



SUPER UPDATE

September 2017

Virgin Money Super

(a plan in the Mercer Super Trust)

Key Changes

New legislation has been introduced to standardise how super funds disclose fees and costs in PDSs and member statements, such as your annual benefit statement. The aim of the new disclosure requirements is to improve consistency and comparability of fee disclosures across super funds. As a result, effective 1 October 2017, the indirect cost ratio (ICR) which is applied to each investment option available through Virgin Money Super has changed.

Effective 1 July 2017, there were also a number of changes to various aspects of superannuation legislation, predominantly around contribution limits and how much money an individual may have in a super fund over their lifetime. A summary of these changes is also included in this Notice.

What does this mean for you?

As previously disclosed in your PDS, allowances for transaction and operational costs are made when unit prices are calculated, which impacts investment returns and are reflected in your account.

This new legislation means some of these costs will now be explicitly included in the ICR which will generally result in increased ICRs. Note, this is not an increase in fees, but a broadening of costs which are included in the calculation of the ICR, such as brokerage costs associated with buying and selling shares.

The 'Fees and Costs' Appendix later in this Notice provides more information about this change.

What do you need to do?

You should read this Notice and call our Customer Care Team on **1300 652 770** if you have any questions.

We're here to help Monday through to Friday from 8am to 6pm (AEST),



LEGISLATIVE CHANGES TO SUPER SINCE 1 JULY 2017

The Federal Government has passed legislation to implement budgetary superannuation changes.

The majority of these took effect from 1 July 2017.

Below is a snapshot of the key changes which may affect you. If you want to know more, go to <https://virginmoney.com.au/superannuation/forms-and-key-information/key-documents> to access the current Fact Sheets that cover these changes.

- Reduction to the annual concessional contribution cap to \$25,000 per annum for all ages (prior to 1 July 2017 this was \$30,000 up to age 49 and \$35,000 for age 50 and over)
- Reduction to the annual non-concessional contribution cap to \$100,000 per annum for all ages (prior to 1 July 2017 this was \$180,000) or nil if a member's total account balance is \$1.6 million or more (prior to 1 July 2017 there was no total account balance limit)
- All individuals will be eligible to claim a tax deduction on their personal contributions made to a superannuation fund (subject to their concessional contribution cap) - prior to 1 July 2017 this was generally only available to self-employed individuals.
- Reduction to the higher income earners threshold to \$250,000 (prior to 1 July 2017 this was \$300,000) – this is the income level at which an additional 15% tax on concessional contributions may apply
- The Low Income Superannuation Contribution (LISC) will continue to apply (it had been legislated to cease from 1 July 2017) under the same conditions but will be referred to as the 'Low Income Superannuation Tax Offset'

You can find out more about these changes at: <https://www.ato.gov.au/Individuals/Super/Super-changes>

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APPENDIX - FEES AND COSTS

The following information provides a detailed explanation of Indirect Cost Ratios (ICRs) and transaction and operational costs (specifically what is included in each and how they are calculated). We have also included the new estimated ICRs and transaction and operational costs for each investment option for the financial year ending 30 June 2017 and the estimated ICR ranges.

What is included

Each investment option has an ICR which is predominantly made up of any indirect costs incurred by the underlying investment vehicles into which Virgin Money Super invests including but not limited to:

- performance related fees (see 'Performance related fees' later in this section)
- any expense allowance charged by any underlying investment vehicle or manager of those vehicles
- the explicit transactional and operational costs (see 'Transactional and operational costs' later in this section), and
- Over the Counter Derivative costs (used for either hedging and market exposure purposes).

Calculation of the ICR

The ICR is generally calculated and deducted daily (from the underlying investment vehicles or the relevant investment options, as applicable) when unit prices are determined, and is therefore reflected in the value of your account balance.

The actual ICR for each investment option (including each path in LifeStage Tracker) is determined at the end of each financial year. The Virgin Money Super Annual Report provides the actual ICR that applied for each investment option (including each path in LifeStage Tracker) for that financial year.

The table below includes the estimated ICRs for the year ending 30 June 2017. The estimated ICRs are based on the actual information available and/or reasonable estimates for the year ending 30 June 2017 as at the date of this Notice.

Also included are the estimated ICR ranges which give you an estimate of the ranges of the future ICRs that are generally expected to apply for each investment option. These ranges do not act as limits or caps on the ICRs that may apply in the future as the ICRs may vary from year to year reflecting the indirect costs (if any) incurred by the underlying investment vehicles or managers.

	Investment option	Estimated ICR (% per annum)	Estimated ICR ranges (% per annum)
LifeStage Tracker	Born prior to 1949	0.07	0.04 – 0.15
	Born 1949-1953	0.07	0.04 – 0.15
	Born 1954-1958	0.08	0.04 – 0.15
	Born 1959-1963	0.08	0.04 – 0.15
	Born 1964-1968	0.08	0.04 – 0.15
	Born 1969 to 2003 [#]	0.08	0.04 – 0.15
	Born 2004 to 2008	0.09	0.04 – 0.15
	Born 2009 to 2013	0.08	0.04 – 0.15
	Born 2014 to 2018	0.09	0.04 – 0.15
Virgin Choice	Australian Listed Properties	0.08	0.06 – 0.15
	Cash	0.02	0.01 – 0.10
	Indexed Diversified Shares	0.08	0.05 – 0.15
	Indexed Australian Shares	0.07	0.05 – 0.15
	Indexed Overseas Shares	0.09	0.05 – 0.15
	Enhanced Indexed Growth	0.10	0.06 – 0.15
	Enhanced Indexed Conservative Growth	0.11	0.06 – 0.16

[#] Includes paths Born 1969 to 1973, Born 1974 to 1978, Born 1979 to 1983, Born 1984 to 1988, Born 1989 to 1993, Born 1994 to 1998 and Born 1999 to 2003.

Changes in the ICRs for a financial year may be disclosed via:

- our website virginmoney.com.au/super where the change is not materially adverse or
- a notice to you when there is a materially adverse change to the ICRs .

Past fees and costs may not be a reliable indicator of future fees and costs.

Performance related fees

Where an underlying investment vehicle or manager is used to invest the assets of an investment option they may charge a performance related fee. These fees are reflected in the unit price of the underlying investment vehicle and accordingly form part of the ICR of the relevant investment option.

Underlying investment vehicles or managers that charge a performance related fee will generally only apply those fees when performance is greater than an agreed target. Accordingly, performance related fees will generally only arise when higher returns, relative to a specified target for a particular manager, are achieved.

Transactional and Operational costs

We incur transactional and operational costs ('transaction costs') when we buy or sell part or all of the underlying investments of an investment option.

The total transaction costs comprise the explicit and implicit costs and are an additional cost to you. Please note that the explicit costs are already included in the calculation of the ICR for each investment option.

Explicit costs include items such as brokerage, settlement costs (including custody costs), clearing costs, stamp duty on an investment transaction, property management costs and buy-sell spreads less any costs recouped by the underlying investment vehicles.

Implicit costs are costs which include an assessment of the difference between the price paid for acquiring an asset and the price that would be payable if it were disposed of (bid/ask price assessment) less any costs recouped by the underlying investment vehicles.

No part of any transaction cost is paid to the Trustee or any external manager and the allowance for transaction costs is not subject to GST.

Set out in the table below are the estimated:

- transactional and operational costs;
- explicit costs; and
- implicit costs.

for each investment option for the year ending 30 June 2017.

Past fees and costs may not be a reliable indicator of future fees and costs.

Investment option		Estimated total transactional and operational costs (% per annum of your account balance)	Estimated transactional and operational costs disclosed in the ICR - also referred to as explicit costs (% per annum of your account balance)	Estimated transactional and operational costs not disclosed in the ICR - also referred to as implicit costs (% per annum of your account balance)
LifeStage Tracker	Born prior to 1949	0.05	0.03	0.01
	Born 1949-1953	0.05	0.04	0.02
	Born 1954-1958	0.06	0.04	0.02
	Born 1959-1963	0.06	0.04	0.02
	Born 1964-1968	0.07	0.04	0.02
	Born after 1968 [#]	0.07	0.05	0.03
Virgin Choice	Australian Listed Properties	0.01	0.01	0.00
	Cash	0.03	0.00	0.02
	Indexed Diversified Shares	0.07	0.04	0.03
	Indexed Australian Shares	0.05	0.03	0.02
	Indexed Overseas Shares	0.07	0.05	0.01
	Enhanced Indexed Growth	0.07	0.04	0.03
	Enhanced Indexed Conservative Growth	0.07	0.03	0.04

[#] Includes paths Born 1969 to 1973, Born 1974 to 1978, Born 1979 to 1983, Born 1984 to 1988, Born 1989 to 1993, Born 1994 to 1998, Born 1999 to 2003, Born 2004 to 2008, Born 2008 to 2013 and Born 2014 to 2018.

Buy-Sell Spreads

Currently, there is no buy-sell spread applied to any investment option as we use a single unit price for both the issue and redemption of units (i.e. the exit price equals the entry price).

Where a buy/sell spread is applied it is an additional cost to you which is not subject to GST.

The Trustee reserves the right to apply a buy-sell spread to any investment option in the future.

Borrowing Costs

Borrowing costs means costs relating to a credit facility used as part of the overall investment strategy. The estimated borrowing costs (if any) for each of the investment options for the year ending 30 June 2017 are set out in the table below:

Investment option	Estimated borrowing costs (% per annum)
All investment options	0.00

Borrowing costs are an additional cost to you and are not subject to GST.

The amounts shown are the estimated borrowing costs for the year ending 30 June 2017 and are based on the actual information available and/or reasonable estimates for that period as at the date of this Notice. Borrowing costs may vary from year to year.