DIVISION 7

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 and Total and Permanent Disablement (TPD) Benefits will no longer be reduced if you make a claim that relates to a pre-existing medical condition.	page 5
New definitions for TPD	You'll need to satisfy a new definition if you make a claim for a TPD Benefit.	page 6
New conditions and features	We've made a few other changes including the introduction of 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 slightly 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 and total and permanent disablement (TPD), up to age 60. 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 an age related annual percentage of your Superannuation Salary), so the new premium rate structure more accurately reflects your circumstances. This also 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

An annual percentage of your Superannuation Salary, based on your age last birthday, is deducted from your account on 30 June each year.

Age	Annual % of Superannuation Salary for insurance benefits	Age	Annual % of Superannuation Salary for insurance benefits
16	0.21%	36	0.66%
17	0.24%	37	0.68%
18	0.27%	38	0.70%
19	0.30%	39	0.72%
20	0.33%	40	0.74%
21	0.36%	41	0.76%
22	0.38%	42-45	0.78%
23	0.40%	46-49	0.80%
24	0.42%	50	0.78%
25	0.44%	51	0.76%
26	0.46%	52	0.72%
27	0.48%	53	0.68%
28	0.50%	54	0.62%
29	0.52%	55	0.56%
30	0.54%	56	0.48%
31	0.56%	57	0.38%
32	0.58%	58	0.28%
33	0.60%	59	0.18%
34	0.62%	60+	Nil
35	0.64%		

Premiums from 1 July 2013

For every $1,000 of insurance you have for death and TPD, you will pay a premium rate according to the table below. Premiums will be deducted from your account monthly.

Age last 1 July	Annual premium rate[1] per $1,000 of standard insurance benefit
16-30	$0.56
31-45	$1.06
46-50	$2.73
51-55	$4.97
56-60	$8.81
60+	Nil

[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 $432,000[1]

	Administration fee		Insurance cost		Total cost
Up to 30 June 2013	= 0.20% x Superannuation Salary	$160	= 0.54% x Superannuation Salary	$432	**$592 pa**
From 1 July 2013	= 0.30% x Superannuation Salary[2] = $240 **plus** = 0.03% x account balance = $15	$255	= premium rate x (insurance benefit[1] ÷ 1,000) = $0.56 x ($432,000 ÷ 1,000)	$241.92	**$496.92 pa**
	Increase of $95 pa		**Decrease of $190.08 pa**		**Total decrease of $95.08 pa**

Overall, the amount deducted from Amy's super account will **decrease by $95.08 pa**.

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

Let's assume:

- Gary is age 55
- his Superannuation Salary is $80,000
- his account balance is $50,000
- his insurance benefit for death and TPD is $72,000[1]

	Administration fee		Insurance cost		Total cost
Up to 30 June 2013	= 0.20% x Superannuation Salary = $160	$160	= 0.56% x Superannuation Salary = $448	$448	**$608 pa**
From 1 July 2013	= 0.30% x Superannuation Salary[2] = $240 **plus** = 0.03% x account balance = $15	$255	= premium rate x (insurance benefit[1] ÷ 1,000) = $4.97 x ($72,000 ÷ 1,000)	$357.84	**$612.84 pa**
	Increase of $95 pa		**Decrease of $90.16 pa**		**Total increase of $4.84 pa**

Overall, the amount deducted from Gary's super account will **increase by $4.84 pa**.

[1] Your *Product Disclosure Statement (Member Guide)* sets out the formula for calculating the dollar amount of your insurance benefits. 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 and TPD in Qantas Super will be provided by MLC Limited (the 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 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 and TPD **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 or TPD 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 and TPD. 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 benefit will still be reduced for pre-existing medical conditions if the new definition outlined on page 6 of this document **does not** apply to your claim.

New definitions for TPD

From 1 July 2013, under the new insurance policy with the Insurer, a new definition will apply for TPD 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 60, 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.

[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. **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.

What does this mean for me?

The new definition for TPD 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 Benefit claim for an illness/injury that first occurred or became apparent before 1 July 2013, or
- you have lodged a claim for a TPD Benefit before 1 July 2013 and a final decision has not yet been made on that claim.

If the new definition does not apply to you, the old definition 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] 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 limit, 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.
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.
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 60 ■ 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) ■ when a Death or TPD Benefit is paid, or you receive your Death Benefit prior to your death ■ you die.
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 and TPD** (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