

Significant Event Notice

10 March 2022

Dear Member

Introduction of Trustee remuneration to build a Trustee Capital Reserve

Please read through the following important information about decisions Prime Super's Trustee, Prime Super Pty Ltd ('the Trustee'), has made in response to new legislative prohibitions imposed on super fund trustees. These decisions will be reflected in a new Product Disclosure Statement (PDS) dated 2 May 2022, available on our website from that date.

In making these decisions, the Trustee believes it is acting in the best financial interests of Prime Super members.

What are the new legislative prohibitions?

The Federal Government recently passed legislation that means trustees of super funds cannot use any assets of their funds to pay for fines or penalties imposed under any Commonwealth laws (including inadvertent breaches), no matter how small the amount.

These legislative changes to sections 56 and 57 of the *Superannuation Industry (Supervision) Act 1993 (Cth)* (SIS Act), came into effect on 1 January 2022.

In the past, the prohibition on using fund assets to pay for fines or penalties was limited to certain provisions of the SIS Act. Super fund trustees had previously relied on being able to draw against the assets of their fund if a penalty was imposed on them, or their directors, due to, for example, an inadvertent breach of other Commonwealth legislation.

The new legislation no longer permits this and, as a trustee of a profit-to-members fund, the Trustee does not have other financial resources (capital) that could be used to meet liabilities incurred in the performance of its role. This includes the much broader range of penalties or liabilities imposed on the Trustee that cannot be paid from fund assets.

This means the Trustee is at higher risk of becoming insolvent if a fine or penalty were to be imposed as there is insufficient capital available to the Trustee to meet these costs. Insolvency of the Trustee may lead to financial and other risks for Prime Super and its members.

What has been decided?

The Trustee has decided to create a new Trustee Capital Reserve within Prime Super Pty Ltd from 2 May 2022.

The new reserve will ensure that there are adequate financial resources to manage the financial risks of the Trustee and its directors in performing their roles in relation to Prime Super. The reserve cannot be used for any other purpose. It will be kept separate from the assets of Prime Super, and will be maintained and managed by the Trustee in accordance with legislative and other obligations.

The Trustee Capital Reserve will be established through the payment of a professional trustee fee (Trustee remuneration) from Prime Super to the Trustee.

The Trustee is allowed to receive remuneration for its services. Under section 16.1 of Prime Super's Trust Deed, the Trustee 'is entitled to charge and receive professional fees or other remuneration from the Fund for any amount and for any duties or services performed by the Trustee in its capacity as trustee of the Fund'.

The Trustee Capital Reserve will be built over four years through the payment of Trustee remuneration, initially to be deducted from Prime Super's Reserves. Prime Super's Reserving Policy authorises the use of the Reserves for costs associated with the Fund's operation and management. In future, the costs of the Fund will include any Trustee remuneration.

An initial amount (or amounts) of Trustee remuneration will be transferred from the Reserves to the Trustee Capital Reserve on or after 2 May 2022.

How will this affect you?

There is no increase to your account fees due to the payment of the initial amount(s) of Trustee remuneration to establish the new Trustee Capital Reserve.

How much Trustee Remuneration will initially be paid?

The initial amount (or amounts) of Trustee remuneration, to be paid from Prime Super's Reserves on or after 2 May 2022 (and by 30 June 2022) will be 0.025% of Prime Super's net funds under management.

For each of the years ending 30 June 2023, 30 June 2024 and 30 June 2025 a further amount of 0.025% of net funds under management will be paid from the Reserves to build the Trustee Capital Reserve to an appropriate level.

To determine the appropriate remuneration for its services, the Trustee conducted an analysis of its exposure to financial and other risks arising from recent law reforms and the Fund's operation and management. External legal advice was received about the considerations or analysis that should be undertaken to determine the amount of Trustee remuneration, including considering remuneration payable to trustees of other funds similar to Prime Super.

How much will be in the Trustee Capital Reserve?

The Reserve will have a maximum value of 0.10% of the Fund's total net funds under management as at 30 June each year. The Trustee's analysis considered this an appropriate amount.

The Trustee Capital Reserve will be regularly monitored.

On 30 June 2026 (and each subsequent 30 June), the Trustee will transfer amounts where necessary to maintain the reserve at an amount of 0.10% of net funds under management of Prime Super.

Keeping you informed

Information about the Trustee Capital Reserve will be provided in the annual report and on the website. Details may include remuneration paid by the Fund to the Trustee and any other significant information about the Trustee Capital Reserve.

We're here to help. If you would like more information, please call us on 1800 675 839.

Yours sincerely,

Prime Super