

30 August 2021

This Significant Event Notice ('Notice') is to let you know about important changes to **HESTA Income Stream and HESTA Term Allocated Pension (TAP)**. Generally, this includes changes to, or events impacting, the information provided in the Product Disclosure Statements ('PDS') of those products. The changes will be incorporated into subsequent releases of the PDS available at hesta.com.au/pds

The changes that we are letting you know about in this Notice include:

- change to daily unit pricing and investment switching
- investment changes
- fee changes, and
- legislation and tax changes.

Change to daily unit pricing and investment switching

HESTA will be moving from valuing investments on a weekly basis to daily, producing a daily unit price for each investment option. This also means investment switching will move from weekly to daily. The change will happen automatically and there is no action for members to take. This will give our members more regular and up-to-date valuation of their investment portfolio.

The first daily unit price will be calculated at close of business **Thursday 21 October 2021**. For full details of the transition period, including a pause on investment switching, please read the 'Transition period and key dates' section below for further details.

How will daily unit pricing work?

Unit prices will be calculated at the close of business (COB) every business day* and applied to accounts two business days later on a continuous daily cycle. For example, the unit price calculated at COB on Monday will be applied to investment options (and your account) on Wednesday.

Please note, unit prices calculated Thursday will apply from the immediate Saturday and will continue to apply Sunday and Monday until Friday's valuation is applied Tuesday.

*Weekends and weekdays that fall on a National public holiday and the Queen's birthday (VIC/NSW) when the Australian Stock Exchange (ASX) is closed are non-business days.

How will daily investment switching work?

Valid investment switch requests received by 4pm AEST/AEDT on a business day will receive the unit price calculated for that business day. The switch will be applied to your account two business days later. Valid investment switch requests received after 4pm AEST/AEDT on a business day or received on a non-business day will be treated as if received the next business day.

How does daily unit pricing apply to transactions?

- Money-in (includes employer and personal contributions, money you roll in from other funds, insurance benefits etc): will be applied to your account using the unit price effective in the system on the date the money is received into HESTA's bank account (not when it is processed to your account).
- Money-out (including rollovers out, withdrawals, lump sum payments for claims and income stream payments): will use the most recent unit price available in the system on the day we process the payment.
- Investment switch requests: see section above.

Transition period and key dates

The move to daily unit prices and switching is planned to occur between Tuesday 19 to Saturday 23 October 2021.

The last weekly unit price

The final weekly unit price (valued at close of business Tuesday 19 October 2021) will be applied to accounts on Friday 22 October as per the current weekly process.

The first daily unit price

The first daily unit price will be calculated at close of business Thursday 21 October 2021 and applied to accounts on Saturday 23 October 2021 (see above for explanation on how unit pricing works).

Investment switching pause

There will be an investment switching pause from 11:59pm AEST/AEDT Tuesday 19 October until 4pm AEST/AEDT Wednesday 20 October.

This means you won't be able to complete any switching requests online during this time. Any switch requests received via the paper form on Wednesday 20 October will be treated as if they were received the next business day (Thursday 21 October).

Investment switching before 11.59pm AEST/AEDT Tuesday 19 October 2021

Any switch requests received before 11:59pm AEST/AEDT Tuesday 19 October will follow the existing weekly process and be applied to your account on Friday 22 October.

Investment switching after 4pm AEST/AEDT Wednesday 20 October 2021

Investment switch requests received after 4pm AEST/AEDT Wednesday 20 October until 4pm AEST/AEDT Thursday 21 October will receive the first daily unit price calculated on Thursday 21 October, with the investment switch applied to your account two business days later on Monday 25 October.

More information

Unit prices are available on our website hesta.com.au/investments Members can check the value of their account at any time by logging in to their online account hesta.com.au/login

Investment changes

Annual investment review

We review our investment strategy every year to take into account market conditions and ensure we continue to deliver the appropriate risk, return and fees for our members.

A number of changes will be made from 30 September 2021.

The expected performance for investment markets is lower than previous years. As a result, the long-term investment objective for some HESTA investment options have been lowered, as shown in the table below.

Table 1: Change to Ready-Made Options long-term investment objectives

	Retirement Income Stream (RIS) and Term Allocated Pension (TAP)		Transition to retirement (TTR)	
	Up to 29/9/2021	From 30/9/2021	Up to 29/9/2021	From 30/9/2021
	To earn a return after investment fees and indirect costs, equivalent to or higher than:		To earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than:	
Balanced Growth	CPI + 4.0%	CPI + 3.5%	CPI + 3.5%	CPI + 3.0%
Conservative	CPI + 2.5%	CPI + 2.0%	CPI + 2.0%	CPI + 1.5%
Indexed Balanced Growth	CPI + 3.0%	CPI + 2.5%	CPI + 2.5%	CPI + 2.0%
Sustainable Growth	CPI + 4.0%	CPI + 3.5%	CPI + 3.5%	CPI + 3.0%

The table below describes how the risk level is changing based on how many negative annual returns can be expected over 20 years. When investment performance is expected to be lower, the probability of a negative return in a given year is higher, which has increased some risk levels under the Standard Risk Measure.

Table 2: Change to Ready-Made and Your Choice Options probable number of negative annual returns over 20 years and risk levels for Retirement Income Stream (RIS), Term Allocated Pension (TAP) and Transition to Retirement (TTR) investment options

		Up to 29/9/2021	From 30/9/2021
Ready-Made Options			
Balanced Growth	Probable number of negative annual returns over 20 years	3 to less than 4	4 to less than 6
	Risk level	Medium to high	High
Conservative	Probable number of negative annual returns over 20 years	1 to less than 2	2 to less than 3
	Risk level	Low to medium	Medium
Your Choice Options			
Diversified Bonds	Probable number of negative annual returns over 20 years	1 to less than 2	4 to less than 6
	Risk level	Low to medium	High
Property and Infrastructure	Probable number of negative annual returns over 20 years	2 to less than 3	3 to less than 4
	Risk level	Medium	Medium to High
International Shares	Probable number of negative annual returns over 20 years	4 to less than 6	6 or greater
	Risk level	High	Very high

The following changes have been made to these options:

Table 3: Changes to suggested minimum investment timeframe and Type of investor this option may suit

		Up to 29/9/2021	From 30/09/2021
Ready-Made Options			
Indexed Balanced Growth	Suggested minimum investment timeframe	7 to 10 years	5 to 7 years
Sustainable Growth	Suggested minimum investment timeframe	7 to 10 years	5 to 7 years
	Type of investor this option may suit	Very ambitious	Ambitious
Your Choice Options			
Property and Infrastructure	Suggested minimum investment timeframe	5 to 7 years	3 to 5 years

This will apply across Retirement Income Stream (RIS), Term Allocated Pension (TAP) and Transition to Retirement (TTR).

Type of investor this option may suit

Your Choice Options

Our Your Choice options are primarily single asset class investments. From 30 September 2021, the description of 'Type of investor this option may suit' across all Your Choice Options has been updated to include investors who are seeking exposure to that specific asset class/classes, in conjunction with the existing investor type who is seeking to create their own portfolio. This will apply across Retirement Income Stream (RIS), Term Allocated Pension (TAP) and Transition to Retirement (TTR).

Table 4: Change to Ready-Made and Your Choice Options overall growth and defensive asset splits* for Retirement Income Stream (RIS), Term Allocated Pension (TAP) and Transition to Retirement (TTR) investment options

		Up to 29/9/2021	From 30/9/2021
Ready-Made Options			
Balanced Growth	Growth	75%	70%
	Defensive	25%	30%
Conservative	Growth	39%	36%
	Defensive	61%	64%
Sustainable Growth	Growth	75%	73%
	Defensive	25%	27%
High Growth	Growth	90%	89%
	Defensive	10%	11%
Your Choice Options			
Property and Infrastructure	Growth	68%	50%
	Defensive	32%	50%

*The growth/defensive split relates to the strategic asset allocation and may change as asset allocations move within their allocation ranges.

Table 5: Changes to the strategic asset allocation and ranges

	Retirement Income Stream (RIS) and Term Allocated Pension (TAP)				Transition to retirement (TTR)			
	Strategic asset allocation		Allocation range		Strategic asset allocation		Allocation range	
	Up to 29/9/2021	From 30/9/2021	Up to 29/9/2021	From 30/9/2021	Up to 29/9/2021	From 30/9/2021	Up to 29/9/2021	From 30/9/2021
Balanced Growth								
Australian shares	29%	28%	17 - 37%	15 - 40 %	25%	24%	17 - 37%	15 - 40%
International shares	27%	30%	16 - 36%	15 - 45%	24%	30%	16 - 36%	15 - 45%
Private Equity	0%	0%	0 - 12%	0 - 15%	6%	4%	0 - 12%	0 - 15%
Alternatives	7.5%	2%	0 - 15%	0 - 15%	8.5%	2%	0 - 15%	0 - 15%
Infrastructure	12%	10%	5 - 25%	5 - 25%	12%	10%	5 - 25%	5 - 25%
Property	9.5%	6%	3 - 20%	0 - 20%	9.5%	6%	3 - 20%	0 - 20%
Global debt	11%	19%	5 - 25%	0 - 35 %	10%	19%	5 - 25%	0 - 35%
Cash	5%	5%	0 - 30%	0 - 30%	5%	5%	0 - 30%	0 - 30%
Currency Exposure	17.5%	20%	0 - 30%	0 - 35%	17.5%	20%	0 - 30%	0 - 35%
Conservative								
Australian shares	11.5%	11%	5 - 20%	5 - 20%	11.5%	11%	5 - 20%	5 - 20%
International shares	10.5%	11%	5 - 15%	5 - 15%	10.5%	11%	5 - 15%	5 - 15%
Private Equity	-	-	-	-	-	-	-	-
Alternatives	6%	2%	0 - 15%	0 - 15%	6%	1%	0 - 15%	0 - 15%
Infrastructure	10.5%	12.5%	2 - 15%	0 - 25%	10.5%	12.5%	2 - 15%	0 - 25%
Property	8.5%	8.5%	2 - 15%	0 - 20%	8.5%	8.5%	2 - 15%	0 - 20%
Global debt	30%	38%	20 - 40%	25 - 55 %	30%	38%	20 - 40%	25 - 55%
Cash	23%	17%	10 - 30%	10 - 30%	23%	18%	10 - 30%	10 - 30%
Currency Exposure	7.5%	10%	0 - 20%	0 - 25%	7.5%	10%	0 - 20%	0 - 25%
Indexed Balanced Growth								
Australian shares	32%	33%	27 - 37%	25 - 40%	32%	33%	27 - 37%	25 - 40%
International shares	43%	42%	38 - 48%	35 - 50%	43%	42%	38 - 48%	35 - 50%
Private Equity	-	-	-	-	-	-	-	-
Alternatives	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-	-
Global debt	20%	20%	15 - 25%	15 - 25%	20%	20%	15 - 25%	15 - 25%
Cash	5%	5%	0 - 10%	0 - 10%	5%	5%	0 - 10%	0 - 10%
Currency Exposure	21.5%	21%	0 - 35%	0 - 35%	21.5%	21%	0 - 35%	0 - 35%
Sustainable Growth								
Australian shares	33%	29%	23 - 43%	20 - 45%	33%	29%	23 - 43%	20 - 40%
International shares	31%	35%	21 - 41%	20 - 45%	31%	35%	21 - 41%	20 - 45%
Private Equity	4%	4%	0 - 10%	0 - 15%	4%	4%	0 - 10%	0 - 15%
Alternatives	0%	0%	0 - 15%	0 - 15%	0%	0%	0 - 15%	0 - 15%
Infrastructure	0%	0%	0 - 20%	0 - 20%	0%	0%	0 - 20%	0 - 20%
Property	10%	10%	0 - 20%	0 - 20%	10%	10%	0 - 20%	0 - 20%
Global debt	17%	17%	5 - 25%	5 - 30%	17%	17%	5 - 25%	5 - 30%
Cash	5%	5%	2 - 20%	0 - 15%	5%	5%	2 - 20%	0 - 15%
Currency Exposure	17.5%	20%	0 - 30%	0 - 35%	17.5%	20%	0 - 30%	0 - 35%
High Growth								
Australian shares	42%	39.5%	25 - 50%	20 - 45%	39%	33%	25 - 50%	20 - 45%
International shares	38%	39.5%	25 - 50%	20 - 55%	31%	37.5%	25 - 50%	25 - 55%
Private Equity	0%	0%	0 - 15%	0 - 15%	10%	8%	0 - 15%	0 - 15%
Alternatives	8.5%	2.5%	0 - 15%	0 - 15%	8.5%	2%	0 - 15%	0 - 15%
Infrastructure	5%	7.5%	0 - 10%	0 - 15%	5%	7.5%	0 - 10%	0 - 15%
Property	3.5%	4%	0 - 10%	0 - 10%	3.5%	4%	0 - 10%	0 - 10%
Global debt	2%	5%	0 - 10%	0 - 15%	2%	6%	0 - 10%	0 - 15%
Cash	2%	2%	0 - 25%	0 - 15%	2%	2%	0 - 25%	0 - 15%
Currency Exposure	25.0%	25%	0 - 50%	0 - 50%	25.0%	25%	0 - 50%	0 - 50%

Asset class reclassification changes - From 30 September 2021, a component of the Alternatives asset class, known as Alternative Credit will be reclassified into the Global debt asset class. This has been captured in the changes above and will be reflected in an updated asset class description.

For the Your Choice Diversified Bonds investment option across Retirement Income Stream (RIS), Term Allocated Pension (TAP) and Transition to Retirement (TTR), from 30 September 2021, the strategic asset allocation range to the Alternatives asset class no longer applies. Currently this is set at 0-30%.

Risk profile descriptions

Our Ready-Made Options and our Your Choice – Cash and Term Deposits option attributes a risk profile to help members understand the type of investor the option may suit. In reviewing our investment options, from 30 September 2021, we have also updated some of the risk profile descriptions as shown below:

Risk profile name	Detailed risk profile description
Very cautious	<ul style="list-style-type: none"> Your preference is to experience very little investment volatility. You are prepared that your investments may experience very little growth. As a trade-off, the value of your investments will be relatively stable over time. You will be invested in defensive assets. Your minimum investment timeframe is less than 1 year.
Cautious	<ul style="list-style-type: none"> Your preference is to experience a small amount of investment volatility. You are prepared that your investments may experience small growth. As a trade-off, the value of your investments will be relatively stable over time. You will mostly be invested in defensive assets. Your minimum investment timeframe is 1 to 3 years.
Moderate	<ul style="list-style-type: none"> You are comfortable to experience a moderate amount of volatility. You are comfortable that your investments may partially rise or fall in value at any point in time. Your investments will be split roughly evenly between defensive and growth assets. Your minimum investment timeframe is 3 to 5 years.
Ambitious	<ul style="list-style-type: none"> You are comfortable to experience volatility. You recognise that volatility and long-term growth are mutual. You are comfortable that your investments may rise or fall in value at any point in time. You will be mostly invested in growth assets. Your minimum investment timeframe is 5 to 7 years.
Very ambitious	<ul style="list-style-type: none"> You are comfortable to experience relatively higher volatility. You recognise that volatility and long-term growth are mutual. You are comfortable that your investments may significantly rise or fall in value at any point in time. You will be substantially invested in growth assets. Your minimum investment timeframe is 7 to 10 years.

Responsible investment updates

- From 1 July 2021, HESTA has extended its exclusion of controversial weapons to capture nuclear weapons.

Nuclear weapons are defined as those in breach of the United Nations Convention. Aligned with the controversial weapons exclusion, we exclude investment in companies that develop, test, produce, manufacture, otherwise acquire, possess or stockpile nuclear weapons or other nuclear explosive devices.

Portfolio wide exclusions	Further exclusions to Sustainable Growth option
Any company that derives more than 5% of revenue from the manufacture of whole weapon systems or components developed for exclusive use in nuclear weapons.	Any company that produce whole weapon systems or components developed for exclusive use in nuclear weapons.

- HESTA has updated its description of investment risks in disclosure documents to explain in more detail the financial risks associated with climate change. This does not change how your investments are managed as HESTA has long considered the impact of climate change risks on investments, and has taken actions including setting net zero carbon emission targets across the portfolio by 2050.

Fee changes

Investment fees and costs update

Investment fees and indirect cost ratios (ICRs) for 2020/21 include several components which are estimates only. Actual amounts you will be charged in subsequent financial years will depend on the actual costs incurred in those years. Past costs may not necessarily be an indicator of future costs.

Retirement Income Stream (RIS) and Term Allocated Pension (TAP)

		Investment fee		Indirect Cost Ratio	
		2019/2020	2020/2021	2019/2020	2020/2021
Ready-Made Options	Balanced Growth	0.49%	0.44%	0.02%	0.02%
	Conservative	0.34%	0.32%	0.02%	0.02%
	Indexed Balanced Growth	0.06%*	0.05%	0.00%*	0.00%
	Sustainable Growth	0.83%	1.17%	0.05%	0.04%
	High Growth	0.51%	0.45%	0.01%	0.01%
Your Choice Options	Cash and Term Deposits	0.03%	0.02%	0.00%	0.00%
	Diversified Bonds	0.24%*	0.20%	0.00%*	0.00%
	Property and Infrastructure	1.03%	0.79%	0.15%	0.10%
	International Shares	0.54%	0.42%	0.00%	0.00%
	Australian Shares	0.38%	0.35%	0.00%	0.00%

Transition to Retirement (TTR)

		Investment fee		Indirect Cost Ratio	
		2019/2020	2020/2021	2019/2020	2020/2021
Ready-Made Options	Balanced Growth	0.73%	0.67%	0.09%	0.14%
	Conservative	0.42%	0.39%	0.03%	0.02%
	Indexed Balanced Growth	0.06%*	0.05%	0.00%*	0.00%
	Sustainable Growth	0.82%	1.16%	0.05%	0.04%
	High Growth	0.79%	0.87%	0.12%	0.27%
Your Choice Options	Cash and Term Deposits	0.03%	0.02%	0.00%	0.00%
	Diversified Bonds	0.42%	0.28%	0.00%	0.00%
	Property and Infrastructure	1.03%	0.82%	0.15%	0.12%
	International Shares	0.56%	0.42%	0.00%	0.00%
	Australian Shares	0.37%	0.31%	0.00%	0.00%

*Indexed Balanced Growth and Diversified Bonds (for RIS and TAP) commenced on 1 October 2020 so the values shown for these investment options are estimates only.

Removal of investment switching fees

From 30 September 2021, HESTA will no longer charge any switching fees for investment switches. Currently, HESTA charges a fee of \$30 for each investment switch made after the 'two free switches per year' limit.

Advice fee change

From 1 April 2022, HESTA will make changes to the advice service we provide to ensure we offer competitively priced services to more members. This offer will allow for members to access a simple and affordable transition to retirement or retirement planning advice from a HESTA Adviser. The advice fee that will be payable will be determined during your initial appointment with a HESTA Adviser and will be either \$300 or \$500. The fee will be disclosed in your Statement of Advice (SoA).

Legislation and tax changes

Caps and thresholds

From 1 July 2021, the following changes relating to superannuation rates and thresholds have applied:

	2020/21	2021/2022
Concessional contribution cap	\$25,000 p.a.	\$27,500 p.a.
Non-concessional contribution cap	\$100,000 p.a.	\$110,000 p.a.
SG maximum contribution base	\$57,090 p.q.	\$58,920 p.q.
SG percentage	9.5%	10%
Co-contribution lower/upper thresholds	\$39,837/\$54,837	\$41,112/\$56,112
Lump sum low-rate cap	\$215,000	\$225,000
General transfer balance cap	\$1.6m	\$1.7m
Total super balance	\$1.6m	\$1.7m
Untaxed plan cap amount	\$1,565,000	\$1,615,000
CGT Cap amount	\$1,565,000	\$1,615,000

From 1 July 2021, members can log onto the ATO portal of their MyGov account to check some personal superannuation information, including their total super balance. Members may wish to speak with an adviser to understand how superannuation rates and thresholds apply to them.

Minimum drawdown percentage

In response to the COVID-19 pandemic, the government has extended the temporary reduction of the minimum drawdown requirements for income streams and term allocated pensions for the 2021/22 financial year.

The minimum drawdown rates for Income Stream (including Transition to Retirement) for 2021/22 will continue to remain per the below table.

Age	Minimum drawdown percentage
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95 or over	7%

The drawdown amount for Term Allocated Pension (TAP) members will remain at a minimum of 45% of the calculated government amount for the 2021/22 financial year.

Any updated limits introduced by the government will be reported at hesta.com.au/is and members are advised to refer to this information before making any decisions about the minimum drawdown percentage.

Internal Dispute Resolution (Regulatory Guide 271) changes

Under new regulatory guidelines effective 5 October 2021, the maximum timeframes for HESTA to resolve a complaint will reduce from 90 to 45 days. For objections to a decision about a death benefit, HESTA will continue to have 90 days to respond.

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