

Fees and costs guide (BA.5)

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The information in this document forms part of the ESSSuper Beneficiary Account Product Disclosure Statement dated 12 September 2019.

ESSSuper
Emergency Services & State Super

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This Incorporated Guide has been issued to help you make an informed decision about ESSSuper's products, features and benefits. It's of a general nature only and doesn't take into account your personal or financial objectives, situation or needs. Before making a decision about an ESSSuper product, consider seeking professional advice from a licensed financial adviser. The information in this document is up-to-date at the time of issue but may change from time to time. When a change is not materially adverse, it will be updated and published on the ESSSuper website at esssuper.com.au. A paper copy of any updated information will be provided without charge on request.

CONSUMER ADVISORY WARNING

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You or your employer, as applicable, may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a superannuation calculator to help you check out different fee options.

To help compare different superannuation products, superannuation trustees are required by law to include the above statement in a PDS. However, ESSSuper does not negotiate fees.

The fees are shown inclusive of Goods and Services Tax (where applicable).

Fees and costs

Table 1 shows fees and other costs that you may be charged. These fees and costs may be deducted from your account, from the returns on your investment or from ESSSuper's Beneficiary Account assets as a whole. Other fees, such as activity fees, advice fees for personal advice and insurance fees, may also be charged, but these will depend on the nature of the activity, advice or insurance chosen by you. Taxes are set out in the *How super is taxed guide (BA.2)* available on our website at esssuper.com.au/pds. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Table 1

Type of fee	Amount	How and when paid
Investment fee^{1,2}	Estimated to range from 0.02% to 0.74% p.a. See Table 2 for estimated fees and costs for each investment option.	Deducted from the investment returns before the crediting rate is applied to your account. It is not deducted directly from your account.
Administration fee^{2,3}	0.35% p.a. of your account balance (subject to a maximum of \$2,000 p.a. at 1 July 2019. This maximum is indexed annually by the greater of CPI or 3% and then rounded to the nearest \$10).	Calculated on your average monthly balance and is deducted annually from your account at the end of each financial year and pro-rated upon closure of your account or as required.
Buy-sell spread	Nil	Not applicable.
Switching fee	Nil	Not applicable.
Exit fee	Nil	Not applicable.
Advice fees⁴	Nil	Not applicable.
Other fees and costs⁵		
Indirect Cost Ratio (ICR)⁶	Indirect costs estimated to range from 0.05% to 0.33% p.a., depending on your investment options. See Table 2 for details of each investment option.	Indirect costs are deducted on the last day of the month from earning rates. These costs are not deducted from your account; rather, they reduce the value of the assets of each investment option before the crediting rate is applied to your account.

Notes:

- ¹ This range is the total range of estimated investment fees across the investment options based on the estimated investment fees for the year ending 30 June 2018. The investment fee applicable to you depends on the investment options in which your account is invested and the amount invested in each option. The investment fees include performance fees paid to investment managers, which vary from year to year.
- ² If you have an account balance under \$6,000 on the last day of a financial year or upon closure of your account, the total fees (administration and investment) will be capped at a maximum of 3% of your account balance.
- ³ The Fund claims a tax deduction for the administration costs each year. The amount of the deduction is paid into the Fund's reserves.
- ⁴ Additional fees may apply if you consult a financial adviser. The Financial Services Guide and Statement of Advice from the financial adviser will set out these fees.
- ⁵ Other service and activity fees may apply. For more information see 'Additional fees and costs'.
- ⁶ This range is the total range of estimated indirect costs across the investment options for the year ended 30 June 2018. As these ranges of indirect costs are estimates only, the actual indirect costs for each investment option are likely to vary from year to year. These are not costs which are deducted directly from your account. The indirect costs represent the unavoidable costs paid to market intermediaries to invest in markets such as brokerage, stamp duty, custody, asset consulting, foreign exchange spreads etc. The indirect costs shown cover explicit costs incurred during the investment process which reduce the return on the investment option. For the indirect costs applicable to each investment option, including implicit costs, see Table 2 in Additional explanation of fees and costs.

Example of annual fees and costs for the Growth (default) investment option

This table gives an example of how fees and costs in the Growth option for this superannuation product can affect your superannuation investment over a 1 year period. Use this table to compare ESSSuper's product with other superannuation products.

Example: the Growth investment option		Balance of \$50,000
Investment fees	0.59% p.a.	For every \$50,000 you have in the Growth investment option you will be charged \$295 each year.
PLUS Administration fee ¹	0.35% p.a.	And , for every \$50,000 you have in the growth option you will be charged \$175 each year.
PLUS Indirect costs for the Growth investment option	0.28% p.a.	And , indirect costs of \$140 each year will be deducted from your investment.
EQUALS Cost of product ²		If your balance was \$50,000 then for that year you will be charged fees of \$610 for the Growth investment option.

1. These fees are deducted from your account. 2. Additional fees may apply.

Note. This example is illustrative only and is based on the factors stated and assumes a balance of \$50,000 for the year. The example should not be taken to contain or provide an estimate of the earnings you will receive.

Additional explanation of fees and costs

Investment management fees and performance related fees

Investment managers, administrators and advisers charge a fee to invest your funds and manage the assets in each investment option. Investment costs will vary each year depending on the investment managers used during the year. Investment costs are calculated monthly as a percentage of members' balances and deducted from the investment returns before the crediting rate is applied to your account.

Some investment managers can also charge additional performance fees if their investment returns are above an agreed benchmark return. Investment performance fees will only be paid where the investment manager exceeds the benchmark return, therefore in some years performance fees may not be paid. The actual performance fees will vary each year.

As investment performance costs are not known until after the end of the financial year, the investment fee shown in Tables 1 and 2 include the actual performance related fees for the year ended 30 June 2018.

Table 2 shows the investment management fees, performance related fees and the indirect costs for each investment option for the year ended 30 June 2018. The investment fee and indirect costs are indicative only and are based on the investment fee and ICR for the investment options for the year ended 30 June 2018. The actual fees and costs for each investment option are likely to vary from year to year.

Table 2: Estimated fees and costs for each investment option

Investment options	Investment Fee			Indirect cost ratio (% p.a.)
	Investment management fees (% p.a.)	Performance related fees (% p.a.)	Total (% p.a.)	
Shares Only	0.37%	0.06%	0.43%	0.25%
High Growth	0.48%	0.15%	0.63%	0.29%
Growth (default option)	0.45%	0.14%	0.59%	0.28%
Balanced	0.39%	0.11%	0.50%	0.26%
Conservative	0.23%	0.05%	0.28%	0.18%
Defensive	0.11%	0.02%	0.13%	0.11%
Cash	0.02%	Nil	0.02%	0.05%
Basic Growth	0.20%	0.06%	0.26%	0.16%
Ethically Minded	0.74%	Nil	0.74%	0.33%

Transactional and operational costs

Transaction costs are incurred when assets are bought or sold. Different transaction costs arise depending on the assets involved. They may include brokerage, bid-ask price, buy sell spread, settlement costs, clearing costs, stamp duty, legal and other professional costs, tax, due diligence costs and costs arising from an interposed vehicle that would be transactional and operational costs if incurred by the fund. Transactional and operational costs are an additional cost to members and are included in the ICR. These costs may be deducted from investments before earnings are applied, or may reduce the earnings distributed to the fund from an interposed vehicle. They are not directly charged to your account. Table 3 shows the estimated transactional and operational costs for each investment option.

Table 3: Estimated property operational costs, borrowing costs and transactional and operational costs for 2018/19

Investment options	Property operational costs (% p.a.) (Excluded from ICR)	Borrowing costs (% p.a.) (Excluded from ICR)	Transactional and operational costs (% p.a.) (Included in ICR)
Shares Only	Nil	Nil	0.11%
High Growth	0.07%	0.07%	0.15%
Growth (default option)	0.07%	0.07%	0.14%
Balanced	0.07%	0.07%	0.13%
Conservative	0.05%	0.05%	0.08%
Defensive	0.02%	0.02%	0.03%
Cash	Nil	Nil	Nil
Basic Growth	0.05%	0.05%	0.08%
Ethically Minded	Nil	0.04%	0.23%

Property Operational costs

Property operational costs are not included in the Investment management fee or ICR. They are transactional and operational costs that relate to property investments and include costs of the ongoing management of a property. Costs may include land tax, repairs and maintenance, management fees, insurance, landscaping and leasing expenses. Some property operational costs may be recovered from the revenue of the property investment. Property operational costs may reduce the earnings from the property investments that are distributed to the fund. They are not directly charged to your account. The property operational costs are included in Table 3.

Borrowing costs

Borrowing costs are costs that relate to credit provided to the superannuation fund trustee, or to entities in which the fund invests. They are additional costs to the investor which are deducted from the underlying assets and not from your account. Borrowing costs are not derivative financial products.

Table 3 shows the estimated borrowing costs for each investment option. These costs have not been included in the investment fee or indirect costs.

Additional fees and costs

Type of fee	Amount	How and when paid
Family law request for information	<p>Member No fee is payable for information for up to three different dates within a 12 month period. If you require information for more than three different dates, a fee of \$100 for each block of three additional dates is payable.</p> <p>Non-member spouse \$250 for provision of information for up to three different dates within a 12 month period. If you require information for more than three different dates, a fee of \$100 for each block of three additional dates is payable.</p>	Payable by cheque or EFT at the time the request is made.
Freedom of information request	\$28.90 per application for information (see 'Freedom of information' on page 8).	Payable by cheque at the time the request is made.
Financial advice	ESSSuper has an arrangement with Link Advice Pty Ltd (under their AFSL) to provide members with financial product advice. Your first appointment with a financial adviser is free of charge. If you want financial advice an hourly rate is charged for the preparation of a full financial plan. This fee is based on the time it takes to prepare, present and implement the plan. Different fees apply for single topic financial advice. Contact our Member Service Centre for further details on fees.	The fee can be deducted from your account if the advice is super related, or you can pay by cheque, credit card or EFT.
Tax	Tax may be deducted from your account. For details on tax, refer to the <i>How super is taxed guide (BA.2)</i> available at esssuper.com.au/pds	

Tax credits or deductions

ESSSuper operates on a not-for-profit basis. As a result, tax credits and deductions generated through expenses of the Fund may be utilised to offset expenses related to the management of the Beneficiary Account. Fees and costs shown in Table 1 are the net amount levied to your account.

Changing fees

ESSSuper can change the amount of fees from time to time without consent. However, you will be notified of all increases in fees at least 30 days in advance of the change becoming effective.

Defined fees and costs

Activity fee

A fee is an **activity fee** if:

- a. the fee relates to costs incurred by the trustee of the superannuation entity that are directly related to an activity of the trustee:
 - i. that is engaged in at the request, or with the consent, of a member; or
 - ii. that relates to a member and is required by law; and
- b. those costs are not otherwise charged as an administration fee, an investment fee, a buy-sell spread, a switching fee, an exit fee, an advice fee or an insurance fee.

Administration fee

An **administration fee** is a fee that relates to the administration or operation of the superannuation entity and includes costs that relate to that administration or operation, other than:

- a. borrowing costs; and
- b. indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
- c. costs that are otherwise charged as an investment fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.

Advice fee

A fee is an **advice fee** if:

- a. the fee relates directly to costs incurred by the trustee of the superannuation entity because of the provision of financial product advice to a member by:
 - i. a trustee of the entity; or
 - ii. another person acting as an employee of, or under an arrangement with, the trustee of the entity; and
- b. those costs are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an insurance fee.

Buy-sell spread

A **buy-sell spread** is a fee to recover transaction costs incurred by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity.*

Exit fee

An **exit fee** is a fee to recover the costs of disposing of all or part of members' interests in the superannuation entity.*

Indirect cost ratio

The **indirect cost ratio (ICR)**, for a MySuper product or an investment option offered by a superannuation entity, is the ratio of the total of the indirect costs for the MySuper product or investment option, to the total average net assets of the superannuation entity attributed to the MySuper product or investment option.



Note:

A fee deducted from a member's account or paid out of the superannuation entity is not an indirect cost.

Investment fee

An **investment fee** is a fee that relates to the investment of the assets of a superannuation entity and includes:

- a. fees in payment for the exercise of care and expertise in the investment of those assets (including performance fees); and
- b. costs that relate to the investment of assets of the entity, other than:
 - i. borrowing costs; and
 - ii. indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
 - iii. costs that are not otherwise charged as an administration fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.*

* The above definitions are prescribed under legislation. ESSSuper does not charge buy-sell spreads, exit fees, investment fees or switching fees (although some of these fees may be charged by investment managers).

Switching fee

A **switching fee** for a superannuation product other than a MySuper product, is a fee to recover the costs of switching all or part of a member's interest in the superannuation entity from one investment option or product in the entity to another.*

*The above definition is prescribed under legislation. ESSSuper does not charge buy-sell spreads, exit fees, investment fees or switching fees (although some of these fees may be charged by investment managers).

Freedom of information

The Freedom of Information (FOI) Act gives members the right to request information held by ESSSuper such as:

- documents in relation to their personal affairs; and
- documents in relation to the operation of ESSSuper.

The current FOI application fee is \$28.90. The level of the fee is prescribed by the Victorian Government and is increased at 1 July each year. Please visit our website at esssuper.com.au for the current application fee.

All requests for information under FOI must be made in writing to:

Freedom of Information Officer

Postal address	ESSSuper GPO Box 1974 Melbourne Victoria 3001
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Need help with your super?

- visit esssuper.com.au for tips, tools and calculators
- book in for a free super seminar online at esssuper.com.au/seminars
- call our Member Service Centre on 1300 650 161
- call us to arrange a free individual consultation with a Member Education Consultant
- if you want personal financial advice tailored to your individual circumstances, we can arrange a referral to a licensed financial adviser that charges on a fee-for-service basis (commission free). ESSSuper has an arrangement with Link Advice Pty Ltd for Link Advice and its authorised representatives to provide members with financial advice under Link Advice's Australian Financial Services Licence (No. 258145). Appointments are located at ESSSuper's office.

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