

INSIDER

SPRING 2018

MEDIASUPER

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SUPERANNUATION IN THE SPOTLIGHT

With the Productivity Commission releasing draft proposals and the ongoing Royal Commission, Australia's superannuation system has certainly been in the spotlight. There's been substantial media coverage of these matters and you might be wondering how they affect your super fund and your retirement savings.

PRODUCTIVITY COMMISSION PROPOSALS

The Productivity Commission released a draft report looking at the competitiveness and efficiency of Australia's super system in May. The main proposal concerns how employers choose a default super fund for their employees, suggesting the current system of nominating funds in Awards (overseen by the Fair Work Commission) is replaced by a list of 10 'best in show' funds selected by an 'expert panel'.

The proposal isn't practical and there are a lot of unanswered questions around how the system would work. There is concern that some very good and well performing funds may be excluded from the list.

The proposal also doesn't consider products and services specifically tailored to certain industries. For example, Media Super members who work in war zones (such as journalists and camera crew) are covered by our group insurance policy, but wouldn't be eligible for cover in almost all other funds.

The Productivity Commission has also not adequately addressed what would happen if the performance of several of the 'best 10' fell away in subsequent years (as investment performance isn't guaranteed).

The Productivity Commission's report did acknowledge that industry super funds have generally outperformed bank-owned retail funds over the short and long term.¹

ROYAL COMMISSION HEARINGS

The Royal Commission into Misconduct in the Banking, Superannuation & Financial Services Industry has already revealed astonishingly bad conduct by major banks and their financial planning and superannuation arms.

Media Super, like many funds, provided the Royal Commission with information on governance arrangements, conduct and expenditure. We have not, at this time, been called to give evidence at the hearings.

The hearings have revealed what industry funds have been saying for a long time – that super funds run by banks are by definition conflicted because they have to produce profits for shareholders, not just focus on returns for members. The negative impact of this conflict on members of some of those funds has been laid bare.

The Royal Commission heard evidence about joint industry super fund advertising campaigns, including *Compare the Pair* and *Fox and the Henhouse*. Australian Super CEO Ian Silk explained why we fund such campaigns and we agree with his proposition that it's certainly in the best interests of our members to point out the better performance of industry funds and the risks associated with bank-run funds – the very risks exposed at the Royal Commission.

As a Media Super member, you can rest assured knowing that your industry fund is run only to benefit our members. We hope that the outcome of this scrutiny of the superannuation system leads to better outcomes for all Australians.

¹ Productivity Commission, *Superannuation: Assessing Efficiency and Competitiveness, Draft Report Overview*, April 2018



The 2018 Yearbook and Annual Report is now available online.

Find out all the ways we've been working for our members in 2018, including increasing member resources and education, how we're improving our ESG performance and how we're investing back into your industries. Plus see how our teams have helped members achieve better outcomes and celebrate the achievements of your fellow members.

 mediasuper.com.au/annualreport

A TOP 20 PERFORMANCE FOR MEMBERS



In a year of continued global political uncertainty and escalating tensions over trade agreements, we saw numerous periods of significant market fluctuations.

Despite the ups and downs, Media Super has again delivered strong investment returns for our members, with both our super and pension Balanced option returns well ahead of the median for Australian super funds.¹

According to independent agency SuperRatings, the 2017-18 returns for Media Super's Balanced [MySuper] option, in which most members are invested, ranked in the top 20.¹

All major asset classes we invested in delivered positive returns for the financial year. Our strong performance for the year was a result of a bias towards investment in top performing asset classes – Australian and international shares, along with infrastructure – compared to investment in comparatively poorer performing fixed income assets.

YOUR INVESTMENT RETURNS

Our Balanced [MySuper] option returned **10.14%³ for the financial year to 30 June 2018**, well ahead of the median return of 9.22%.¹

The pension Balanced investment option also continues to perform strongly, **returning 11.00%³ for the financial year to 30 June 2018**, also well ahead of the median return of 9.92%.²

It's important to remember that super is a long-term investment – and we're delivering strong, long-term returns as well. With a 10-year return of 6.33%³, we're meeting our Balanced [MySuper] investment objective of CPI +3.5%.

Media Super's Balanced options are well diversified across shares (Australian and international), property, infrastructure, fixed interest and cash investments, as well as various alternative investments, such as our Fulcrum film and television financing fund.

By investing in our Balanced investment option you also have added peace-of-mind knowing we have portfolio protection in place, a mechanism designed to reduce the impact of losses if share markets fall heavily, as they did at several points in 2017-18. We are one of the few funds that has this type of protection in place.

Performance information for our full range of investment options is available at mediasuper.com.au.

THE YEAR AHEAD

While we delivered strong, double-digit returns in 2017-18, we have a more cautious outlook for 2018-19.

Valuations for shares and real assets (such as property and infrastructure) have continued to increase over the past 12 months and we question how much longer this can continue. Markets at high valuations have generally been very sensitive to shocks and surprises – and there's certainly no shortage of these currently.

Risks around global trade wars, the rise of populism and unpredictable global politics can all be drivers for a market correction (where markets fall significantly but not to the extent of a crash). To navigate the potential risks ahead we've maintained our portfolio protection and increased the diversification and flexibility of our investment portfolio.

Looking ahead, we are confident our Balanced investment strategy is well positioned to continue meeting our long-term investment objectives for your super and pension.

WE'RE HERE TO HELP

Everybody's investment needs are different. If you have questions about your investment options or would like help developing an investment strategy that best meets your needs and circumstances, please call our Helpline[#] on **1800 640 886**.

¹ SuperRatings Fund Crediting Rate Survey – SR50 Balanced options (60-76) Index, June 2018

² SuperRatings Fund Crediting Rate Survey – SRP50 Balanced options (60-76) Index, June 2018

³ Investment returns are not guaranteed and past performance gives no indication of future returns

INSURANCE CHANGES WORTH KNOWING



Having the right insurance cover to protect yourself and your family is an important element of your financial wellbeing. At the same time, we're very aware that Australian households are increasingly concerned about meeting living expenses¹.

Insurance through your super provides cost-effective cover and has the added benefit of being deducted directly from your super account, with no impact on your household budget. We want to ensure that we continue to provide our members with cost-effective, valuable cover that's relevant to your work and life.

Below you'll find a summary of the changes we've made to our Death, Total and Permanent Disablement (TPD), and Income Protection (IP) cover.

Premiums have been reduced

From 1 July 2018, premiums for Death only, Death and TPD, and IP cover were reduced. Premiums have decreased by an average of 20%.

The benefit period for TPD and default IP will be increased to age 70 from 1 October 2018 (currently cover ceases at age 65).

Please note, if you have Income Protection cover with benefit to age 65 (rather than the standard five-year benefit period), your premiums have not changed.

Young members will no longer receive automatic insurance cover

Since 1 July 2018, new members under the age of 25 are no longer provided with automatic insurance cover. This will help younger members to preserve and build their super savings when they're first starting out.

Once members turn 25, they will automatically be provided with default levels of Death, TPD and Income protection cover [subject to eligibility]. Young members can apply for insurance cover at any time before their 25th birthday if they want cover earlier.

Members under 25 who joined Media Super any time before 1 July 2018 were provided with automatic cover and there will be no changes to this existing cover; however, you can reduce or cancel your cover at any time.

Overseas cover period increased

Many of our members, particularly in the media and entertainment industries, spend time working overseas. From 1 October 2018, the period of cover for eligible members working overseas will be increased to five years.

Other changes outlined in the Significant Events Notice include:

- > increase to the maximum levels of cover for Death, TPD and Terminal Illness
- > changes to the TPD taper rate for members over the age of 61
- > new IP benefit period for claims for members aged 63+
- > changes to important TPD definitions.

Please read the Significant Event Notice included in your statement pack for further details about these changes.

We're here to help

Figuring out if you have the right type and level of insurance cover isn't always easy – that's why we're always here to help.

If you have any questions regarding these insurance changes or your cover, please call our Helpline on **1800 640 886**. We can help you work out the right cover to ensure you and your family are looked after.

¹ Source: ME Household financial comfort report, February 2018.

MANAGING YOUR SUPER SAVINGS IS EASIER THAN EVER

We've launched a refreshed member secure site designed to make managing your retirement savings even easier.

The new site doesn't just give you the latest information about your super, it provides you with insights about what these figures mean for your retirement income to help you make better informed decisions.

1. New dashboard

The dashboard brings together all your key info on a single screen – your account balance, estimated retirement balance, your insurance cover and your current investments.

Clicking through will bring up detailed info, including a handy tool to help you boost your super. You can still easily access info about your incoming contributions, your investment splits and beneficiaries.

2. Finding and combining

Finding and combining your super couldn't be easier – a search only takes two minutes and you'll have your money in three business days. No forms, no fuss.

3. e-Advice

The Retirement Income Simulator is still there, to help you work out how much super you're likely to have when you retire and how long it'll last you.

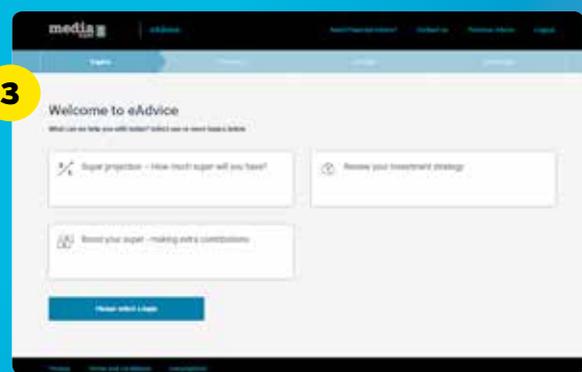
Plus you can now access e-advice – it's an easy-to-use tool that helps you to better understand your super savings and see how changes to your investment options or additional contributions can boost your super.

It might be all the advice you need right now, or it might be a great starting point for further advice from our Helpline Advisors[#] or Financial Planners.*

You can find a helpful guide to using the new site at mediasuper.com.au/onlinehelp and if you have any questions just give the Helpline a call.

What are you waiting for? Log in now

Head to mediasuper.com.au to log in. If you've logged on before, your existing pin/password and your member number is all you need. If you haven't logged on before, give the Helpline a quick call on **1800 640 886** to set up your access.





YOUR HOME AND SUPER

In 2017, the Federal Government announced several measures related to housing affordability and superannuation – the First Home Super Saver scheme and the downsizing contribution.

First Home Super Saver scheme

The First Home Super Saver (FHSS) scheme was introduced to help first home buyers save for a deposit faster by taking advantage of the lower tax paid within super.

You can make additional contributions to your super account, up to \$15,000 per year and a total of \$30,000 (note that your normal annual contribution caps apply). When you're ready to buy your first home, you can apply through the ATO to access these savings and the related investment earnings.

If you're considering using the scheme, please ensure you have read and understood all of the rules and criteria, as well as the potential tax implications (including study and training support loans), to make sure the scheme is right for you.

Full details of the scheme are available on the ATO's website.

Downsizing contribution

Many Australians downsize their home when they retire, motivated by a lower maintenance lifestyle, or to make a sea or tree change. If you're thinking about downsizing, it's important to weigh up the pros and cons to make sure it's the right move for you.

One important consideration is the downsizing contribution that came into effect on 1 July 2018. If you're 65 years or older, and meet the eligibility requirements, you may be able to make a downsizer contribution of up to \$300,000 to your super from the proceeds of your home.

Each owner can contribute up to \$300,000 (a total of \$600,000 for couples) but the total can't exceed the proceeds of the sale. You also have the option of splitting the amount between your accounts.

You can make the downsizer contribution whether you're still working or already retired, as long as you meet the criteria.

The contribution doesn't count towards annual super contribution caps, but it does count towards the \$1.6 million limit for pension accounts and it will be taken into account for the Age Pension eligibility tests.

For full details and criteria visit mediasuper.com.au/downsizing.

Whether you're ready to downsize now or planning ahead, Media Super's Financial Planners* can help you work through the pros, cons and potential impacts. To talk to a Financial Planner, please call the Helpline on **1800 640 886**.

PROPOSED BUDGET MEASURES

Removing compulsory life insurance from the super accounts of young people and reuniting many Australians with their lost or inactive accounts were key proposed measures in the 2018-19 Federal Budget.

New proposed measures include:

- > Changes to default life insurance to stop account erosion for young members and those with lower balances
- > Giving the ATO powers to actively reunite people with their lost super accounts using data matching
- > Removal of exit fees and fee caps for low account balances

For more information please visit mediasuper.com.au/budget2018.



MAKE SUPER FAIR

The idea of the 'fair go' is central to Australian society – we believe everyone should have an equal chance and be treated fairly. Why then are so many Australians not treated fairly when it comes to saving for a secure retirement?

Australian women currently retire with an average of \$115,000 less than men, and one in three retire with no super at all.¹ It's estimated that 40% of older, single women are living in poverty² and are the fastest growing cohort of homeless people³.

There are a number of well-documented reasons the gender super gap exists, including the persistent gender pay gap, women taking breaks from the workforce to raise families, and super tax concessions skewed in favour of high income earners.

While super funds try to provide members with tips to help compensate for these issues, the onus shouldn't be on women to fix the problem – change is needed at a government policy level.

WHAT NEEDS TO BE DONE

Women in Super have developed the Make Super Fair policy initiative, a five-point plan to address this inequality and work towards developing a fairer system that sees women (and all low income earners) reach greater economic security in retirement.

1. Provide women and other low income earners with an additional \$1,000 contribution annually into their super, boosting their balance and helping them make up the gap.
2. Make sure there are no further delays in increasing the superannuation guarantee to 12%.
3. Remove the \$450 monthly pay threshold which sees an estimated 220,000 women and 145,000 men miss out on super every year.
4. Make sure that super is paid during paid parental leave, to ensure it is treated like all other types of leave.
5. Measure and publish the impact that any future changes to super would have on women.

While the initiative is predominantly aimed at closing the super gender gap, many of the proposed measures will also benefit the significant number of Australian men who earn below \$37,000 per annum.

For full details of the policy proposals, head to makesuperfair.com.au.

YOU CAN HELP

Women in Super has been meeting with politicians and government bodies to ensure Make Super Fair is understood and on the agenda. They also have been working with and have the support of key super, social services, women's and community groups.

Media Super, along with a number of industry super funds, are working with Women in Super to support Make Super Fair. And you can too.

Head to makesuperfair.com.au, sign up to be counted, and spread the word to your family and friends.

Make Super Fair isn't just about women; having a fair superannuation system is about all Australians having the chance to achieve a secure retirement.

¹ Super Guru Women and super (www.superguru.com.au/about-super/women-and-super)

² ASFA Development in the level and distribution of retirement savings (2011)

³ Council of the Ageing Submission to the Senate Inquiry into the extent of income inequality in Australia (2014)

CHANGES TO COMPLAINTS PROCESS FROM 1 NOVEMBER 2018

Media Super welcomes feedback and has procedures in place to deal with member complaints.

Until 31 October 2018, if you are not satisfied with our response to your complaint, you can take your complaint to the Superannuation Complaints Tribunal (SCT) or the Financial Ombudsman Service (FOS).

From 1 November 2018, the Australian Financial Complaints Authority will replace the SCT and FOS, and will deal with complaints made on and after this date.

Any complaints made before 1 November 2018 will continue to be handled by the SCT and FOS.

For further information, please visit mediasuper.com.au/complaints.

THE MEDIA SUPER COMMUNITY

HONOUR ROLL

You're part of a community of talented people. As your industry super fund, we're committed to nurturing talent and helping our members succeed. That's why we support programs and awards that celebrate our talented members.

To see who won in 2017-18, head to mediasuper.com.au/honourroll and celebrate your Media Super community!

Super Helpline
1800 640 886
mediasuper.com.au



super



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Superannuation. Insurance. Retirement. Financial Planning.

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* Media Super has engaged Industry Fund Services [IFS] ABN 54 007 016 195 AFSL No 232514 to facilitate the provision of financial advice to members of Media Super. Advice is provided by one of our Financial Planners who are Representatives of IFS. Fees may apply. Further information about the cost of advice is set out in the relevant Financial Services Guide, a copy of which can be obtained by calling IFS on 1300 138 848. IFS is responsible for any personal advice given to you by its Representatives.

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^Before making a decision to combine, you should consider any penalties such as exit fees, change to insurance cover or loss of benefits that may apply and if necessary consult a qualified Financial Adviser.

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