DIVISION 6

Important changes to your super

from 1 July 2013

In preparation for upcoming regulatory changes to superannuation, Qantas Super has reviewed the features and benefits we provide to our members. As a result, we are making some changes to the fees and insurance for your super from **1 July 2013**.

Key changes at a glance

Here is a summary of the material changes to your super from 1 July 2013.

1. Changes to fees and insurance premiums		
Administration fee	**The administration fee deducted from your account is increasing.** A new APRA fee is also being introduced as part of the administration fee you pay.	page 2
Insurance premiums	Changes are being made to the cost of your standard insurance. This includes new premium rates, how your total premium is calculated and when premiums are deducted from your account. As a result, **your premium may increase or decrease**.	page 3
2. Other changes to insurance		
A new insurer	We have appointed MLC Limited to provide your insurance benefits in Qantas Super.	page 5
Exclusion for pre-existing medical conditions removed	Your Death, Total and Permanent Disablement (TPD) and Disability Benefits will no longer be reduced if you make a claim that relates to a pre-existing medical condition.	page 5
New definitions for disablement benefits	You'll need to satisfy new definitions if you make a claim for a TPD or Disability Benefit.	page 6
New conditions and features	We've made a few other changes including the introduction of new benefits that may be payable in certain situations, maximum limits and restrictions on your insurance, and an improved continuation option.	page 7

What you need to do

Please read and keep this document as it details the material changes being made to your super, reasons for the changes and how each change will affect you. **The changes will automatically apply** to your super account from 1 July 2013.

More information

For more information about these changes, you can read the *Frequently Asked Questions* on our website at **www.qantassuper.com.au**

Issued by Qantas Superannuation Limited ABN 47 003 806 960 AFSL 288330 (**Trustee**) as trustee for the Qantas Superannuation Plan ABN 41 272 198 829 (**Qantas Super**).

QANTAS

1. Changes to fees and insurance premiums

Administration fee increase

An administration fee is deducted from your super account balance **to cover the running costs of Qantas Super** – remember, we don't profit from you, our members. From 1 July 2013 we will be raising the administration fee to meet increasing costs.

We are also **introducing a new fee** as part of your administration fee (called the APRA fee) to cover a compulsory levy paid to APRA[1].

APRA is the government body responsible for supervising the superannuation sector and to fund the costs of this supervision, APRA collects a compulsory levy from all regulated super funds. This levy has significantly increased from previous years due to major reforms being made to the superannuation industry.

From 1 July 2013, the administration fee deducted from your account balance will **increase** as follows:

	Administration fee pre 1 July 2013	Administration fee from 1 July 2013
What the fee covers	Fee covers the administration costs of Qantas Super.	Fee covers the administration costs of Qantas Super, including the cost of a levy paid by all regulated super funds to APRA[1].
Amount you pay	**0.20% pa** of your Superannuation Salary	= **0.30% pa** of your Superannuation Salary[2] plus = **0.03% pa** of your account balance (APRA fee)[3]

[1] APRA means The Australian Prudential and Regulation Authority.

[2] This part of your administration fee is capped at $1,100 pa. Superannuation Salary is your annual basic rate of salary as advised by your employer.

[3] The rate of 0.03% pa may change over time. We will notify you of any changes as required by law.

The administration fee is deducted from your account balance at 30 June each year, or if you leave Qantas Super before 30 June, on the date you leave.

Change to insurance premiums

As a member of Qantas Super, you are automatically provided with standard insurance benefits for death, total and permanent disablement (TPD) and total but temporary disablement (disability), up to age 65. Insurance benefits, when payable, are in addition to your super account balance.

From 1 July 2013 the insurance premiums you pay for your standard insurance benefits will be **based on your age and the level of cover you have** (instead of a fixed 0.90% pa of your Superannuation Salary). This new premium structure means you'll be paying premium rates that take your age and level of cover into account, more accurately reflecting your circumstances. This means younger members will usually pay less than older members. Your premium **may increase or decrease from 1 July 2013**.

Insurance premiums will be deducted from your account balance each month (these are currently deducted from your account balance on 30 June each year).

Premiums pre 1 July 2013	Premiums from 1 July 2013
A fixed 0.90% pa of your Superannuation Salary is deducted from your account balance at 30 June each year or when you leave Qantas Super.	For every $1,000 of insurance you have for death, TPD and disability, you will pay a premium rate according to the table below. Premiums will be deducted from your account monthly.

	Annual premium rate[1] per $1,000 of standard insurance benefit	
Age last 1 July	Death & TPD	Disability
16–30	$0.56	$1.74
31–45	$1.06	$1.74
46–50	$2.73	$1.74
51–55	$4.97	$1.74
56–60	$8.81	$1.74
61–65	$14.35	$1.74

[1] Qantas Super may be eligible to claim a tax deduction for the premiums paid for standard insurance benefits. If this happens, we will pass the tax deduction directly onto you by a reduction in the annual premium rates. The premium rates in the table above do not take into account any tax deduction.

What do these changes mean for me?

Below are examples of how the administration fee and insurance premiums can change from 1 July 2013.

How your administration fee and insurance premiums will change depends on your Superannuation Salary, account balance, age and the amount of insurance you have. Please call us on 1300 654 384 if you would like help with calculating your new administration fee and insurance premiums.

Example 1 – Increase in administration fee + DECREASE in insurance premiums

Let's assume:

- Amy is age 30
- her Superannuation Salary is $80,000
- her account balance is $50,000
- her insurance benefit for death and TPD is $504,000[1]
- her Disability Benefit is $60,000 pa[1] ($5,000 a month)

	Administration fee		Insurance cost		Total cost
Up to 30 June 2013	= 0.20% x Superannuation Salary = $160	$160	Death, TPD and Disability: = 0.90% x Superannuation Salary = $720	$720	$880 pa
From 1 July 2013	= 0.30% x Superannuation Salary[2] = $240 plus = 0.03% x account balance = $15	$255	Death and TPD: = premium rate x (insurance benefit ÷ 1,000) = $0.56 x ($504,000 ÷ 1,000) = $282.24 plus Disability: = premium rate x (Disability Benefit ÷ 1,000) = $1.74 x ($60,000 ÷ 1,000) = $104.40	$386.64	$641.64 pa
		Increase of $95 pa		Decrease of $333.36 pa	Total decrease of $238.36 pa

Overall, the amount deducted from Amy's super account will **decrease by $238.36 pa.**

Example 2 – Increase in administration fee + INCREASE in insurance premiums

Let's assume:

- Gary is age 60
- his Superannuation Salary is $80,000
- his account balance is $50,000
- his insurance benefit for death and TPD is $72,000[1]
- his Disability Benefit is $60,000 pa[1] ($5,000 a month)

	Administration fee		Insurance cost		Total cost
Up to 30 June 2013	= 0.20% x Superannuation Salary = $160	$160	Death, TPD and Disability: = 0.90% x Superannuation Salary = $720	$720	$880 pa
From 1 July 2013	= 0.30% x Superannuation Salary[2] = $240 plus = 0.03% x account balance = $15	$255	Death and TPD: = premium rate x (insurance benefit ÷ 1,000) = $8.81 x ($72,000 ÷ 1,000) = $634.32 plus Disability: = premium rate x (Disability Benefit ÷ 1,000) = $1.74 x ($60,000 ÷ 1,000) = $104.40	$738.72	$993.72 pa
		Increase of $95 pa		Increase of $18.72 pa	Total increase of $113.72 pa

Overall, the amount deducted from Gary's super account will **increase by $113.72 pa.**

[1] Your *Product Disclosure Statement (Member Guide)* sets out the formula for calculating the dollar amount of your insurance benefits for death and TPD, and also the formula for calculating your Disability Benefit. If you need help with this, please call us on 1300 654 384. **There is no change to the way the dollar amount of your insurance benefits are calculated.**

[2] This part of the administration fee is capped at $1,100 pa.

2. Other changes to insurance

We are also making the changes below to your standard insurance benefits from 1 July 2013.

A new insurer

Up until now, whenever we pay an insurance benefit to a member, the amount is paid from Qantas Super's assets – this is called 'self insurance'. Under new superannuation law, self insurance will only be allowed in very limited situations. So to comply with this new law, we have taken out an insurance policy with MLC Limited ABN 90 000 000 402 (Insurer) to cover the insurance benefits of our members effective 1 July 2013.

What does this mean for me?

From 1 July 2013:

- Your standard insurance benefits for death, TPD and disability in Qantas Super will be provided by MLC Limited (Insurer), under a group life policy issued by the Insurer to the Trustee of Qantas Super. The Trustee may change insurer and policy terms at any time.
- The Insurer will assess all TPD and disability claims (in the past, claims have been managed internally by the Qantas Super team) and will liaise with you directly if more information is needed to assess your claim. When a decision has been made by the Insurer about your claim, a letter will be sent to you advising the outcome.
- For death benefit claims, Qantas Super will liaise with the relevant people about information needed for payment of your death benefit. We will write to all relevant parties once a decision has been made on how your death benefit will be distributed.

The Trustee of Qantas Super remains responsible for ensuring our members are provided with access to adequate insurance benefits. We will regularly monitor the services provided by the Insurer, including the timely assessment of claims.

Please note: There is **no change** to the way the dollar amount of your standard insurance benefits is calculated.

Pre-existing medical conditions will no longer apply

From 1 July 2013, your standard insurance benefits for death, TPD and disability **will no longer be reduced**[1] if your claim relates to a pre-existing medical condition you had before you joined Qantas Super.

What does this mean for me?

Up until 30 June 2013, if a Death, TPD or Disability Benefit is payable, the insurance benefit amount may be reduced if your claim relates to a pre-existing medical condition. From 1 July 2013, this no longer applies[1].

Please note this only applies to your **standard** insurance benefits for death, TPD and disability. If you have purchased any additional voluntary insurance cover for death and TPD, that additional cover can still be reduced for pre-existing medical conditions. Please see the *Insurance Guide* for additional voluntary cover on our website for more information about voluntary cover.

[1] Your TPD and Disability Benefits will still be reduced for pre-existing medical conditions if the new definitions outlined on page 6 of this document **do not** apply to your claim.

New definitions for TPD and Disability

From 1 July 2013, under the new insurance policy with the Insurer, new definitions will apply for TPD and Disability Benefits.

Benefit type	Old definition until 30 June 2013	New definition from 1 July 2013
Total and Permanent Disablement (TPD) Benefit	You are eligible for a TPD Benefit when, prior to the age of 65, through illness or injury, you are rendered incapacitated to such an extent that you are unlikely ever to be able to resume work or to attend to any gainful profession or occupation for which you are reasonably qualified by education, training or experience.	You are eligible for a TPD Benefit if you meet the Insurer's definition as outlined in the Trustee's insurance policy. This means that: a) You have been absent from your occupation[1] solely through injury or illness for a period of **3 consecutive months** and you are incapacitated to such an extent that, in the Insurer's opinion, after consideration of medical and other relevant evidence, you were, at the end of the period of 3 consecutive months absence from employment, unlikely to ever engage in or work for reward in any occupation for which you are reasonably suited by education, training or experience or b) You suffer from the permanent loss of use of two limbs or the sight of both eyes, or the permanent loss of use of one limb and the sight of one eye (where limb is defined as whole hand or the whole foot), in circumstances where the loss will never be regained. **If you work less than 15 hours a week**, then point a) above does not apply and is replaced with: a) You have been absent from your occupation[1] solely through injury or Illness for a period of **3 consecutive months** and you are incapacitated to such an extent that, in the Insurer's opinion, after consideration of medical and other relevant evidence, you were, at the end of the period of 3 consecutive months absence from employment, unlikely to ever be able to perform at least two activities of daily living[1] without the physical help of someone else.
Disability Benefit	A Disability Benefit is paid if you are totally but temporarily disabled. This means you have been absent from your employment because of an illness, accident or injury for **at least 3 months** (or a shorter period if the Trustee considers it appropriate if in its view hardship exists) and during that time, in the opinion of the Trustee, you are unable to be employed in any position considered suitable by your employer (whether or not such a position is currently vacant with your employer).	You are eligible for a Disability Benefit if you meet the Insurer's definition as outlined in the Trustee's insurance policy. This means that, solely as a result of an injury or illness, you are continuously: ■ unable to perform at least one of the important duties[1] of your own occupation, and ■ under the care of and following the regular and continuous advice for treatment from a doctor in relation to that illness or injury, and ■ not engaged in any occupation, paid or unpaid. A Disability Benefit will be paid to you in arrears after **a minimum waiting period of 90 days**. The Trustee will no longer have discretion to consider a shorter waiting period.

[1] These are terms defined in the Trustee's insurance policy with the Insurer. The Trustee may change insurer or policy terms at any time. **Occupation** means the employment or activity in which you are employed. **Important Duties** means the duties of your occupation which are essential in producing a salary. **Activities of Daily Living** means bathing and/or showering, or dressing, or moving from place to place including in and out of bed and in and out of a chair, or eating or drinking, or using the toilet.

Remember, your Disability Benefit may be reduced by income you receive from other sources. And if you return to work in a reduced capacity, a partial Disability Benefit continues to apply. Read more about each of these in our *Frequently Asked Questions* at www.qantassuper.com.au.

What does this mean for me?

The new definitions for TPD and Disability Benefits will apply for any claim you submit from 1 July 2013, except if:

- you are not at work on the last working day before 1 July 2013, **and** you do not return to work[1] and you subsequently submit a TPD or Disability Benefit claim for an illness/injury that first occurred or became apparent before 1 July 2013, or
- you are entitled to or are already receiving a Disability Benefit on 1 July 2013, or
- you have lodged a claim for a TPD or Disability Benefit before 1 July 2013 and a final decision has not yet been made on that claim.

If the new definitions do not apply to you, the old definitions will continue to apply.

[1] Return to work means you are actively performing all the duties and work hours of your usual occupation with your employer, free of any limitation due to injury or Illness.

New conditions and features

Under the new insurance policy with the Insurer, other new conditions and features will also apply to your insurance benefits from 1 July 2013. The main changes are:

New conditions and features	What this means
Restrictions on the amount of your insurance benefit	If your standard insurance benefits for death and TPD are more than $2 million, we will restrict them to this amount until the Insurer advises otherwise. We may ask you to submit a separate application for the cover above $2 million.[1] And if your Disability Benefit is more than $30,000 a month at any time, we'll restrict it to this amount until the Insurer advises otherwise. We may ask you to submit a separate application for the cover above the monthly $30,000. You might need to have a medical check before any cover above the limit is provided. Restrictions, exclusions or loadings can apply to your insurance benefits above the limits. **Please note:** if your insurance benefits at 1 July 2013 already exceed the maximum limits, you will still be covered for the higher amounts from 1 July 2013. However, your insurance benefits will be restricted to those higher amounts, and any future increases will need to be assessed and approved by the Insurer.
Maximum benefits	Your insurance benefits (including any additional voluntary insurance cover you have purchased) will be subject to a maximum of $10 million for death and $3 million for TPD. Disability Benefits are subject to a maximum of $50,000 a month.
New maximum applies if you have a terminal illness	If you are terminally ill, your Death Benefit from Qantas Super (equal to your insurance benefit plus your super account balance) may be paid to you prior to your death. From 1 July 2013 a maximum of $3 million will apply to the insurance benefit component of your Death Benefit that is paid prior to your death. Any remaining balance of your insurance benefit will be paid after your death to your dependants or your legal personal representative.
Exclusions on your Disability Benefit	A Disability Benefit will not be payable if your disability arises directly or indirectly from any intentional self-inflicted injury or attempted suicide (whether you were sane or insane), normal and uncomplicated pregnancy or childbirth, war or warlike operations (except where you are performing your duties of employment), or service in the armed forces.
When insurance cover stops	Your insurance benefits will cease on the earliest of the following events: ■ when you cease to be a member of Qantas Super[2] ■ 90 days after the date you have insufficient funds in your super account to meet the cost of insurance premiums ■ you turn age 65 ■ you effect a continuation option ■ 24 months after you commence leave approved by your employer, unless otherwise approved by the Insurer ■ the day before you commence service in the armed forces of any country (excluding Australian Army Reservists not deployed overseas) ■ for death and TPD, when a Death or TPD Benefit is paid or if you receive your Death Benefit prior to your death ■ you die.
New insurance features	If you are receiving a Disability Benefit, there may be circumstances where certain rehabilitation and emergency transport expenses will be met by the Insurer, or a lump sum Bereavement Benefit may be paid if you die. For more information about each of these, please read our Frequently Asked Questions at www.qantassuper.com.au.
Continuation option	Where your insurance cover ceases when you leave employment and you're under age 60, you may be eligible to continue the insurance cover you have in Qantas Super by buying a personal insurance policy direct with the Insurer – without having to provide further medical evidence. This is called a continuation option. You must have your continuation option approved and accepted by the insurer **within 60 days** of leaving employment. You will be responsible for paying premiums directly to the Insurer. From 1 July 2013 a continuation option will be available for **death, TPD and disability** (previously this was for death only) for eligible members. Please read our *Frequently Asked Questions* at www.qantassuper.com.au for more information.

[1] If you have lodged an application to increase your insurance but you die in an accident (which is not a hazardous pastime or sport not normally covered under the Trustee's insurance policy) before that application is finalised, the Insurer may still pay the amount of insurance you have applied for. If this happens, Qantas Super will include the additional amount when calculating your Death Benefit for payment. For more information please read our *Frequently Asked Questions* at www.qantassuper.com.au.

[2] If you cease employment and your super account is transferred to Division 8 of Qantas Super (the division for our Retained members), your insurance benefits for death and TPD will also be transferred to Division 8. For more information please read your *Product Disclosure Statement (Member Guide).*

More information

More information about these changes is contained in the *Frequently Asked Questions* at **www.qantassuper.com.au**. Or if you have questions about the changes, you can:

- contact us on 1300 654 384 (+61 2 9374 3930 outside Australia), 8.30am to 5.30 AEST weekdays.
- email info@qantassuper.com.au

www.qantassuper.com.au

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