



## AET small APRA fund 2013/14 Annual Trustee report

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## Important information

This report is issued by Australian Executor Trustees Limited (AET) ABN 84 007 869 794 AFSL 240023 as Trustee of your AET small APRA Fund (Fund or AET SAF). The information in this report is general information only and does not take into account your financial circumstances, needs and objectives. The information is given in good faith and is believed to be accurate and reliable at the time of publication.

## Message from the Trustee

I am pleased to present the following Trustee's annual report to investors in the AET SAF for the financial year ended 30 June 2014. This report has been prepared by AET as Trustee of the AET SAF.

Within the report you will find general information about the AET SAF, including changes and developments in superannuation that occurred during the financial year, and those proposed for the 2014/15 financial year and later years. Together, the annual Trustee report and your annual member statement make up your annual fund package.

On behalf of the Board of Trustee Directors, thank you for your ongoing support.

Yours sincerely



**Christopher Kelaher**  
Managing Director  
Australian Executor Trustees Limited  
as Trustee of the AET small APRA fund

# Government reforms in superannuation

## Changes and developments in superannuation

### New superannuation and tax thresholds for 2014/15

- The concessional contributions cap increased to \$30,000 (\$35,000 for those aged 49 or more on 30 June 2014).
- The non-concessional contributions cap increased to \$180,000 (annually) and \$540,000 over three years if you were under age 65 during the financial year.
- The low rate cap for tax on super lump sum withdrawals under age 60 increased to \$185,000. Therefore lump sum super benefits paid after preservation age but before age 60 will be taxed at 0% on the first \$185,000 of the taxable component and 17% thereafter (15% plus 2% Medicare levy).

### Superannuation Guarantee rate increases to 9.5%

- The Superannuation Guarantee (SG) rate increased from 9% to 9.5% of ordinary time earnings from 1 July 2014. Legislation has also passed to freeze the SG rate at 9.5% until 1 July 2021, after which it will increase by 0.5% every year until it reaches 12% from 1 July 2025.

### Low income super contribution changes

- The low income super contribution (LISC) is a Government contribution of up to \$500 for those with incomes under \$37,000, effectively as compensation for the 15% tax on contributions paid by the super fund. Legislation was passed which will abolish LISC for concessional contributions (including SG contributions) made from 1 July 2017. The Government had intended to abolish LISC from 1 July 2014, however after compromising with the minor parties in the Senate, it delayed the removal of LISC for three more years.
- Note: Although the LISC will cease from 1 July 2017, the Government Co-contribution is still available.

### SuperStream – reforming the superannuation back office

- SuperStream is a comprehensive package of reforms that aims to increase the efficiency and improve data quality in the superannuation system. The Australian Taxation Office (ATO) regulates compliance with SuperStream and provides guidance to super funds about the requirements. During the 2013/14 financial year, super funds (except self-managed super funds) were required by law to rollover and transfer benefits using electronic means and consistent data.

- Stage two of SuperStream applies to employers making contributions to super funds. Over the 2014/15 financial year, employers with 20 or more employees must pay contributions electronically and send matching contribution data in a particular consistent format. From 1 July 2015, the rules will apply to smaller employers with 19 or less employees. The advantages for members are contributions are processed efficiently, with fewer errors and invested in members' preferred investment option(s) as soon as possible.

### Super income streams to be subject to deeming under Centrelink income test from 1 January 2015.

- From 1 January 2015, new account-based pensions will be subject to deeming under the Centrelink Income test for social security purposes. Deeming does not apply to term allocated pensions.
- Currently account-based (or allocated) super pensions are treated generously under the income test, with the actual pension income less a generous deductible amount being counted as income. From 1 January 2015, the account will be deemed to earn income at the rate of 2% pa on the first \$48,000 (\$79,600 for couples) and 3.5% pa thereafter.
- Existing account-based pensions payable to individuals receiving Centrelink income support on 31 December 2014 are grandfathered from these changes and will continue to receive the current income test treatment.
- The Government has also announced it will extend deeming of account-based pensions to the income tests for the Low Income Health Card and the Commonwealth Seniors Health Card from 1 January 2015. Pensions commencing before 1 January 2015 payable to current card holders will be excluded.

### Personal tax rates

- Personal tax rates increased from 1 July 2014 with the increase in the Medicare levy to 2% (an increase of 0.5% to fund the National Disability Insurance Scheme) and the increase in the top marginal tax rate to 47% (an increase of 2% to fund the Government's temporary budget repair levy).
- This means the top marginal tax rate plus Medicare is now 49%. Therefore contributions made to super without a TFN and excess non-concessional contributions will be taxed at 49%.

# General information

## Directors of the Trustee

Dr Roger Neil Sexton (Chairman)

Ms Jane Margaret Harvey

Mr Ian Gregory Griffiths

Mr George Venardos

Mr Christopher Francis Kelaher

Mr Allan Raymond Griffiths

## Trustee indemnity

As Trustee, we have taken out a policy of Trustee Indemnity Insurance.

Generally, as the Trustee, we are entitled to be indemnified from the assets of your Fund against any personal liability for loss or damage incurred by your Fund, except where we have failed to act honestly or failed to exercise the degree of care and diligence that we are required to exercise.

## Trustee penalties

No penalties were imposed on us, as Trustee, during the reporting period.

## Types of benefits

The types of benefits available through your Fund include:

- retirement benefits at normal retirement age (age 65)
- any early retirement benefits (from age 55)
- any total and permanent disablement benefits
- any temporary disability benefits
- any leaving service benefits (resignation or termination of employment)
- any death benefits.

The benefits specified above will generally be the sum of your accumulation account. In the event of death or disability, an additional amount representing the proceeds of insurance (if any) may be included.

Payment of the benefits listed above depends on compliance with relevant legislation as well as the required condition of release being satisfied.

The benefit amounts in your annual member statement are shown as at 30 June 2014. The benefit amount may change. Upon request, we will give you any information you reasonably require to understand your benefit entitlements.

## Death cover continuation option

Your Fund allows you to enter into personal insurance policies. If you have insurance coverage within your Fund, and you leave your current employment or close your Fund, you may be able to continue your insurance cover under a personal policy without the need for further medical examination.

Your elected insurer may provide an option to continue cover with automatic acceptance or limited underwriting requirements. You will need to contact your insurer about any continuation option.

## Eligible rollover fund

We may transfer your benefit to an eligible rollover fund (ERF) without your consent if:

- we are required to pay your benefit but we are unable to pay it to you or at your direction, or
- we lose contact with you.

During the reporting period, the ERF for the Fund was the SMF Eligible Rollover Fund.

If we transfer your benefit to the ERF:

- your Fund membership and your insurance cover under the Fund (if any) will cease
- you will become a member of the ERF
- you will need to apply directly to the ERF for your benefits
- you will not be able to make contributions to the ERF
- you will not be able to choose your investment strategy.

For more information about the SMF Eligible Rollover Fund, including a copy of the product disclosure statement, please call SMF ERF directly on 1800 677 306, visit their website at [www.smf.com.au](http://www.smf.com.au) or write to:

**Fund Administrator**  
**SMF Eligible Rollover Fund**  
**GPO Box 529**  
**Hobart TAS 7001**

In accordance with superannuation law, we may pass on any relevant personal information required by the ERF to establish your account.

## Nominating beneficiaries

The beneficiary nominations you make do not expire and the Trustee will pay the benefit in accordance with your nomination, unless a nominated beneficiary is not a dependant at the time of your death. If you would like to make or amend a nomination, please complete the 'Change of nominated beneficiary form' available from our website at [www.aetmyportfolio.com.au](http://www.aetmyportfolio.com.au) and forward it to us.

In the event of your death, where you do not have a nomination, or your nomination is ineffective for any reason, your benefits will be paid to your legal personal representative.

## Non-residents

Unlike self-managed superannuation funds, it may be possible to include non-Australian resident members in your Fund without affecting its complying status. If you or any member of your Fund becomes a non-Australian resident you must inform the Trustee immediately.

## Minimum cash balance requirements

The minimum cash balance requirements are as follows:

- For member accounts under \$1 million, a minimum cash balance of \$5,000 is required.
- For member accounts over \$1 million, a minimum cash balance of 0.5 per cent of the value of the account is required.

## Investment objectives

The investment objective for any superannuation fund is to maximise each member's benefits for retirement purposes, within acceptable parameters of risk and diversity.

Our minimum objective for every Fund is to achieve an average annual growth in each member's benefits, for the life of their Fund, which exceeds the increase in the consumer price index for that period.

## Investment strategies

It is a legal requirement for us to formulate, and give effect to, an effective investment strategy for your Fund.

To give you the flexibility to help you achieve your investment goals, we provide five model investment strategies for you to choose. When formulating these strategies, we take into account:

- the expected risk and return of each investment
- the existing assets of the Fund
- diversification of investments
- liquidity and cash flow requirements
- current and future liabilities.

Benchmark asset allocation and investment guidelines apply to each investment strategy. During the year, as part of our commitment to provide products that meet our clients' needs, we made changes to the investment strategies and asset classes. The benchmark asset allocation and investment guidelines for each of the five model investment strategies are outlined on the following pages. If you would like a copy, please refer to the AET SAF Product Disclosure Statement (PDS).

Once an investment strategy has been selected, we monitor your Fund to ensure that it stays within your selected investment strategy. In the event your Fund remains out of strategy for more than 180 days, we will select another investment strategy that is more appropriate to the assets held within your Fund and notify you of such change.

## Strategy 1: Conservative

- Risk – Low
- Time horizon – one year
- Objective – To achieve stable growth by accumulating and re-investing the interest income
- Performance benchmark – Consumer price index +1%
- Suitability – This strategy is designed to suit the more conservative investor. It can be appropriate where high liquidity is required or where the Fund will have a short life span. There will generally be little or no capital appreciation.

Investment strategy	
Asset class	Allowable range (%)
Income investments	80-100
Growth investments	0-20
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	25
Property	0
Investment allocation	Maximum allocation in account (%)
Speculative investments	5

## Strategy 2: Moderately conservative

- Risk – Low to medium
- Time horizon – More than two years
- Objective – To achieve steady growth by accumulating and re-investing the interest income
- Performance benchmark – Consumer price index +2%
- Suitability – This strategy is less conservative than the 'conservative' strategy (strategy 1) but the potential for capital appreciation is still relatively low. Any growth will come mainly from the accumulation of income.

Investment strategy	
Asset class	Allowable range (%)
Income investments	55-85
Growth investments	15-45
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	25
Property	0
Investment allocation	Maximum allocation in account (%)
Speculative investments	5

### Strategy 3: Balanced

- Risk – Medium
- Time horizon – More than three years
- Objective – To achieve a moderate level of income accumulation and medium capital growth over the longer term with moderate liquidity
- Performance benchmark – Consumer price index +3%
- Suitability – This strategy is designed to produce a moderate level of income accumulation and medium capital growth over the longer term and should also provide moderate liquidity.

Investment strategy	
Asset class	Allowable range (%)
Income investments	35-65
Growth investments	35-65
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	25
Property	0
Investment allocation	
	Maximum allocation in account (%)
Speculative investments	15

### Strategy 4: Balanced to moderate growth

- Risk – Medium to high
- Time horizon – five years
- Objective – To achieve stronger capital growth over the long term with provision for some liquidity and income accumulation.
- Performance benchmark – Consumer price index +4%
- Suitability – This strategy is designed to achieve stronger capital growth over the long term. There is still provision for some liquidity and an income accumulation capability to enable the account to meet its ongoing commitments.

Investment strategy	
Asset class	Allowable range (%)
Income investments	15-45
Growth investments	55-85
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	10
Cautious	10
Non-speculative	25
Property	0
Investment allocation	
	Maximum allocation in account (%)
Speculative investments	25

## Strategy 5: Growth

- Risk – High
- Time horizon – More than five years
- Objective – To achieve capital growth over the medium to long term
- Performance benchmark – Consumer price index +5%
- Suitability – The strategy has a greater focus on share securities (listed and unlisted) as well as property and investors should therefore be aware there are greater risks involved. Considerable volatility may be experienced over the short term.

Investment strategy	
Asset class	Allowable range (%)
Income investments	1-25
Growth investments	75-99
Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	10
Cautious	10
Non-speculative	25
Property	70
Investment allocation	Maximum allocation in account (%)
Speculative investments	25

# Financial information about your Fund

## Allocation of Fund earnings

Any earnings from your chosen investments are paid to your Fund and reflected in your account balance. All Fund assets are held in trust and separate accounts are maintained for each member. Our administration services will collect all Fund income and record capital gains.

The member benefit statement which is included in your annual fund package shows the annual net effective earning rates for your account for the last ten years (or for the period of your membership if that is shorter).

## Asset allocation

The 'Portfolio comparison report' (included in your annual fund package) shows the asset allocation of your Fund at the beginning of the reporting period and at the end of the reporting period.

The values shown at the beginning of the reporting period in your portfolio comparison report are carried forward from the previous year end audited financial statements.

## Illiquid investments

Illiquid investments are investments that have low liquidity, which means they cannot be easily bought or sold or quickly converted into cash. Examples of illiquid investments may include:

- capital guaranteed funds
- certain property funds
- hedge funds
- private equity
- structured funds
- unlisted unit trusts.

Generally, when we receive instructions to transfer your superannuation benefits we have 30 days to implement your request. An illiquid investment within your Fund may prevent us from processing your transfer request within the 30 day timeframe due to delays in receiving the sale proceeds from these investments.

## Derivative securities

A derivative is a financial contract, the value of which depends on, or is derived from, assets, liabilities or indices (the underlying assets). Derivatives include a wide assortment of instruments, such as:

- forwards
- futures
- options
- swaps
- warrants.

Your Fund may invest in derivatives that we have rated and approved for Fund use.

The derivatives charge ratio is the market value of the assets of your Fund (other than cash) that are subject to a charge as security for the derivatives investments within your Fund, and is expressed as a percentage of the total market value of all of the assets of your Fund. If the derivatives charge ratio of your Fund exceeded five per cent at any time during the reporting period we have included a derivatives charge ratio notice in your annual fund package that:

- states the derivatives charge ratio at the end of the reporting period
- states the highest derivatives charge ratio attained during the reporting period
- provides an explanation of why the derivatives charge ratio exceeded five per cent, and
- provides an explanation of the meaning of derivatives charge ratio.

## Contributions

As a consequence of your membership, contributions may be made to the Fund by you, your employer, your spouse, the Government or the Australian Taxation Office if so allowed under superannuation legislation.

Your employer may be required to make contributions to the Fund, to satisfy the requirements of the superannuation guarantee, Federal or State Awards, or employment agreements such as salary sacrifice arrangements you have made with your employer and voluntary contributions withheld from your salary or wages at your request.

There is currently no minimum limit on the amount of contributions that can be made. However, maximum limits do apply to the amount of contributions that you or your employer may claim as a tax deduction, or that will be eligible for other tax concessions.

## Taxation of superannuation contributions

Generally, your concessional contributions will be taxed up to 15 per cent, however, the amount of tax may be more if you receive concessional contributions to your Fund in excess of the relevant concessional contribution cap, or if your income is \$300,000 per annum or above. Any non-concessional contributions that exceed the relevant non-concessional contribution cap are taxable at 49 per cent.

For further general information about the taxation of superannuation contributions, please refer to the AET SAF PDS, which is available from our website at [www.aetlimited.com.au](http://www.aetlimited.com.au). If you have any queries on how the taxation of superannuation contributions affects you, please speak to your financial adviser.

## Taxation of superannuation benefits

Different taxation treatment applies depending on whether you take your superannuation benefits as a lump sum or pension as well as your age. If you receive a pension, the pension income may itself be subject to tax if you are under age 60. If you are aged 60 or over, any lump sum or income stream from your pension will be paid to you tax-free.

Please refer to our product disclosure statement for further general information. For information on how the taxation of superannuation benefits affects you, please speak to your financial adviser.

## Management of earnings reserves

We do not maintain earnings reserves on behalf of your Fund.

## Audited financial statements

Superannuation legislation requires us to produce certain minimum accounting statements for your Fund each year and have these statements audited by a qualified auditor.

The auditor's report is now available on request and the abridged financial statements are included in your annual fund package.

## Enquiries and complaints

As Trustee of your Fund, we are obliged to provide you with any information that you reasonably require to understand your benefit entitlement.

If you have any questions or a complaint, please:

- call us on 1800 254 180, or
- write to us at:

**Australian Executor Trustees Limited**  
**Complaints Officer**  
**GPO Box 546**  
**Adelaide SA 5001**

We will acknowledge receipt of your complaint within five business days and will normally respond in more detail within 28 days. Some complaints however, can be more complex than others and may take longer to resolve. If that is the case we will keep you informed of our progress. If, however, you have complained to us and your complaint has not been resolved to your satisfaction within 90 days, you have the option of contacting the Superannuation Complaints Tribunal (SCT), an independent complaints handling body.

The SCT may be able to help you to resolve your complaint, but only after you have made use of our dispute resolution procedures.

The SCT will first attempt to resolve the matter through conciliation, which involves assisting both parties to come to a mutual agreement. If the matter cannot be resolved by conciliation, the SCT has the power to either overturn or confirm the Trustee's decision.

To find out whether the SCT can handle your complaint, and the type of information you need to provide, you can call the SCT from anywhere in Australia on 1300 884 114 between 9am and 5pm (Eastern Standard Time) or write to:

**Superannuation Complaints Tribunal**  
**Locked Bag 3060**  
**Melbourne VIC 3001**

## Contact us

### **Trustee**

Australian Executor Trustees Limited  
ABN 84 007 869 794  
AFSL 240023  
RSE Licence No L0002554

### **Postal address**

GPO Box 546  
Adelaide SA 5001

### **Registered address**

44 Pirie Street  
Adelaide SA 5000

### **Telephone**

1800 781 166

### **Fax**

1800 781 166

### **Email**

[aetclientservices@aetlimited.com.au](mailto:aetclientservices@aetlimited.com.au)

### **Website**

[www.aetlimited.com.au](http://www.aetlimited.com.au)