



# SUPER SA

contributing to your future



## Significant Event Notice

### Lump Sum Scheme

At Super SA, together with our investment manager Funds SA, we regularly review the investment strategies and options available to you as a member of the Lump Sum Scheme.

We do this to ensure they reflect important shifts in investment markets and the superannuation sector.

This significant event notice summarises key changes that impact the Lump Sum Scheme. It describes what the changes are and when they come into effect.

For further information please read the FAQs accompanying this notice.

### Change to Investment Objectives

The investment objectives state the aims of each investment option. The objectives are developed having regard for long term performance and characteristics of finance markets.



#### **Capital Defensive new investment objective - effective 1 January 2021**

Currently the Capital Defensive option seeks to provide a return above cash with some protection against market downturns.

The current investment objective is a target return of CPI + 1.5% over an investment time horizon of 2+ years.

Due to the unprecedented easing of monetary policy by the Reserve Bank of Australia (RBA) and global central banks, yields for short-term fixed interest securities (defensive assets) have fallen towards zero per cent. This record low interest rate environment is likely to persist for a number of years and it has become increasingly difficult for the Capital Defensive investment option to achieve its investment objectives. Given the conservative nature of the Capital Defensive investment option, the investment return target has been adjusted accordingly.

Super SA and Funds SA have reviewed the investment objective, and from 1 January 2021 the investment objective for the Capital Defensive option will change reducing from CPI + 1.5% to CPI + 1%.

Existing	From 1 January 2021
CPI + 1.5%	CPI + 1%

All other aspects of the Capital Defensive investment option including risk rating remain the same. Details of Capital Defensive and other investment options can be found on our website at [supersa.sa.gov.au](https://supersa.sa.gov.au).



## Growth investment option closed to members

In August last year, as part of the Default Option Review, we provided details about updates to investment strategies and options impacting the Lump Sum Scheme, including changes to investment asset allocation ranges (i.e. growth assets compared to defensive assets).

A key change was to increase the Long Term Strategic Asset Allocation (LTSAA) and range for the Growth investment option by increasing the exposure to growth assets from 75% to 85%.

This change also included altering the LTSAA levels of growth assets within the Balanced option from 65% to 75%.

While we originally expected this change to be implemented over multiple years, recent shifts within investment markets have meant this has occurred more quickly than anticipated. The Growth investment option now has growth asset allocations closely aligned to those of the High Growth investment option.

As a result, after 25 January 2021, the Growth investment option will no longer be available. Investments in the Growth option will be switched into the Balanced investment option on 3 February 2021. The Balanced option has a similar risk profile (to the previous LTSAA of the Growth option 12-months ago) with a LTSAA of 75% growth assets.

In addition, if you do not choose an alternate investment option any future contributions being allocated to the Growth option will be redirected to the Balanced option.



## Frequently Asked Questions

### ***Am I impacted by the investment option changes?***

Members who are already invested in the Capital Defensive or considering investing in this option are impacted by the change in investment objective. The Capital Defensive investment objective changes from CPI + 1.5% to CPI + 1% over an investment time horizon of 2+ years on 1 January 2021.

Members who are invested in the Growth option are impacted, with all existing funds invested in the Growth option and future contributions being switched to the Balanced option on 3 February 2021.

### ***Why are you removing the Growth investment option?***

At Super SA, together with our investment manager Funds SA, we regularly review the investment strategies and options.

In 2019, as part of the Default Fund Review, we provided details of changes to our investment asset allocation ranges (i.e. growth assets compared to defensive assets), resulting in the strategic asset allocation and range of our Growth investment option aligning with those of the High Growth option, and the Balanced option moving towards the same risk profile previously held by the Growth option.

This movement was expected to occur over multiple years, however due to market movements in recent months, this transition has happened more quickly.



### **What products do these changes apply to?**

The Capital Defensive option change applies to the following schemes; Triple S, Flexible Rollover Product, Super SA Income Stream and the Lump Sum Scheme.

The changes to the Growth investment option will also apply to Triple S, Flexible Rollover Product and Income Stream accounts. Note however that only in Lump Sum will the Growth investment be automatically switched to the Balanced option (if you do not choose to switch to another option before 25 January 2021).

### **Why are we providing you with this information now?**

To ensure you have plenty of time to understand the change and work out what's best for you. Providing this information now gives you the chance to make decisions about your investment options (if you wish to) before any changes take place. Please note, if you do not want your Growth accounts switched to the Balanced option, you will need to switch your Growth accounts to another option by 25 January 2021.

### **Does this mean the Balanced option has less risk than the Growth option?**

The investment objective of the Balanced option is CPI + 3.5%, compared to CPI + 4% for the Growth option.

Both the Balanced and Growth options have the same Standard Risk Measure including:

- Investment time horizon of 10 years
- High risk rating (risk band 6)
- Likelihood of recording a negative return is between four and six years in 20

You can find more information about the Balanced investment option on our website at [supersa.sa.gov.au/investments](http://supersa.sa.gov.au/investments).

### **What is the strategic asset allocation and growth range for the Balanced investment option?**

The Balanced investment option aims to have 75% exposure to growth assets, with a growth asset range between 60% and 90%.

You can find more information about the Balanced investment option on our website at [supersa.sa.gov.au/investments](http://supersa.sa.gov.au/investments).

### **Are the fees the same for the Balanced option?**

All investment options have different costs and the cost to manage investments generally increases when exposure to growth assets increases.

The cost of managing the investments is incorporated in the Indirect Cost Ratios (ICR), which are deducted from investment returns before unit prices are applied to individual account balances.

The investment objective of the Growth option is CPI + 4%, compared to CPI + 3.5% for the Balanced option.

Reflecting this objective, to achieve lower target return when compared to the Growth option, the Balanced option has lower investment fees compared to Growth option (reflecting its lower current growth assets allocation costs).

You can find out more information on the ICRs for each investment option in the Product Disclosure Statement on our website.

### **How will we calculate the unit price for the switch to Balanced on 3 February 2021?**

The unit prices for 3 February 2021 will be calculated using the asset valuations as at 29 January 2021. These unit prices will be used to calculate the value of your account held in the Growth option as at 3 February 2021 and to calculate the number of Balanced units that will be purchased.



***Will future contributions be automatically switched?***

Yes, future transactions that are being directed to the Growth option will be switched to the Balanced option commencing from 3 February 2021 unless you have chosen to switch to another investment option.

***Will I have to pay an investment switch fee?***

You will only be required to pay the \$20 switch fee if you choose to switch your investments to an alternate option by 25 January 2021 and you have already made an investment switch this financial year (i.e. since 1 July 2020).

If you choose to do nothing and we automatically switch your investments from Growth into the Balanced option, you will not be charged an investment switch fee.

***Will I lose money by switching into the Balanced option?***

No, your member and rollover account will remain the same after the investment switch – but a different unit allocation will occur to reflect the change to the Balanced option.

***Will you notify me about the change?***

We will write to you once the switch has been completed and confirm the new units purchased in the switch.

***When will this change be updated on the member portal?***

This change will appear in the member portal once the switch has been processed. We will also write to you once the switch has been completed and confirm the new units purchased in the switch.

**Need help?**

If you have any questions in relation to these changes or your Super SA account, please contact us.

 **1300 369 315**

 **[supersa@sa.gov.au](mailto:supersa@sa.gov.au)**