			Estimated transaction costs (% p.a.)			Estimated borrowing costs (% p.a.)	Estimated total property operating costs (% p.a.)
	Investment fee (total)	Investment management component	Other investment-related costs component	Total transaction costs	Costs included in investment fee	Costs not included in investment fee		
	= (A) + (B)	(A)	(B)	=(C) + (D)	(C)	(D)	Costs not included in investment fee	Costs not included in investment fee
Conservative / Conservative TRIS	0.32	0.24	0.08	0.09	0.04	0.05	0.01	0.07
Moderate / Moderate TRIS	0.43	0.33	0.10	0.11	0.05	0.06	0.01	0.11
Balanced / Balanced TRIS	0.50	0.40	0.10	0.13	0.06	0.07	0.01	0.17
Growth / Growth TRIS	0.51	0.42	0.09	0.15	0.07	0.08	0.01	0.18
Cash / Cash TRIS	0.07	0.06	0.01	0.01	0.01	0	n/a	n/a

Important: Table 1 does not include all fees that apply to your account. For example, administration fees are also payable. You should refer to the PDS for your account type for details of all fees that may apply to your account. There are no changes to other fee types or amounts at this time.

Table 2: For comparison, an estimate of total fees and costs that reduce investment returns for the 12 months to 30 June 2018.

Investment option	Estimated investment fees (%pa)			Estimated transaction costs (% p.a.)			Estimated borrowing costs (% p.a.)	Estimated total property operating costs (% p.a.)
	Investment fee (total)	Investment management component	Other investment-related costs component	Total transaction costs	Costs included in investment fee	Costs not included in investment fee	Costs not included in investment fee	Costs not included in investment fee
	= (A) + (B)	(A)	(B)	=(C) + (D)	(C)	(D)		
Conservative / Conservative TRIS	0.35	0.25	0.10	0.10	0.05	0.05	0.01	0.08
Moderate / Moderate TRIS	0.48	0.34	0.14	0.13	0.07	0.06	0.01	0.13
Balanced / Balanced TRIS	0.56	0.41	0.15	0.14	0.08	0.06	0.01	0.17
Growth / Growth TRIS	0.58	0.43	0.15	0.17	0.10	0.07	0.01	0.18
Cash / Cash TRIS	0.08	0.07	0.01	0.02	0.01	0.01	n/a	n/a

New Retirement Access PDS and Reference Guides issued 1 July 2019

It's important that you always refer to the most up to date information when considering or making any changes to your Retirement Access account or when making decisions that may affect your financial future.

Effective 1 July 2019, we issued a new product disclosure statement (PDS) titled 'Member Guide for Retirement Access. The key changes include:

- Updated content to reflect updates to fee and cost estimates

Copies of documents are available by calling us or from oursuperfund.com.au/memberbooklets

2018-19 Annual Report online

Our 2018-19 Annual Report will be available to view or download from November from our website oursuperfund.com.au

Please contact us if you require a printed copy of the report.

Note: if you requested a printed copy of last year's report, we will automatically send you this year's report once available. Copies of annual reports from previous years are also available from our website.

Retirement Access members



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