

6. Fees and costs

The information in this document forms part of the Product Disclosure Statement (PDS), dated 1 July 2020 for the Local Government Super (LGS) Accumulation Scheme. This document is dated 1 July 2020. This fact sheet is available free of charge at lgsuper.com.au/PDS or you may request a copy from Member Services on 1300 LGSUPER (1300 547 873).

This fact sheet provides information about the various fees and other costs that may apply to an account within the LGS Accumulation Scheme. All percentage-based fees are calculated on your total account balance.

Defined fees

This section defines the different fees that can be charged to superannuation accounts. Not all charges apply to your LGS account.

Activity fees

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 advice fee or an insurance fee.

Administration fees

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 activity fee, an advice fee or an insurance fee.

Advice fees

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 activity fee or an insurance fee.

Buy-sell spreads

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.

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.

Insurance fees

A fee is an **insurance fee** if:

- a) the fee relates directly to either or both of the following
 - i. insurance premiums paid by the trustee of a superannuation entity in relation to a member or members of the entity;
 - ii. costs incurred by the trustee of a superannuation entity in relation to the provision of insurance for a member or members of the entity; and
- b) the fee does not relate to any part of a premium paid or cost incurred in relation to a life policy or a contract of insurance that relates to a benefit to the member that is based on the performance of an investment rather than the realisation of a risk; and
- c) the premiums and costs to which the fee relates are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an advice fee.

Investment fees

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

- a) fees in payment for the exercise of care and 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 otherwise charged as an administration fee, a buy-sell spread, a switching fee, an activity fee, an advice fee or an insurance.

Switching fees

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

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.

Following are the various fees and costs that may be charged to your account.

Switching fee

If you choose to change your investment option(s), the investment switch incurs a switching fee of \$27.00. This fee is deducted directly from your account.

A switching fee is not charged when:

- you choose to switch out of the MySuper Age Based Investment Strategy within 90 days of first joining the LGS Accumulation Scheme
- an automatic switch occurs as part of the MySuper Age Based Investment Strategy
- an investment switch occurs as part of the quarterly auto-rebalancing process
- an account balance is transferred to the Managed Cash investment option upon the death of a member.

Insurance fee

Other fees such as insurance fees may also be charged. These fees are dependent on the insurance chosen. Please refer to the [Insurance in your super](#) fact sheet for more information.

Request for Family Law information fee

This fee is for the provision of information about a member's account relevant to a Family Law split.

The fee is \$110 per request and is payable by the eligible person requesting the information. The payment should be provided in the form of a cheque or money order made payable to LGS.

Benefit split fee

This \$88 fee associated with a Family Law court split is generally paid by the member and non-member spouse in equal parts (\$44 each). The member's share of the fee is deducted from their account and the non-member spouse's share is deducted from the non-member spouse's splittable payment prior to transfer of the payment out of LGS.

Administration fee

LGS charges an administration fee in two ways:

1. We charge \$1.37 per week (\$71.24 p.a.). This is deducted directly from your account balance; and
2. We charge a fee of 0.25% p.a. that is paid from LGS's assets prior to unit prices being calculated.

The administration fee percentage relates to the cost of the administration and operation of the superannuation fund. As LGS is a profit for member fund, this fee is estimated each year, and any excess not utilised in the running of the Fund is returned to the Fund for the benefit of members.

Investment fee

Investment fees are those fees that relate to the investment of the assets of LGS. These fees are incurred directly by the Trustee for the exercise of care and expertise in the investment of those

Fees and costs

assets and may include management fees, transactional and operational costs¹, performance related fees² and custody fees.

Investment fees are paid from LGS's assets prior to unit prices being calculated.

Indirect cost ratio (ICR)

Indirect costs are those costs associated with LGS's investments in interposed vehicles such as underlying unit trusts or limited partnerships.

Indirect costs are paid from the Fund's assets or the assets of interposed vehicles prior to unit prices being calculated. This cost is an additional cost to your investment and is not a fee paid to or charged by LGS.

The fees and costs for each of the investment options is shown in the table below:

Investment option	Investment fee	Administration fee	Indirect cost ratio	Total p.a.
High Growth	0.33%	\$1.37p.w. + 0.25%	0.47%	1.05% + \$71.24
Balanced Growth	0.30%	\$1.37p.w. + 0.25%	0.45%	1.00% + \$71.24
Balanced	0.28%	\$1.37p.w. + 0.25%	0.45%	0.98% + \$71.24
Conservative	0.23%	\$1.37p.w. + 0.25%	0.45%	0.93% + \$71.24
Managed Cash	0.07%	\$1.37p.w. + 0.25%	0.06%	0.38% + \$71.24

The fees shown above are provided as indicative costs only and include reasonable estimates and are subject to change.

Additional explanation of fees and costs

Some of our transactional and operational costs are included in the calculation of our overall investment fee and ICR, but there are other transactional and operational costs which aren't included. These are built into the trading prices of assets and therefore can only be estimated. These costs are known as implicit transactional and operational costs. These costs are not recoverable and are an additional cost to the Investor.

Transactional and operational costs

Transactional and operational costs are incurred by the investment managers' buying and selling of investments and may include costs such as brokerage³, buy-sell spreads of the underlying investments, settlement costs⁴, stamp duty⁵ on investment transaction costs and clearing costs⁶.

The transactional and operational costs are included as part of the investment fee and/or ICR depending on the type of underlying investment.

¹ Transactional and operational costs are discussed in more detail below under 'Transactional and operational costs'.

² Performance related fees are discussed in more detail below under 'Performance related fees'.

³ Brokerage- The fee or commission charged by a firm for executing buy and sell orders on assets on behalf of the Investment Manager.

⁴ Settlement costs- Expenses incurred with the purchase and sale of underlying assets.

⁵ Stamp duty- The tax placed on equity trades in certain markets (UK, for example) or on the transfer of property.

⁶ Clearing Costs- A fee charged by a clearing house for its services. A clearing house is an intermediary between buyers and sellers, most commonly used when trading futures (financial contracts obligating the buyer to purchase an asset or the seller to sell an asset, such as a physical commodity or a financial instrument, at a predetermined future date and price).

Fees and costs

Based on information provided by the investment managers we invest with, estimated transactional and operational costs incurred in the Fund's underlying investments range from an estimated 0.01% p.a. to 0.27% p.a.

Borrowing costs

Borrowing costs for LGS are costs that relate to a credit facility that is provided to the Fund's investments in an underlying interposed vehicle.

Based on information provided by the investment managers we invest with, estimated borrowing costs incurred in the Fund's underlying investments range from an estimated 0.00% p.a. to 0.07% p.a.

Importantly, past borrowing costs are not a reliable indicator of future borrowing costs.

Buy/sell spread

A buy/sell spread is the costs associated with investing in, switching between or withdrawing from the investment options.

All costs associated with any of these transactions (including brokerage and commission) are taken into account at the time of valuation for the investment option. Currently LGS does not apply a buy/sell spread for any of these transactions however buy-sell spreads are charged by the external Unit Trust Managers that LGS invests with.

Performance related fees

The Trustee has entered into performance related fee agreements with certain investment managers, which are closely monitored.

Performance related fees are payable when investment returns exceed an investment manager's benchmark and form part of the investment fee. Generally, these fees are calculated as a percentage of the investment returns that exceed and agreed level of return. If the investment returns are below each manager's benchmark, no performance fee is payable until the underperformance has been made up.

Performance fees are included as part of the investment fee and/or ICR, depending on the type of underlying investment.

Table 1: Estimated transaction and operational costs, borrowing costs and performance related fees per investment option as at 30 June 2020.

Investment option	Transactional and operational costs (%)	Borrowing costs (%)	Performance fees (%)
High Growth	0.25%	0.05%	0.06%
Balanced Growth	0.26%	0.05%	0.06%
Balanced	0.27%	0.06%	0.06%
Conservative	0.25%	0.07%	0.09%
Managed Cash	0.01%	0.00%	0.04%

Payments to authorised representatives

Authorised representatives of LGS receive remuneration by means of salary only. No commission is paid by LGS or members. You will only be charged an advice fee if you agree to receive personal financial advice from one of our financial planners and the fees will be discussed and agreed with you at the time.

Taxation rebate

LGS receives a taxation deduction on fees and insurance costs which is passed back to members in the form of reduced contributions tax. For more information on taxation, please read the [How super is taxed](#) fact sheet.

Charges paid to investment managers

Investment management fees and other charges may be paid by the Trustee out of LGS assets.

All investment management fees and charges are deducted from the gross investment returns prior to the net investment return for each strategy being declared.

Information on abnormal expenses

The costs set out in this fact sheet do not incorporate an allowance for abnormal expenses (if any) to which the Trustee is entitled to be reimbursed from LGS. As at the date of this fact sheet, we do not anticipate any abnormal expenses to be paid.

Changes to fees and costs

We reserve the right to change fees and costs. We will notify you as soon as practical and give you at least 30 days' notice before any fee increases take effect.