Super SA

SIGNIFICANT EVENT NOTICE

The following pages outline important changes which may affect your account with Super SA.

Investment Changes

At Super SA, together with our investment manager Funds SA, we regularly review the investment strategies and options available to you, our members and investors.

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

This significant event notice summarises key changes impacting your scheme, and when they come into effect.

For further information, please read the Frequently Asked Questions accompanying this notice.

Changes to Investment Objectives

The investment objectives state the aims of each investment option. The objectives are developed having regard to long term performance and characteristics of financial markets. The fall in cash rates and bond yields to near zero levels make the target rate of return for the lower risk options (Capital Defensive, Conservative and Moderate) that hold larger percentages of these assets, very difficult to achieve.

Reflecting these important shifts in markets, Funds SA has recently reviewed the target rate of return for each investment option, and the following changes are being made. A further impact of this update also involves a change to the Capital Defensive option 'risk classification' and 'risk of negative return' measure.

Investment Option	Current Target rate of return	From 1 January 2022 Target rate of return
Capital Defensive	CPI + 1.0% over a 2+ year investment horizon[1]	CPI + 0.5% over a 2+ year investment horizon[1]
	Current Risk classification	**From 1 January 2022 Risk classification**
	Low (SRM[2] – Risk Band 2) It is likely that a negative return might be expected to occur between 0.5 and 1 year in 20.	Medium (SRM[2] – Band 4) It is likely that a negative return might be expected to occur between 2 and 3 years in 20.
Investment Option	**Current Target rate of return**	**From 1 January 2022 Target rate of return**
Conservative	CPI + 2.0% over a 4+ year investment horizon[1]	CPI + 1.5% over a 4+ year investment horizon[1]
Moderate	CPI + 3.0% over a 6+ year investment horizon[1]	CPI + 2.5% over a 6+ year investment horizon[1]

1. Also referred to as minimum suggested timeframe of investment.
2. Standard Risk Measure

Changes to the Socially Responsible option

In addition, Funds SA also has made changes to the Socially Responsible option, shown below.

Current Risk and Target return	New Risk and Target return From 1 January 2022
Risk and return likely to be similar to that of an industry growth fund.[3]	Target rate of return CPI + 3.0% over a 10+ year investment horizon It is likely that a negative return might be expected to occur between 4 and 6 years in 20.
Asset allocation	
This option is invested in the range of 55 - 85% in growth assets (shares, certain types of property, private equity and other growth opportunities) and the balance in defensive assets (such as cash and fixed interest).	

3. It is likely that a negative return might be expected to occur between 4 and 6 years in 20.

Government of South Australia

OFFICIAL

Socially Responsible option Asset Allocation ranges		
Asset class	**Current Range %**	**From 1 January 2022 Range %**
Australian equities	15-40	15-40
International equities	15-40	20-45
Property	0-20	0-30
Diversified Strategies Growth[4]	0-13	0-25
Fixed interest	0-45	5-30
Cash	0-20	0-20

4. From 1 July 2021, the name of this asset class changed from Alternatives to Diversified Strategies Growth.

Socially Responsible option – Investment Manager

Previously, the Socially Responsible investment option was externally managed by the product provider AMP Capital.

From February 2021, this option is now being managed by Funds SA.

This option actively incorporates the consideration of environmental, social and governance factors in their investment decisions and also avoids investing in companies operating in areas of high negative social impact.

The use of socially responsible investment criteria in the construction of an investment portfolio may not necessarily result in higher investment returns, as particular opportunities are excluded by the socially responsible investment process.

Frequently Asked Questions

Which products do these investment objective changes apply to?

These investment changes apply to Triple S, Flexible Rollover Product, Income Stream and Lump Sum schemes.

Why are the investment objectives changing for Capital Defensive, Conservative and Moderate options?

Investment objectives are developed having regard to long term performance and characteristics of financial markets.

Due to the unprecedented easing of monetary policy by the Reserve Bank of Australia and global central banks, the yields for cash and short-term fixed interest securities (defensive assets) have fallen to close to zero per cent.

The low yields on these defensive assets decreases their expected return. The Capital Defensive, Conservative and Moderate investment options have a higher allocation to defensive assets. This record low interest rate environment may persist for a number of years and make the target return for the more defensive options (Capital Defensive, Conservative, and Moderate) increasingly difficult to achieve. As a result, our investment manager Funds SA determined it would be appropriate to lower the target rate of return objectives.

Do the changes to Capital Defensive mean it's more risky?

A Standard Risk Measure is based on industry guidance, which allows members to compare investment options that are expected to deliver a similar number of negative annual returns over any twenty-year period.

The Capital Defensive investment option now has a slightly higher chance of a negative return in any given year. It is now likely that a negative return might be expected to occur between 2 and 3 years in 20. This results in an increase from a low-risk measure to a medium-risk measure.

Will my investment returns change?

There is a reasonable probability that the target returns for each investment option will be achieved over its stated time horizon based on the investment strategies employed.

However, it is important to remember that superannuation is a long-term investment. Investment returns vary from year to year, and past performance is not an indication of future performance.

Why aren't the investment objectives changing for Super SA's remaining options?

The fall in cash rates and bond yields to near zero has impacted the target return for our lower risk options (Capital Defensive, Conservative and Moderate only) that hold larger percentages of these assets, but not the objectives for our Balanced or High Growth options (that hold lower percentages of these assets), which hold a greater proportion of their investments in growth assets (such as Australian and international equities and property).

The Cash investment option has a target of providing investors with returns in line with the official Reserve Bank of Australia (RBA) cash rate which reflects the lower cash rates of return.

We're here to help

For further information, please contact our Member Services team via **supersa@sa.gov.au**, or on **1300 369 315** or visit our website at **supersa.sa.gov.au**.

SSA1286

OFFICIAL

Government of South Australia