



## AET small APRA fund 2014/15 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). Within the report you will find general information about your Fund, including legislative changes for 2014/15 and later years, as well as financial information about your Fund. Together, the annual Trustee report and your annual member statement make up your annual fund package. 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 Australian Executor Trustees small APRA fund (Fund or AET SAF) for the financial year ended 30 June 2015. This report has been prepared by Australian Executor Trustees Limited (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 2015/16 financial year and later years.

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

### Terminal illness condition of release

From 1 July 2015 super benefits can be cashed tax-free on terminal illness, if two doctors certify that the member is suffering from illness or injury that is likely to result in death within two years. Prior to 1 July 2015, the certification period was one year.

Members with insurance should take note that the insurance policy definition has not changed, and terminal illness insurance will only be paid out if two doctors certify that the condition is likely to lead to death within one year. For members choosing to cash benefits under the new two year certification period, care should be taken to ensure sufficient funds remain to continue to pay premiums or risk losing valuable insurance.

### Refund of excess non-concessional contributions

New laws passed in March 2015 provide that non-concessional contributions that exceed the non-concessional contributions cap can be refunded and will no longer be subject to a penalty tax of 49%. The changes apply to contributions made during the 2013/14 tax year and beyond.

Under the changes the Australian Taxation Office (ATO) will assess the non-concessional contributions against the individual member's cap. If contributions exceed the cap, the ATO will issue a determination to the member setting out the excess amount plus 'associated earnings' (based on the ATO general interest charge rate). The member can elect within 60 days to withdraw from the fund the excess amount plus 85% of the associated earnings. The associated earnings will be included in assessable income with a 15% rebate to take into account earnings tax the super fund has already paid. If the member decides to leave the contributions in super, then 49% tax will apply to the excess.

## Superannuation thresholds for 2015/16

<b>Concessional contributions cap</b>	\$30,000 or \$35,000 if aged 49 or more on 30/6/2014
<b>Non-concessional contributions (NCC) cap</b>	\$180,000 or \$540,000 over 3 years if under age 65
<b>Superannuation Guarantee (SG) rate</b>	9.5%
<b>SG maximum contributions base</b>	\$50,810 salary per quarter or \$203,240 pa (up from \$49,430 per quarter in 2014/15)
<b>Preservation age</b>	Age 56 for those born 1 July 1960 – 30 June 1961 Age 55 for those born before 1 July 1960
<ul style="list-style-type: none"> <li>Benefits can be accessed on retirement</li> <li>0% tax on low rate threshold (below)</li> </ul>	
<b>Low rate threshold</b>	\$195,000 (up from \$185,000 in 2014/15)
<ul style="list-style-type: none"> <li>0% tax from preservation age to age 59</li> </ul>	
<b>CGT cap amount</b>	\$1,395,000 (up from \$1,355,000 in 2014/15)
<ul style="list-style-type: none"> <li>excluded from NCC cap</li> </ul>	
<b>Government co-contribution income</b>	Full co-contribution - \$35,454 pa or less (up from \$34,488 in 2014/15) No co-contribution - \$50,454 pa or more (up from \$49,488 in 2014/15)

## ATO developments: SuperStream and Single Touch Payroll

The SuperStream data and payment standards are new laws that require super funds and employers to provide data and payments (including rollovers and contributions) on a uniform electronic basis. The standards first applied to Australian Prudential Regulation Authority (APRA) funds in relation to rollovers, and since 2014 all APRA regulated super funds have been rolling over super benefits on this basis. For large employers (with 20 or more employees) the process to meet the requirements for contributions commenced on 1 July 2014 and these employers must be fully compliant with the standards by 31 October 2015.

For smaller employers (with less than 20 employees on 1 July 2014) the process to meet the standards in respect of contributions started 1 July 2015. These employers will be required to be fully compliant by 30 June 2016.

The Government is also considering 'Single Touch Payroll' which includes streamlining tax file number (TFN) declarations and

# General information

choice of fund forms for new employees; and reporting pay as you go (PAYG) withholding and superannuation contributions at the same time as paying wages. After feedback from small businesses, the Government has agreed that the actual payment of PAYG withholding tax and the payment of super contributions at the same time as wages would be voluntary. The ATO will commence pilot programs from July 2016.

## Deeming of account-based pensions

New account-based pensions that commenced from 1 January 2015 will be 'deemed' to earn income under the Centrelink income test. The deeming rules will also apply to new recipients of Centrelink income support from 1 January 2015, regardless of when the account-based pension commenced.

Account-based pensions that commenced before 1 January 2015 held by recipients of Centrelink income support on 1 January 2015 will continue to be treated under the pre-1 January 2015 income test rules. This applies even if the pensioner dies and the pension passes to a reversionary beneficiary after 1 January 2015. Deeming will also not apply to term allocated pensions, regardless of when the pension commenced.

From 1 January 2015 deeming will also apply to new account-based pensions under the income test for the Commonwealth Seniors Health Card (CSHC). However pre-1 January 2015 account-based pensions paid to existing CHSC recipients will be excluded.

## Changes to the Centrelink assets test

Legislation has also passed to significantly change the Centrelink assets test from 1 January 2017.

- The thresholds will increase to: \$250,000 for single homeowner; \$375,000 homeowner couple; \$450,000 non-homeowner single; and \$575,000 for non-homeowner couple; and
- The taper rate will double from \$1.50 to \$3.00 for every \$1,000 over the threshold. This will affect members who are currently receiving the part Age pension and may result in the pension being reduced or extinguished. Members who lose the age pension from 1 January 2017 will automatically be issued with a Commonwealth Seniors Health Card.

Superannuation accounts from age 65 and account-based pensions are assessed under the Centrelink assets test. Term allocated pensions (generally) have 50% of the account balance assessed under the Centrelink assets test.

## Directors of the Fund

Dr Roger Sexton (Chairman)

Ms Jane Harvey

Mr Ian Griffiths

Mr George Venardos

Mr Christopher Kelaher

Mr Allan 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 (currently from age 55 and increasing to age 60 progressively until 1 July 2024)
- 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 2015. 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.

## Operational risk financial reserve (ORFR)

Under legislative requirements effective from 1 July 2013, trustees are required to maintain adequate financial resources to address losses arising from operational risk. Trustees must determine the target amount to be set aside for these purposes based on guidelines provided by APRA. The target amount must be achieved by the end of a three year period. AET reached the target amount by transferring existing reserves held by AET to the ORFR and no levy was imposed on AET SAF members for the 2014/15 financial year. Should an operational risk event occur, deductions against each member's balance may be required to restore the ORFR back to the target amount.

## 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. 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.

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.

## 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 the AET SAF 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

If you have any questions or require any further information, please contact the:

### **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 254 180

### **Fax**

1800 457 967

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

### **Website**

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