Insight

MEMBER NEWSLETTER **WINTER 2024**

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CEO update

It's been a busy time of year at Vision Super, with end of financial year processes underway as well as a lot of merger activity focused on bringing Active Super's members and accounts onto our systems.

We're excited about the merger with Active Super – it's due to happen on 1 March 2025. Transition is well underway, and we plan to have most activities finished before the end of the year. When we return in the new year, we can then focus on business readiness activities like training so every team can be operational and servicing members and employers from day one as a merged fund.

We're working with our insurer to make sure the new portal and policies are ready for Active Super's incoming members – and we expect to have insurance premium reductions for our Vision Super members too, so keep an eye out for all the details on that in the coming months.

We have achieved positive progress across all the key phases of the transition plan. But busy as it's keeping us, merger doesn't stop the day-to-day work of the Fund either – looking after you and your retirement savings, aiming to maximise your risk-adjusted returns, and trying our best to always offer outstanding service when you need us.

In this newsletter, you'll find information about staying with Vision Super as your life changes, the importance of understanding beneficiaries in super, and the latest on investments – including an explainer of how our carbon budget approach is designed to manage climate-related investment risk across our equities portfolios.

Hope you find it useful and informative – and as always, if you have any questions we're only a phone call or an email away!

Kind regards

Stephen Rowe
CEO

Fund update

Property and Infrastructure

The Property and Infrastructure investment options are closing following the final trade window in August.

These options will close on the 4th of October 2024. If you're not invested in these options, there's no need to do anything – your investment options will be unaffected and your money will remain invested as it is now.

If you are invested in either the Property and/or Infrastructure options, check your letterbox (digital or postal) as you would have received additional correspondence from us to help you make an informed decision.

Transition to retirement (TTR) changes

We have recently made changes relating to opening a Transition to retirement or Non Commutable Account Based Pension (NCAP). From 1 July 2024, we will only accept one application for a Non Commutable Account Based Pension (NCAP) from a member each financial year, unless:

> the Trustee otherwise approves your application for an additional NCAP in a financial year, or

> you have received financial advice that it is in your best financial interest to establish more than one NCAP in a financial year.

This means that if you commence an NCAP after 1 July 2024, without Trustee approval you will not (usually) be able to commence another until the next financial year.

It's important to note that if you currently hold multiple NCAPs, this rule change does not mean you cannot continue to hold multiple NCAPs. It does not impact your current NCAP arrangement in place and does not change the amount or frequency of your payments.

If you have questions, please visit:
visionsuper.com.au/request-a-call-back/

Balanced low cost fee structure change

The Balanced low cost investment option no longer invests in either the unlisted property or infrastructure asset classes. As a result, the estimated fees and costs of this option have fallen.

The table below gives an example of how the fees and costs for the Balanced low cost investment option with a $50,000 account balance can affect your superannuation investment over a one year period. You can use this table to compare this product with other superannuation products.

The Investment fees and costs and the transaction costs shown below are estimates of the amounts that you will incur, based on information provided by our investment managers and custodian. These amounts include actual amounts where available and some estimated components. For the year ending 30 June 2023, the Balanced low cost option's investment fees and costs (including performance fees) were 0.16% (including performance fees of 0.00%) and transaction costs were 0.17%. However, these are not considered reasonable estimates of the ongoing annual investment fees and costs for this option due to changes to the strategic asset allocation (SAA) taking effect on 1 July 2024. Estimates for the year ending 30 June 2025 are shown in the table below.

Introducing the Vision Super retirement wage

The Vision Super retirement wage is a yearly calculation (annual retirement wage calculation) that is available to Vision Super Account based pension members. This is intended to provide you with an estimate of the level of pension payments (income level) you could elect to receive from your Vision Super Account based pension within a specified financial year.

The annual retirement wage calculation is based on:

> Three components of your pension account (your account balance, your age, and your investment option(s)) as at the previous 30 June

> Certain assumptions including how long your pension is expected to last, including the life expectancy of a person with your date of birth.

The retirement wage calculation will be sent to members for the first time in July 2025.

1 July 2024 PDS updates

These changes, along with updates to the Super Guarantee (SG) and contribution rates have been made to the Fund's PDS effective 1 July 2024. There are also changes to our Strategic Asset Allocations for a number of our investment options. To find out more, you can read our updated PDSs here: **visionsuper.com.au/product-disclosure-statements/**

Example of annual fees and costs

Example - Balanced low cost option		Balance of $50,000
Administration fees and costs	$78 pa ($1.50 per week) **plus** 0.14% of your account balance	For every $50,000 you have in the superannuation product, you will be charged or have deducted from your investment **$70** in administration fees and costs, plus **$78** regardless of your account balance.[1]
Plus Investment fees and costs	0.11%	**And**[2] you will be charged or have deducted from your investment **$55** in investment fees and costs
Plus Transaction costs	0.01%	**And**[2], you will be charged or have deducted from your investment **$5** in transaction costs
Equals Cost of product		If your balance was $50,000 at the beginning of the year, then for that year you will be charged fees and costs of **$208*** for the superannuation product.

* Additional fees may apply.

[1] Administration fees and costs are comprised of: a flat fee of $78 (regardless of your account balance), plus a % based fee, which is $70 for every $50,000 you have in the superannuation product, up to a maximum of $540.

[2] For every $50,000 you have in the superannuation product Investment fees and costs and Transaction costs will also apply.

Other fees and costs and fee alterations. Refer to the relevant fees and costs guide for further information.

Investment update FY2024

Over the financial year ending 30 June 2024, global equity markets performed favourably. Global inflation continued to fall from peak levels in 2022, although it remained above the levels typically targeted by central banks. This has kept interest rates at relatively elevated levels compared with the last decade.

Our Balanced growth (taxed) investment option returned -0.17% over the June 2024 quarter and 8.42% for the financial year. Compared with other MySuper investment options, our Balanced growth option achieved an outcome below median (ranked 33 out of 45) for FY2024. As your superannuation is a long-term investment, it is important to assess performance over longer time periods. Our MySuper Balanced growth option remains in the top 10 over 5 and 10 years – see table below.

Table 1: MySuper Balanced growth (taxed) performance (periods ending 30 June 2024)

	1 year	5 years	10 years
Return (annualised)	8.42%	7.03%	7.63%
Rank*	33 out of 45 funds	4 out of 43 funds	6 out of 37 funds

*SuperRatings Fund Crediting Rate survey, SR50 MySuper Index, June 2024

The Pension Balanced growth investment option also achieved an outcome below median (ranked 35 out of 45) for FY2024. Note that investment earnings on retirement pension options are untaxed. Our Pension Balanced growth option is also represented in the top 10 over 5 and 10 years – see table below.

Table 2: Pension Balanced growth (untaxed) performance (periods ending 30 June 2024)

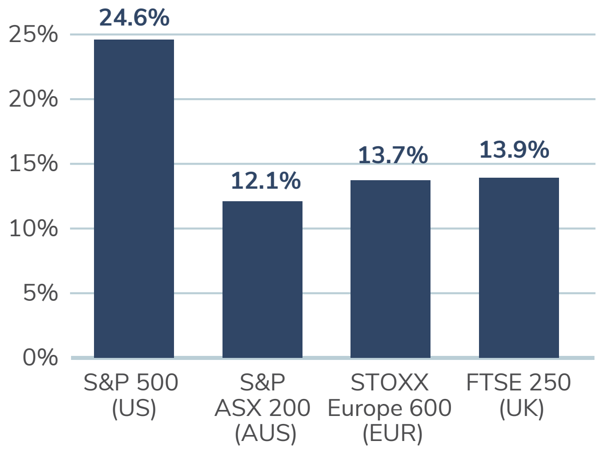
	1 year	5 years	10 years
Return (annualised)	9.25%	7.79%	8.44%
Rank*	35 out of 45 funds	8 out of 44 funds	8 out of 40 funds

*SuperRatings Pension Fund Crediting Rate survey, SRP50 Balanced (60-76) Index, June 2024

While equity returns were generally favourable over the financial year, the US S&P 500 index was particularly strong, increasing by 24.6%. This was more than double the return for the Australian ASX 200 index (see Chart 1). The main driver of US outperformance has been mega-cap technology stocks, often referred to as the 'Magnificent-7' (consisting of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), which have significantly benefitted from the development of artificial intelligence. Stripping out the contribution of these stocks (see Chart 2), the performance of the S&P 500 index would be broadly in line with the other major equity markets.

Chart 1: Equity markets

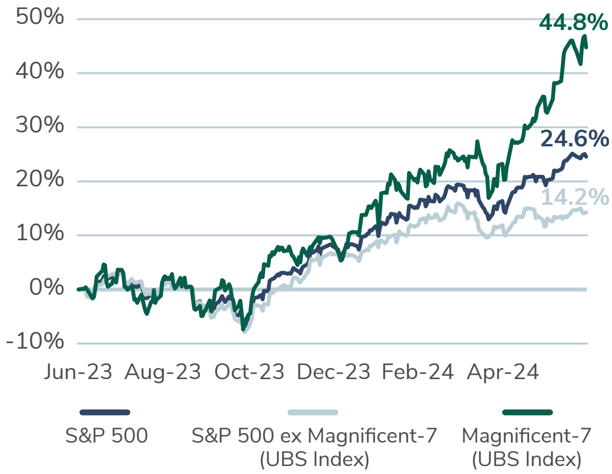
Total return in local currency for the 12 months to 30 June 2024



Source: Bloomberg

Chart 2: Magnificent-7 contribution to S&P 500 return

Total return in local currency for the 12 months to 30 June 2024



Source: Bloomberg, UBS

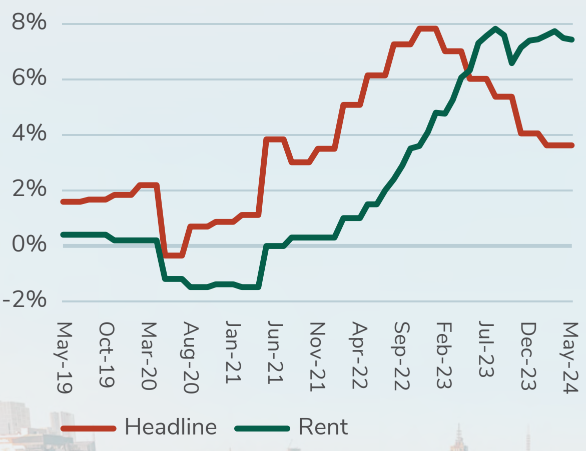
In recent months, US growth data has deteriorated, and the labour market is weakening, with the unemployment rate rising 0.7% from its trough in April 2023. This would typically result in the equity market falling and volatility rising, however, that has not been the case to date. It appears that investors are focusing more on the possibility of the US Federal Reserve lowering interest rates, rather than the weakening in the earnings outlook implied by the macroeconomic data.

A factor that has been positive for the US economy over the past three years has been the accumulation in household savings from Covid, which peaked at an estimated US$2.1 trillion. Our analysis suggests that the excess savings have been fully depleted. In turn, households will likely increase their savings and spend less which may add to the slowing of the economy.

Inflation in Australia has been higher than expected recently, largely driven by inflation in the service sectors such as rents (see Chart 3). The monthly inflation indicator rose 4% in the 12 months to May, meaningfully above the RBA's target of 2 to 3%. This has resulted in the market pricing a moderate probability of another rate hike from virtually zero probability at the start of the June quarter.

Australian GDP growth has been weak over the last four quarters and has been contracting on a per capita basis. The number of corporate insolvencies has also risen meaningfully this financial year. Coupled with job advertisements falling sharply, this suggests that the unemployment rate is likely to rise further over the next 12 months.

Chart 3: Australia – Headline inflation vs rent inflation (12m% change)



Source: ABS

Turning to other key global powers, China's economy has been growing at a moderate pace despite ongoing issues in the property sector. The Chinese government announced a large property stimulus package in May to reduce its excess housing inventory, however structural headwinds are likely to mean the Chinese housing market remains weak. In the March quarter, the European economy grew slightly, exiting recession (defined as two consecutive quarters of negative GDP growth). The European Central Bank has cut its cash interest rate for the first time this cycle, after gaining sufficient confidence that inflation is under control.

Outlook

The lagged impact of the cumulative interest rate increases by central banks across the world has contributed to global economic growth slowing in 2024. Despite some recent signs of weakness in the US economy, the US equity market has been resilient. We anticipate a mild US recession to commence by the end of this year. If this occurs, there is likely to be some downward pressure on equity markets as markets are currently pricing moderate economic growth. The main upside risk to our view is that the lagged impact of interest rate increases in 2022 and 2023 is not sufficient to result in a significant slowdown in the US economy. Another upside risk is that central banks move quickly in the event of a sharp slowdown, enabling the US to achieve reasonable growth during the remainder of 2024 and in 2025. Additionally, the US election in late 2024 could potentially influence investment markets.

Closure of the Property and Infrastructure options

From time to time, investment options on our investment menu may be closed. The Trustee has decided to close the Property and Infrastructure investment options on 4 October 2024. The main reason for the impending closure of the options was that only a small group of members have been invested in these options. Members with money invested in the Property and Infrastructure investment options prior to the closure can switch to a different option of their choosing during the August trade window. Any members with money still invested in the Property and Infrastructure investment options at the closure date of 4 October 2024 will automatically be transferred to the Balanced growth option. If you are invested in either of these options, you would have received a letter outlining details about the closure of the options.

Understanding beneficiaries in super

Nobody likes to think about what would happen when they die. But your super is likely to be one of your most valuable assets so it's important to think about who it would go to after your death. If you want to make sure your super money ends up with the people you choose, it's important to keep your super up to date by nominating your beneficiaries.

What's a beneficiary?

A beneficiary is a person who receives your super death benefit. Your super death benefit is made up of your balance in your account plus any insurance payment (if you have insurance through your super).

Beneficiaries are certain people who can **benefit** from your super after your death. These are set out in superannuation law. They are:

> Your spouse – your husband, wife or partner who you live with

> Your child (including adopted children and the children of your partner)

> A person with whom you have in an interdependent relationship at the time of your death. 'interdependent relationship' means a close personal relationship between two people who live together, where one or both provides financial, domestic, and personal support of the other.

Typically, your parents, siblings, nieces, nephews, friends, neighbours, or housemates do not qualify as eligible beneficiaries, unless you had an interdependent relationship before your death.

With the purpose of super in mind, the financial support you provide to your partner or children is given preference when deciding who to pay your benefit to.

To give you peace of mind that your super death benefit will be paid to your loved ones when you pass away, there are a number of beneficiary options you can choose from. Figuring out which one is right for you and your situation can take some time, but it's important to know what's available and make an informed decision.

If you would like to choose what happens to your Vision Super accumulation or pension account when you die, you can elect one of the following options:

> Make a 'preferred beneficiary' nomination, also known as a non-binding nomination

> Make a 'binding' nomination or

> Nominate a reversionary beneficiary (only available on a Vision Super Income Stream).

Preferred beneficiary (non-binding) nominations

A preferred beneficiary nomination, also called a 'non-binding nomination' is an informal way of letting us know who you'd like your death benefit to be paid to.

If you die, Vision Super will take into consideration your wishes, your family structure, your personal relationships, your Will, and any other details needed to understand your personal circumstances. We'll use this information to determine if you have any financial dependents, non-financial dependents, or interdependent relationships.

We'll take your wishes into account, but the Trustee's assessment and the final outcome may be different from what you requested in your preferred nomination.

It is simpler to make a preferred beneficiary nomination than a binding nomination, as they can be made through your online account as well as by completing and returning a nomination form – and they don't require two people to witness the declaration. But they're also not as powerful as a binding nomination, which makes sure your wishes are followed – you should think carefully about which option is right for you.

Binding nominations

A binding nomination is a formal instruction about how you want us to pay your death benefit.

You can only make a binding nomination to your spouse, child, interdependent or your estate – or any combination of these.

An example of why you might want to make a binding nomination would be if you wanted your super to go to your adult kids, not your partner. Your partner is automatically assumed to be your financial dependent, and without a binding nomination the Trustee would probably pay them your whole death benefit. However, if you could make a binding nomination to ensure your adult children who aren't financially dependent on you get some or even all of your death benefit. Vision Super would not be able to consider the financial needs of your spouse and must pay the benefit to your adult children like you instructed.

Like all formal documents, a binding nomination must be properly completed for it to be valid. We check this when you make the nomination and again if there is a claim. To be valid, a binding nomination must:

> Be completed on our binding nomination form

> Only nominate a dependant, interdependent, or legal personal representative

> Have a total distribution value that adds up to 100%

> Be witnessed by two adults who are not nominated as a beneficiary.

Binding nominations expire three years from the date they are signed. You can renew them, or make a new one at any time by completing a new nomination form. We will let you know when your binding nomination is due to expire. If you don't renew it, it converts automatically to a preferred nomination.

Reversionary beneficiary

(only available on a Vision Super income stream)

When you set up your pension, you can nominate your death benefit to be paid to your spouse or child as a pension payment. They'll get regular payments just like you did, until there's no money left in the account.

You can only make a reversionary nomination at the time you set up your pension account, and you can't change it afterwards. You should also be aware that this type of nomination may have Centrelink or superannuation balance cap implications for the person getting the pension.

We recommend you seek financial advice if you aren't sure about how this type of nomination my affect your partner's or children's circumstances.

What happens if I don't have a nomination?

Without a nomination, the Trustee is responsible in deciding your beneficiaries and how much of your benefit they each get.

Financial planning

Vision Super Financial Planners are superannuation specialists and understand the intricacies of what choices are available to you. Their job is to help members plan for their retirement. If you choose to obtain advice from a Vision Super Financial Planner, you may be charged a fee, but if any fees are applicable, this will be discussed with you before any financial advice is provided. Call our Member Services team on **1300 300 820** Monday to Friday 8:30am to 5pm to set up a time.

Your quarterly newsletter

Log in to Vision Online to keep up to date with your account and what's happening at Vision Super

Do I need to leave Vision Super when I retire?

After working hard for many years, you might think about retiring and achieving some of your dreams. You may wonder, what happens to my retirement savings? Some believe they have to withdraw all their super at once when they turn 65 and leave their super fund. This isn't generally true.

When you retire or start working fewer hours, you have several options, such as you can leave your super invested where it is, withdraw all of it, or open a pension account that pays you directly into your bank account. Opening a pension account can also earn you tax-free interest if you've retired.

Opening a pension account

When you retire or begin transitioning to retirement, you can open a Vision Super pension account. It's like receiving a regular pay cheque, or supplementing your part-time pay. You can choose how often to pay yourself, and your funds will stay invested within the superannuation system, potentially offering tax benefits, though returns are subject to investment performance.

Deciding whether to open a pension account depends on your situation and meeting government requirements such as preservation rules. Transferring your super to a pension with Vision Super is now easier with our secure member portal.

Lifetime pension

If you have a Defined or Deferred benefit account, you might be eligible to start a lifetime pension. If your Defined benefit account was created before May 1988, you can use up to 50% of your funds to start a lifetime pension account, which pays you for the remainder of your retirement, with some portion going to your spouse on your death.

Leave it or take it

Leaving your super in your accumulation account is fine if it suits your needs, though you may face higher taxes on your investment returns. You won't be required to take out a minimum amount each year, but setting up regular payments isn't possible. Taking out the full amount as a lump sum might be an option if you have debts to pay, but remember, once you withdraw the money, you might not be able to put it back!

We can help

Retirement, and planning for retirement, are important stages in anyone's life. Make sure you take the time to consider your options and seek professional advice where necessary. Contact us on **1300 300 820** Monday to Friday 8:30am to 5pm if you would like to set up an appointment with a financial planner, or email memberservices@visionsuper.com.au