

The Portfolio Service Retirement Fund

ABN 92 861 884 632

Super Essentials
Superannuation Plan
Retirement Income Plan
Term Allocated Pension (closed)

Annual report 2013/14 Reporting period from 1 July 2013 to 30 June 2014

Part of the IOOF group

Issued by Questor Financial Services Limited ABN 33 078 662 718 AFSL 240829 (Questor), as Trustee of The Portfolio Service Retirement Fund.

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Important information

The information in this report is general information only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this report, you should assess your own circumstances or seek advice from a financial planner. You should obtain and consider a copy of the Product Disclosure Statement (PDS) available from us or your financial planner before you acquire a financial product. The information is given in good faith and is believed to be accurate and reliable at the time of publication. Questor provides no assurance that The Portfolio Service Retirement Fund will continue to be available in the future.

Report to members

Dear Member

I am pleased to present The Portfolio Service Retirement Fund (the Fund) annual report for the year ended 30 June 2014.

Questor has prepared this annual report in its capacity as the Trustee of the Fund.

The Fund commenced operation on 10 December 1992 and, as at 30 June 2014, had total funds under management of \$5.95 billion on behalf of 36,402 members.

We will continue to provide you with high quality customer service and look forward to updating you on any future improvements to the Fund.



Christopher F Kelaher
Managing Director
Questor Financial Services Limited
as Trustee of The Portfolio Service Retirement 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 per cent of the first \$185,000 of the taxable component and 17 per cent thereafter (15 per cent plus 2 per cent Medicare levy).

Superannuation Guarantee rate increases to 9.5 per cent

- The Superannuation Guarantee (SG) rate increased from 9 per cent to 9.5 per cent of ordinary time earnings from 1 July 2014. Legislation has also passed to freeze the SG rate at 9.5 per cent until 1 July 2021, after which it will increase by 0.5 per cent every year until it reaches 12 per cent 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 per cent 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 per cent per annum on the first \$48,000 (\$79,600 for couples) and 3.5 per cent per annum 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.

ATO tax file number notification

- Each year TPS is required to provide a report to the ATO setting out basic member account information including tax file numbers (TFNs). If a TFN is incorrect or has changed, the ATO will provide the correct TFN to TPS. If the correct TFN is not available, the ATO will ask TPS to follow up with the member and will also notify the member if the TFN remains unresolved.
- If you have not provided your TFN to TPS, but you have provided it to another super fund, the ATO will forward your TFN to TPS and we will update your records. Your next annual statement will indicate that we now hold your TFN.

Personal tax rates

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

Changes to the Fund

Product disclosure statements (PDS)

Questor issued PDS and forms booklets on 1 January 2014 for:

- TPS Superannuation Plan
- TPS Super Essentials
- TPS Retirement Income Plan

Questor issued supplementary PDS and forms booklets on 1 July 2014 for:

- TPS Superannuation Plan
- TPS Super Essentials
- TPS Retirement Income Plan

Repricing

On 1 January 2014 a range of upgrades were introduced on TPS Superannuation Plan, TPS Retirement Income Plan and TPS Term Allocated Pension products which may have impacted your account.

- **Reduced administration fee:**

Pricing prior to 1 January 2014		New Pricing – effective 1 January 2014		
	(% pa)		Full menu (% pa) ¹	Core menu (% pa) ²
First \$400,000	0.85	First \$300,000	0.80	0.40
Next \$200,000	0.68	Next \$200,000	0.65	0.40
Next \$200,000	0.55	Next \$500,000	0.20	0.20
Next \$200,000	0.42	Next \$1,000,000	0.10	0.10
Amounts above \$1,000,000	0.04	Amounts above \$2,000,000	0.00	0.00

Administration fees are now capped at \$5,700 (full menu) and \$4,000 (core menu)

- 1 Full menu: Provides access to a comprehensive investment menu including the ASX200, exchange traded funds, managed funds and term deposits, over 300 investments in total.
- 2 Core menu: Our simple low-cost investment menu. You can only select from a range of our IOOF MultiMix Trusts, which give you access to various investment managers and asset classes

- **Expense recovery fee:** The \$40 per annum expense recovery fee was removed.
- **Account keeping fee:** The account keeping fee increased to \$136 per annum, from \$96 per annum.

On 1 January 2014 we also made some important fees and costs changes to TPS Super Essentials which may have impacted your account.

- **Introduction of an account keeping fee:** The \$96 per annum fee is for the general administration of your account.

Other fee changes applied to all TPS products in the Fund:

- **Cash Management Fund:** The management cost applied to the Cash Management Fund in which your Cash Management Account invests increased from 0.32 per cent per annum to 0.65 per cent per annum.
- **Stamp duty on income protection:** Members with Income Protection insurance now have stamp duty calculated according to the rate of their State of domicile instead of the previous flat 8.5 per cent.
- All group insurance premium rates include an administration fee of 10 per cent payable to the Trustee.

Insurance changes

- All insurance administration fees aligned to 10 per cent (excluding GST).
- Introduced state of domicile methodology to determine Stamp duty payable on income protection.
- Introduced TPD Tapering from age 72.

Term deposits

FIIG Securities Ltd ABN 68 085 661 632 (FIIG), a leading fixed income specialist, became the administrator of the existing Credit Union Term Deposit portfolio effective 30 April 2014. FIIG have existing relationships with a number of Credit Union's which provided a seamless transition process.

The administration changes had no impact on clients who held a Credit Union Term Deposit in their TPS account.

The change was a result of Credit Union Services Corporation (Australia) Limited ABN 95 087 822 455 making a change to the strategic direction of their wholesale business model, which meant we needed to seek an alternative administrator.

From April 2014, we stopped offering Credit Union Term Deposits through the TPS platform products. FIIG are managing the existing Credit Union Term Deposit portfolio until maturity.

TPS continues to offer 6 and 12 month bank Term Deposits on a monthly basis through all TPS platform products.

APRA levy

Commonwealth costs associated with the implementation of the SuperStream measures will be paid for by an increase to the existing Australian Prudential Regulation Authority (APRA) levy imposed on APRA regulated funds. The levy will collect a total of \$467 million from funds between July 2012 and June 2018.

The APRA levy will be adjusted each year based on the applicable rate determined by the Government, the number of members in the Fund and the total assets of the Fund.

The Trustee has determined to recoup the cost of the levy from members of the Fund, each year until 2017/18. The APRA levy amount payable by members for the 2013/14 financial year and deducted from members' accounts on 10 December 2013 was \$34.80. This fee was deducted on a flat fee basis from all members' accounts in the Fund regardless of their account balance.

The levy amount payable for the 2014/15 financial year will be disclosed when known in our product information update section on our website (www.theportfolioservice.com.au).

Operational Risk Financial Reserve

Under legislative requirements that came into effect on 1 July 2013, trustees are required to maintain adequate financial resources to address losses arising from an operational risk event.

The Operational Risk Financial Reserve (ORFR) is in place to compensate beneficiaries for the direct financial losses arising as result of an operational risk event.

Trustees must determine the target amount to be set aside for these purposes, based on guidelines provided by the Australian Prudential Regulation Authority (APRA). The target amount of 0.25 per cent of the value of the assets of The Portfolio Service Retirement Fund (Fund) must be achieved by the end of a three year period. In order to reach the target amount for the Fund, an amount will be levied against each member's account³ and was deducted for the 2013/14 year and will be for the following two financial years.

Should an operational risk event occur post 1 July 2013, an increased levy may apply and will be deducted against each member's account to restore the ORFR back to the target amount.

We confirm the ORFR levy of 0.1160 per cent of each members account balance, which was capped at \$300.00, was deducted on 27 June 2014 for the 2013/14 year. The TPS annual statements include the dollar amount of the ORFR levy which was deducted against each member's account for the 2013/14 financial year.

For the next two years, the ORFR Levy will be charged quarterly, the amount of the ORFR levy is estimated to be 0.029 per cent, capped at \$75 per account and to be debited each quarter.

³ Deceased estate accounts are excluded from the ORFR levy.

Changes to the list of managed investments during the 2013/14 financial year

The following managed investment options were added to the 'List of investment strategies':

- Challenger Guaranteed Income Fund 30 June 2016
- IOOF Cash Management Fund (Class A)
- Magellan Global Fund (Hedged)
- Magellan Infrastructure Fund (Unhedged)

The following managed investment options were removed from the 'List of investment strategies':

- Challenger Guaranteed Income Fund 30 June 2015
- IOOF Cash Management Fund (Class B)
- Perpetual Wholesale Property Income Fund
- Tyndall Australian Share Portfolio

Investment option withdrawal provisions

Access to your monies invested in some funds is limited to the withdrawal provisions imposed by the investment manager. If you are invested in an investment option that is subject to withdrawal provisions, you can find up-to-date information in the withdrawal schedule available in the Downloads section of TPS website (www.theportfolioservice.com.au).

Investment strategies and objectives

Super Essentials, Superannuation Plan, Retirement Income Plan and Term Allocated Pension (closed)

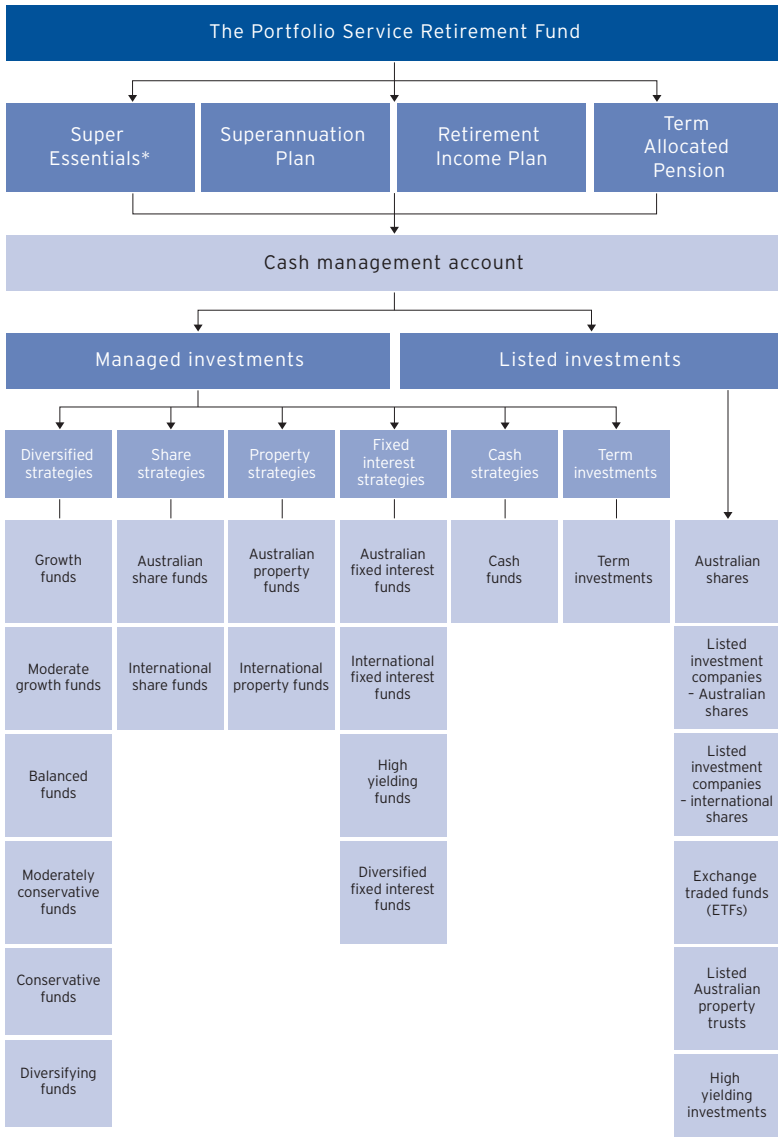
The Trustee offers an extensive range of investment options, including managed and listed investments, as set out in the current list of investment strategies (LIS). A copy of the current LIS must be read in conjunction with the PDS for the relevant plan. A PDS or investment report is available for each investment option on the current LIS.

The investment objective for each investment strategy offered by the Fund is outlined on pages 11 to 17 of this annual report. We have provided indicative asset allocations and indicative investment performance numbers for the last five financial years (where applicable) for each of these investment strategies.

Information on the actual asset allocation and investment performance for the investment options in your investment portfolio is available, free of charge, from your financial planner.

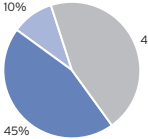
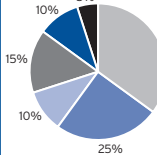
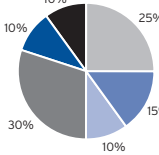
These plans do not use derivatives, however, some of the underlying investment options may. For further information, please refer to the PDS or the investment report for the relevant investment option.

Investment strategies



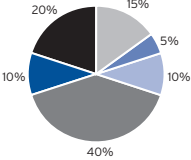
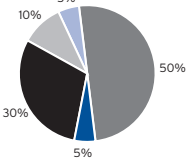
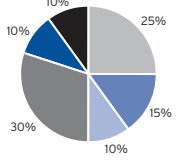
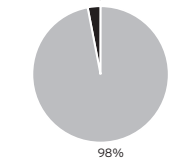
* Please note that Super Essentials offers only a limited range of listed investments such as some ETFs.

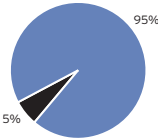
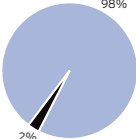
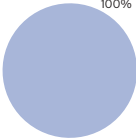
Investment options

	Managed investments options		
	Diversified strategies		
	Growth funds	Moderate growth funds	Balanced funds
Investment objective	To achieve higher returns than balanced options over the long term by investing in a diversified portfolio with an emphasis on growth assets.	To achieve higher returns than balanced and conservative options over the medium to long term by investing in a broadly diversified portfolio across both growth and defensive assets.	To achieve higher returns than conservative options over the medium to long term by investing in a broadly diversified portfolio across both growth and income assets.
Indicative asset allocation¹	 <p>10% 45% 45%</p>	 <p>10% 5% 35% 15% 10% 25%</p>	 <p>10% 25% 15% 10% 30% 10%</p>
Indicative investment performance² (%)			
2013/14	15.16	12.58	10.57
2012/13	21.16	16.94	13.03
2011/12	-3.59	-0.99	1.17
2010/11	9.18	8.04	7.88
2009/10	11.27	10.59	10.35
5 year annualised return² (%)	10.32	9.27	8.52

The table outlines the general characteristics of the investment strategies. You choose investment options from within these strategies. The details of a particular investment option may vary from the information above. You should read all relevant information for an investment option before investing.

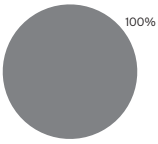
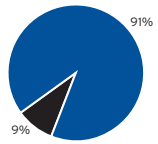
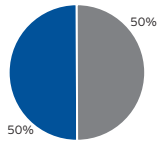
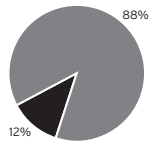

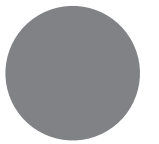
The notes to the tables are on page 18.




				Share strategies
Moderately conservative funds	Conservative funds	Diversifying funds	Australian share funds	
<p>To achieve a return higher than that of cash and other short term fixed interest securities through a diversified portfolio which favours less volatile assets. There is potential for some capital growth from the small component of shares and property securities.</p>	<p>To achieve returns above the cash rate by investing in a range of growth and income assets, while providing a measure of protection for the capital value of investments.</p>	<p>To achieve moderate returns over the medium to long-term with low correlation to traditional assets by investing in a range of alternative investment options operated by professional investment managers.</p>	<p>To achieve high returns over the long term by investing in a variety of Australian companies.</p>	
				
<p>7.80</p> <p>9.13</p> <p>3.80</p> <p>6.59</p> <p>9.12</p>	<p>6.03</p> <p>6.82</p> <p>4.91</p> <p>5.92</p> <p>8.34</p>	<p>10.57</p> <p>13.03</p> <p>1.17</p> <p>7.88</p> <p>10.35</p>	<p>16.46</p> <p>22.30</p> <p>-7.81</p> <p>10.52</p> <p>11.71</p>	
<p>7.27</p>	<p>6.40</p>	<p>8.52</p>	<p>10.14</p>	

Managed investments options (continued)			
	Share strategies	Property strategies	
	International share funds	Australian property funds	International property funds
Investment objective	To achieve high returns over the longer term from a portfolio of international shares.	To provide a moderately high return over time through investment in a range of property securities.	To provide a moderately high return over time through investment in a range of international property securities.
Indicative asset allocation¹			
<ul style="list-style-type: none"> ■ Australian shares ■ International shares ■ Property ■ Australian fixed interest ■ International fixed interest ■ Cash ■ Alternative investments 			
Indicative investment performance² (%)			
2013/14	18.43	11.04	14.57
2012/13	32.02	22.52	16.26
2011/12	-3.03	9.89	4.50
2010/11	2.77	5.77	26.60
2009/10	6.54	18.20	30.46
5 year annualised return² (%)	10.67	13.32	18.11

The table outlines the general characteristics of the investment strategies. You choose investment options from within these strategies. The details of a particular investment option may vary from the information above. You should read all relevant information for an investment option before investing.

The notes to the tables are on page 18.

Fixed interest strategies				Cash strategies	Term investments
Australian fixed interest funds	International fixed interest funds	Diversified fixed interest funds	High yielding funds	Cash funds	Term investments
To achieve a return higher than cash over the medium term by investing in Australian fixed interest securities.	To achieve a return higher than cash by investing in international fixed interest investments over the medium term.	To achieve a return higher than cash over the medium term by investing in a diversified range of fixed interest securities.	To achieve a higher return than securities issued by governments and banks.	To provide interest income at a rate higher than that of an 'at call' bank account with a high level of capital security.	To provide a known rate of interest income for a term ranging from six months up to five years with a high level of capital security.
					
5.54 3.09 10.68 5.64 9.41	7.16 5.23 9.34 6.73 13.81	6.44 8.58 3.78 9.89 14.65	3.99 6.48 6.07 12.07 17.44	2.46 3.10 4.27 4.50 3.41	3.39 4.17 5.18 6.04 5.45
6.84	8.41	8.61	9.10	5.54	4.85

	Listed investments*		
	Australian shares	Listed investment companies – Australian shares	Listed investment companies – international shares
Investment objective	To achieve high returns over the long term by investing in Australian companies.	To achieve high returns over the long term from a portfolio of shares in a variety of Australian companies.	To achieve high returns over the longer term from a portfolio of international shares.
Indicative asset allocation¹	 <p>100%</p>	 <p>100%</p>	 <p>100%</p>
Indicative investment performance² (%)			
2013/14	17.25	17.25	20.41
2012/13	21.90	21.90	33.10
2011/12	-7.01	-7.01	-0.50
2010/11	11.90	11.90	2.66
2009/10	13.05	13.05	5.22
5 year annualised return² (%)	10.95	10.95	11.49

The table outlines the general characteristics of the investment strategies. You choose investment options from within these strategies. The details of a particular investment option may vary from the information above. You should read all relevant information for an investment option before investing.

The notes to the tables are on page 18.

* Super Essentials only offers a limited range of listed investments such as ETFs.

ETFs	Listed Australian property trusts	High yielding investments
To achieve returns in line with market indices.	To provide a moderately high return over time through investment in a range of listed property trusts.	To achieve a return above that of securities issued by Australian governments and banks.
Not applicable.	 <p>100%</p>	 <p>100%</p>
Not applicable ³ .	<p>11.08 23.98 10.98 5.87 20.34</p>	<p>3.99 6.48 6.07 12.07 17.44</p>
Not applicable ³ .	14.26	9.10

Notes to pages 11 to 17

- 1 Please note the figures shown are a guideline for the investment strategies offered through the Fund as at 30 June 2014. This indicative asset allocation does not represent the actual asset allocation for a particular investment strategy or option chosen by a member but is the representative asset allocation derived from the representative sector funds in that risk profile.
- 2 Please note the indicative investment performance is sourced from Morningstar using the benchmarks listed in the following table. The figures shown are a guideline only for the investment strategies offered through the Fund as at 30 June 2014. Performance figures are indicative only and do not represent the actual performance for a particular investment option. The Trustee does not guarantee the investment performance of any investment strategy or option or the return of capital or income. Past performance is not a reliable indicator of future performance.
- 3 ETFs should be expected to perform inline with the underlying investment market it is exposed to. The ETFs benchmarks are as follows:

Name	Benchmark
Australian Fixed Interest Funds	Australia OE Bonds - Australia
Australian Property Funds	Australia OE Equity Australia Real Estate
Australian Share Funds	Australia OE Equity Australia Large Blend
Balanced Funds/Diversifying Funds	Australia OE Multisector Balanced
Cash Funds	Australia OE Australian Cash
Conservative Funds	Australia OE Multisector Conservative
Diversified Fixed Interest Funds	Australia OE Diversified Credit
Growth Funds	Australia OE Multisector Aggressive
Higher Yielding Funds	Australia OE High Yield Credit
International Fixed Interest Funds	Australia OE Bonds - Global
International Property Funds	Australia OE Equity Global Real Estate
International Shares Funds	Australia OE Equity World Large Blend
Listed Australian Property Trusts	S&P/ASX 300 A-REIT TR
Listed Australian Shares	S&P/ASX 300 TR
Listed Investment Companies - Australian Shares	S&P/ASX 300 TR
Listed Investment Companies - International Shares	MSCI World Ex Australia NR AUD
Moderate Growth Funds	Australia OE Multisector Growth
Moderately Conservative Funds	Australia OE Multisector Moderate
Term Investments	Sourced from RBA

Additional information

How is your income distributed?

Income such as dividends, distributions and interest that you earn from your investment options is automatically invested into your cash management account.

However, if you are a member of Superannuation Plan or Super Essentials, you can choose to have your income automatically reinvested in the same investment option (where available). Investment options available for reinvestment are identified on the LIS.

Remember that the reinvestment of your distributions can occur before you receive a revised product disclosure statement for the relevant managed investment. We recommend you discuss the reinvestment options with your financial planner.

To change the income distribution for your investment options, please notify us in writing, allowing ten business days for your request to be implemented.

Calculation of insurance benefits

The benefit calculation for members who, during the reporting period, elected to take death cover through the Fund was:

- Total accumulated benefit + any insured death benefit = total death benefit.

The benefit calculation for members who, during the reporting period, elected to take total and permanent disablement cover through the Fund was:

- Accumulated benefit + any insured total and permanent disablement benefit = total and permanent disablement benefit.

Complying fund

The Fund is a complying superannuation fund and consequently qualifies for concessional tax rates. To be a complying fund, the Fund must comply with the *Superannuation Industry (Supervision) Act 1993*, lodge an annual return with the APRA and receive a 'Compliance Notice' from APRA.

The Fund has continued as a complying superannuation fund for each of the years that it has been required to file an annual return. The Fund has lodged an annual return for the 2013/14 financial year and expects to continue as a complying superannuation fund.

Allocation of fees

Please refer to your annual statement and new member statement for details of the fees and charges that apply to your membership.

About Questor Financial Services Limited

Questor is the Trustee of the Fund and is responsible for the management, research and administration of over \$6 billion in Australia. Questor is part of the IOOF group, which has over \$121.9 billion in funds under management, administration, advice and supervision as at 30 June 2014.

Superannuation contribution surcharge

The superannuation contributions surcharge was levied on surchargeable contributions and was based on the individual member's adjusted taxable income. Although it was abolished on 1 July 2005, members may have an outstanding liability in respect of previous periods. The liability for the superannuation contributions surcharge is recognised when the assessment is received and will be debited from your cash management account.

Trustee

Questor Financial Services Limited was granted approved trustee status on 28 March 1994 and appointed as Trustee of the Fund on 1 July 1994. Questor Financial Services Limited was granted a Registrable Superannuation Entity Licence on 28 March 2006.

The contact details of the Trustee are:

Questor Financial Services Limited
Locked Bag 4004
Queen Victoria Building NSW 1230

Telephone 1800 221 151
Facsimile 1800 000 948

Indemnity insurance

We maintain professional indemnity insurance as required by APRA.

Lost members

If at least one written communication is returned to us from your last known address, we may classify you as a lost member.

If you become a lost member and:

- your account balance is less than \$2,000, or
- your account has been inactive for a period of five years,

we are required to report and transfer the monies in your account to the ATO as unclaimed super.

For other lost members, we may transfer your benefits to an eligible rollover fund. The fund currently used is the SMF Eligible Rollover Fund.

If we are able to locate you prior to transferring your benefits to the SMF Eligible Rollover Fund, you will cease to be a lost member and will remain in the Fund. If benefits are transferred to the SMF Eligible Rollover Fund, you will cease to be entitled to any benefit from the Fund and the SMF Eligible Rollover Fund will be responsible for your benefit.

Their contact details are:

SMF Eligible Rollover Fund

GPO Box 529

Hobart TAS 7001

Freecall 1800 677 306

Enquiries and complaints

If you have any questions or a complaint please:

- contact your financial planner, or
- call Client Advisory Services on 1800 221 151, or
- notify us in writing.

Having done so, if you feel that the matter has not been dealt with adequately, please write to us at the following address:

Complaints Officer
The Portfolio Service
Locked Bag 4004
Queen Victoria Building NSW 1230

We will acknowledge receipt of a complaint within two business days of receiving your letter.

We will endeavour to resolve the situation within 28 days of receiving your letter, however, some matters are more complex and can take longer to resolve. If that is the case, we will keep you informed of our progress.

If you have complained to us and your complaint has not been resolved to your satisfaction within 90 days you can contact the Superannuation Complaints Tribunal (SCT), an independent complaints handling body. The SCT will then advise whether or not they can help you.

You can call them on 1300 884 114 or you can write to them at:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Abridged financial statements

Set out below are the abridged financial statements detailing the Fund's financial transactions for the year ending 30 June 2014. All members have the right to request the full audited Fund financial statements and related audit report for the year. Members will be supplied with a copy of these financial statements on request or the financial statements may be viewed by appointment at the office of the Trustee during normal business hours. If you have any enquiries in relation to the audited Fund financial statements, please contact the Trustee. The Auditor has issued an unqualified opinion in respect of the financial statements.

Extract of accounts for the year ended 30 June	2014 (\$'000)	2013 (\$'000)
REVENUE		
Investment income	587,493	708,776
Sundry income	2,564	2,775
Employer contributions	47,156	45,745
Member contributions	186,980	166,387
Co-contributions	380	866
Transfers from other funds	322,058	292,286
TOTAL REVENUE	1,146,631	1,216,835
EXPENSES		
Benefits paid	617,785	554,455
Management fees	91,191	87,341
General administration expenses	6,281	1,600
Group life and salary continuance premiums	2,347	1,928
Income tax expense	(14,700)	25,116
TOTAL EXPENSES	702,904	670,440
Increase in Members' Funds	443,727	546,395
Balance brought forward	5,541,152	4,994,757
MEMBERS' FUNDS	5,984,879	5,541,152

Extract of accounts
for the year ended 30 June

2014
(\$'000)

2013
(\$'000)

Represented by

ASSETS

Investments	5,105,347	4,607,895
Cash and cash equivalents	748,248	844,566
Sundry debtors	108,008	50,221
Current tax assets	28,338	24,031
Deferred tax asset	2,395	16,033

TOTAL ASSETS

5,992,336

5,542,746

LIABILITIES

Creditors and accruals	7,457	1,594
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TOTAL LIABILITIES

7,457

1,594

NET ASSETS

5,984,879

5,541,152

MEMBERS' FUNDS

5,984,879

5,541,152

Reserves

General Reserves

Reserves represent timing differences between net revenue and taxes in the operating statement and amounts allocated to members' accounts. These amounts may be allocated to members in future years in a fair and equitable basis. Reserves are retained in cash and cash equivalents.

The reserve levels for the past two years are as follows:

Reserves	2014 (\$'000)	2013 (\$'000)
Opening balance	652	593
Transfer (from)/to to reserves	(151)	59
Closing balance	501	652

ORFR

The ORFR has been established to meet the requirements of Prudential Standard SPS 114 - Operational Risk Financial Requirement. The prudential standard requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect the Fund.

Reserves	2014 (\$'000)
Opening balance	-
Transfer (from)/to to reserves	4,927
Closing balance	4,927

Concentration of assets of the Fund

The Trustee advises that, to the best of its knowledge, at 30 June 2014:

- The IOOF Cash Management Fund has a value of more than five per cent of the total assets of the Fund; and

The Trustee acknowledges that, as a result of the discretion which can be exercised by account holders, individual accounts may have a greater than five per cent exposure to a single investment.

Further, the Trustee acknowledges that when considered in aggregate (across all managed fund options in which the Trustee holds assets on behalf of members of the Fund), the Fund may be construed as having a total exposure to a single shareholding (or to a composite interest in the investment assets of a single issuer) and this exposure may exceed five per cent of the total value of Fund assets.

Derivatives

Derivatives may be used in accordance with the investment strategy and objectives of the Fund and at the investment option level in order to:

- to protect the investment from upward or downward movements in rates or prices through hedging
- protect funds from the range of market risks
- change the overall asset allocation in a timely manner without exposure to the timing and liquidity constraints or higher transaction costs associated with the physical market
- permit on-going management of funds invested during periods of uncertainty where liquidity is not available in the physical market
- minimisation of transaction costs associated with spread on physical market transactions
- facilitating switching between asset classes or as an alternative to physical investment

Derivatives will not be used to gear funds, for speculative purposes or trading.

The investment managers of the underlying funds which members elect to invest in may use derivatives such as options, futures and swaps. The Trustee has controls and procedures in place relating to the investment managers' derivative use in order to ensure that it is suitable to the Trustee's and its members' own investment strategies and objectives.

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