



# SMF Eligible Rollover Fund

## Annual report 2019

Issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFSL 230524. IIML is the Registrable Superannuation Entity (RSE) Licensee, RSE Licence No. L0000406 for the SMF Eligible Rollover Fund (Fund), ABN 82 810 851 250, Registration No. R1005004. IIML is also the investment manager and administrator of the Fund. IIML is part of the IOOF Group, comprising IOOF Holdings Ltd, ABN 49 100 103 722 and its related bodies corporate. The information in this report is factual only and not financial advice.

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## Message from the Trustee

I am pleased to present the Trustee's annual report to members of the SMF Eligible Rollover Fund (Fund) for the year ended 30 June 2019. This report has been prepared by IOOF Investment Management Limited as Trustee of the Fund ('IIML' or 'Trustee').

Within the report you will find general information about the Fund, changes to superannuation legislation that occurred during the financial year along with those proposed for the 2019/20 financial year and beyond.

Over the past financial year, the Trustee Board has continued its Board renewal processes, and now comprises a majority of independent directors, to ensure it has the appropriate skills, experience and diversity of thinking to deliver on our commitment to members' best interests.

In addition, the Office of the Superannuation Trustee (OST) was established in February 2019. The OST works with the Trustee Board to deliver member outcomes and look after your superannuation needs.

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



**Martin Walsh**

Chairman of IOOF Investment Management Limited

# Office of the Superannuation Trustee

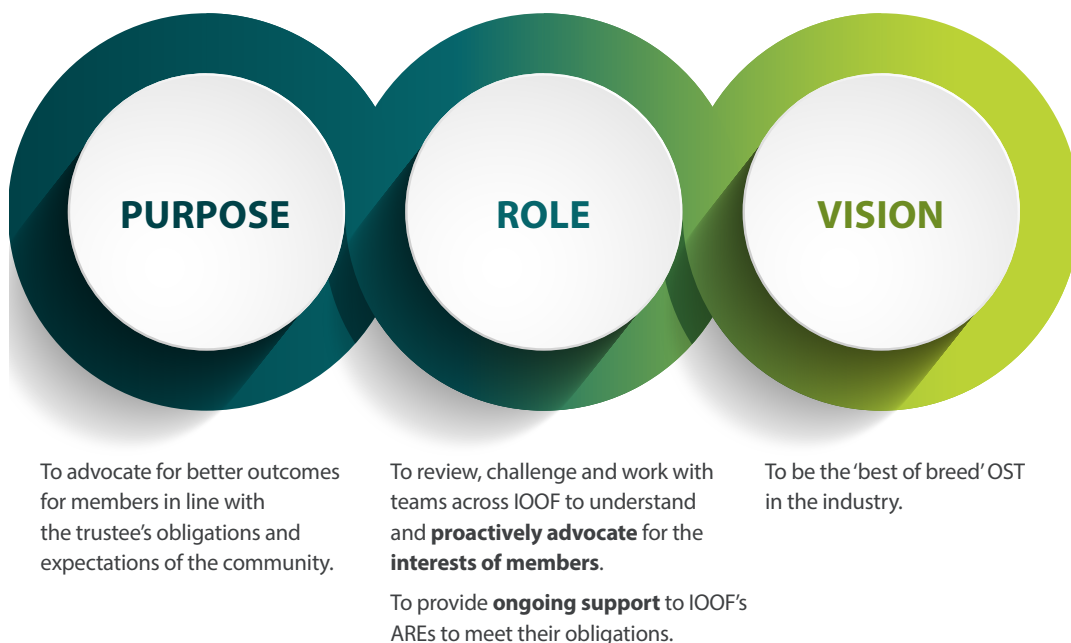
The OST was established in February 2019 and is an independent function that supports the entities within IOOF that are regulated by the Australian Prudential Regulation Authority (APRA) (APRA Regulated Entities or ARES), which includes IIML, as Trustee. The OST supports the ARE Boards and their Committees to meet their obligations and to advocate for member outcomes.

The purpose and role of the OST is to review, challenge and oversee the services provided to IIML by internal and external service providers and to advocate for member interests in everything those service providers do. The OST works closely with service providers in order to be the 'eyes and ears' of the IIML Board. Amongst other things, the OST seeks to ensure appropriate strategies and reporting frameworks are in place to enable IIML to be soundly and prudently managed to achieve the desired outcomes for members.

The OST also works to help strengthen and uplift standards of governance. This work is critical to ensuring IOOF continues to build confidence and trust with clients (members, investors, employers and advisers) and regulators (such as APRA and the Australian Securities & Investments Commission (ASIC)).

The OST's purpose, role and vision is shown below:

## Our purpose, role and vision



# Government reforms in superannuation

## Changes and developments in superannuation

### Protecting your superannuation package and other amendments

The Government has introduced several important reforms to help members grow and consolidate their super benefits. These changes are:

*From 1 July 2019*

- Exit fees will no longer be charged on withdrawals from super funds. (However other costs such as buy/sell spreads and tax may still be payable on withdrawal.)
- Super accounts with balances under \$6,000 on 30 June and on withdrawal will have administration and investment fees capped at 3% of the balance for the financial year. The trustee will credit any excess over 3% to the account or to the withdrawal.
- Super accounts with balances under \$6,000 on 30 June and 31 December that have not received contributions for 16 months will be transferred to the ATO. The transfer must be within 3 months and the ATO will then forward the amount to the member's active super account;
- Insurance cover will be cancelled if a super account has not received any contributions in the last 16 months, unless the member has previously 'opted in' to keep their cover. This applies to all types of insurance cover provided through super funds, including personal and default insurance. Members can opt in online, by email or in writing. Contact Client First for assistance. Members applying for new insurance can opt in on the insurance application form.

*From 1 April 2020*

- New members under age 25 will not receive insurance cover unless they opt into the cover. This will not affect existing members under age 25 with cover (unless their balance is less than \$6,000 – see below).
- Members will not receive insurance cover until their super balance reaches \$6,000, unless the member opts into the cover. Once the account reaches \$6,000 insurance can apply even if later the account drops below \$6,000. Trustees will contact all members with super balances less than \$6,000 on 1 November 2019 with information about how to opt into insurance.

### Work test exemption

Generally, members aged 65 to 74 are only able to make voluntary contributions to super if they meet the 'work test'. This requires the member to be gainfully employed for at least 40 hours in a consecutive 30 day period during the financial year.

From 1 July 2019, members over age 65 who won't meet the work test during the year may still be able to contribute to super under a one-off exemption from the work test. This exemption applies if the member met the work test in the last year and their total amount of super and pension benefits held on the previous 30 June is less than \$300,000. The exemption can only be used once and the member will need to meet the work test for any voluntary contributions in future years.

Note superannuation guarantee and downsizer contributions are not subject to the work test or age 75 contribution restriction.

### Employees with multiple employers – exemption from the Super Guarantee

Employees with multiple employers can apply to the ATO for an employer shortfall exemption certificate which would exempt that employer from having to make super guarantee contributions. The ATO will issue the exemption where the total super guarantee contributions across all employers would exceed the concessional contributions cap.

### Deferral of SMSF rollover through SuperStream

The Government has deferred the start date of including self-managed superannuation funds (SMSFs) from November 2019 to March 2021. This deferral is to combine the SMSF changes with the ability for the ATO to issue release authorities through SuperStream into a single release.

### Super contributions information is now available on myGov

Members can now view information about super contributions using their ATO myGov account, when the contributions are made. Super funds (other than SMSFs and Small APRA Funds) are required to report all contributions to the ATO on an ongoing basis, and the ATO will upload this information immediately onto the individual's myGov account.

Also, under the Single Touch Payroll rules, all employers (including small business from September 2019) must report payroll information to ATO when payments are made, including any super liability that arises during the pay period. This means that employees can match the employer's super liability with the actual contributions received by the super fund through myGov.

Although employers must report the super liability when it arises, they don't have to make the actual super guarantee contributions until after the end of the quarter. This means there may be a difference in time between when the liability is reported and when the contribution is made.

## Superannuation thresholds for 2019/20

<b>Concessional contributions cap</b>	\$25,000 (no change from 2018/19)
<b>Non-concessional contributions (NCC) cap</b>	<p>\$100,000 annual cap (no change from 2018/19) if under \$1.6m in super and pension on 30 June 2019</p> <p>\$0 if \$1.6 million or more in super and pension on 30 June 2019</p> <p>If individual under age 65, potential bring-forward:</p> <ul style="list-style-type: none"> <li>• \$300,000 if under \$1.4 million in super and pension on 30 June 2019</li> <li>• \$200,000 if between \$1.4 million and \$1.5 million in super and pension on 30 June 2019</li> </ul>
<b>Superannuation guarantee (SG) rate</b>	9.5%
<b>SG maximum contributions base</b>	\$55,270 ordinary time earnings per quarter or \$221,080 pa (up from \$54,030 per quarter 2018/19)
<b>Preservation age</b>	Age 57
<ul style="list-style-type: none"> <li>• <b>Benefits can be accessed on retirement</b></li> <li>• <b>0% effective tax on withdrawals under low rate threshold</b></li> </ul>	<p>Age 58 if born from 1 July 1962 to 30 June 1963</p> <p>Age 59 if born from 1 July 1963 to 30 June 1964</p> <p>Age 60 if born after 1 July 1964</p>
<b>Low rate threshold</b>	\$210,000 (up from \$205,000 for 2018/19)
<ul style="list-style-type: none"> <li>• <b>0% effective tax on taxable component of withdrawals</b></li> </ul>	
<b>CGT cap amount</b>	\$1,515,000 (up from \$1,480,000 for 2018/19)
<ul style="list-style-type: none"> <li>• <b>excluded from NCC cap</b></li> </ul>	
<b>Government co-contribution income</b>	<p>Full co-contribution – \$38,564 pa or less (up from \$37,697 for 2018/19)</p> <p>No co-contribution – \$53,564 pa or more (up from \$52,697 for 2018/19)</p>
<b>Spouse contributions tax offset</b>	<p>Maximum of \$540 if annual spouse income less than \$37,000.</p> <p>Offset ceases at \$40,000</p>
<b>Departing Australia Super Payment tax rate</b>	35% on taxable component (65% for working holiday makers)
<b>Centrelink Age Pension age</b>	<p>Age 65 and 6 months</p> <p>Age pension age increases by 6 months every 18 months from 1 July 2017 until it reaches age 67 by 1 July 2023.</p>

## Super changes proposed by the Government

The Government has announced other changes that have not yet passed into law. These are:

- Excluding salary sacrifice contributions from super guarantee contributions. This is proposed to start from 1 July 2020.
- Providing employers with an amnesty to catch up on outstanding super guarantee contributions and earnings without tax penalties. The proposed amnesty runs from May 2018 to 6 months after the legislation passes through Parliament.
- Removing trailing commissions paid to financial advisers from 1 January 2021. As super funds generally pay commissions from administration fees and insurance premiums, these costs will reduce when commissions are removed.
- Aligning super contributions age with the Age pension age. Currently members under age 65 can make contributions without having to meet a work test and can make larger contributions to super by bringing forward future years of the non-concessional contributions cap. The Government will raise this age limit from 65 to 67 from 1 July 2020, in line with changes to the Age pension age. The spouse contributions age limit will also increase to 74 to make it consistent with rules for other voluntary contributions.

# The year at a glance

## Changes to the Trust Deed

The Trust Deed for the SMF Eligible Rollover Fund was not amended during the 2018/19 financial year. A copy of the current Trust Deed is available to members on the website at [www.ioof.com.au/about-us/about-ioof/trustee-disclosures/ioof](http://www.ioof.com.au/about-us/about-ioof/trustee-disclosures/ioof), upon request by calling our Client Services Team, or may be inspected by arrangement during business hours at any office of the Trustee.

## Investment return

For the year to 30 June 2019, your account was adjusted to reflect a crediting rate of 4.00% per annum.

The average fund crediting rate for the last five years was 4.00% per annum.

## Operational Risk Financial Requirement (ORFR)

Prudential Standard SPS 114 (SPS 114) – Operational Risk Financial Requirement requires that the ORFR reserve provides an unrestricted commitment of financial resources to address losses arising from an operational risk event in a timely manner. To ensure that access to funds is readily available the ORFR must be invested in cash and short term money market interests.

Investment earnings generated by the ORFR are credited to the ORFR account.

The ORFR may be invested in:

- Cash and/or cash equivalents;
- Unlisted unit cash trusts; and
- Term deposits.

As part of the Trustee's regular review of the Fund's investment strategy, the Product Investment Committee and the Trustee will review and revise, as necessary, the investment strategy of the ORFR.

# How your Fund works

The SMF Eligible Rollover Fund has been designed as a temporary repository to accept the benefits of members with low balances leaving or changing employment or who have become 'lost' or uncontactable. The Fund operates on an accumulation style basis; benefits are based on the balance of your account at the time you leave the Fund. The balance consists of any amounts transferred to the Fund, less any deductions that may apply, together with

earnings credited to the date of leaving which may be positive or negative (after fees, taxes and other expenses are deducted).

The Fund offers a single conservative investment strategy, does not provide an income stream (normally referred to as a pension) and does not provide any insurance benefits. IIML holds professional indemnity insurance.



# Fund investments

The Trustee invests members' money with the aim of achieving competitive returns at an acceptable level of risk. To achieve this aim, the Fund is wholly invested in a single conservative investment strategy which is the IOOF MultiMix Conservative Trust (Trust). The Fund also maintains a small portion in cash to facilitate cashflow. The Fund has the following investment objectives and strategy.

## Objectives

To provide stable returns over the medium term by investing in a diversified portfolio of defensive assets with some growth asset exposure, and to achieve a total return after fees, in excess of the Trust's benchmark over a rolling three-year period.

## Strategy

The Trust generally gains its exposure to a diversified portfolio of investments through a mix of investment managers.

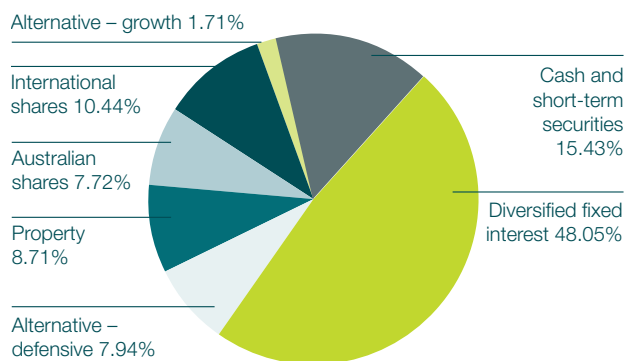
The conservative nature of the Trust means it has a greater exposure to income-bearing assets such as cash, fixed interest and alternative – defensive with some exposure to growth assets such as Australian and international property and shares and alternative – growth.

The Trust is authorised to utilise approved derivative instruments for risk management purposes subject to the specific restriction that the derivative instruments cannot be used to gear portfolio exposure.

The underlying investment managers may utilise strategies for the management of currency exposure. The level of currency hedging used for the Trust will vary from time to time. The Trust has the capacity to apply a currency overlay to manage the Trust's currency risk.

## Asset allocation

Asset allocation of IOOF MultiMix Conservative Trust as at 30 June 2019:



The Fund will vary the asset allocation around prescribed benchmarks and within the broad ranges set by IIML as detailed below:

Asset Class	Range %	Strategic Benchmark %
Cash and short-term securities	10–35	22
Diversified fixed interest	30–55	42
Alternative – defensive	0–20	6
Property	0–20	8
Australian shares	0–20	9
International shares	0–25	11
Alternative – growth	0–15	2

## Investment manager

The IOOF MultiMix Conservative Trust is managed by IOOF's investment team. The investment team is well experienced in managing multi investment manager funds and consists of experienced investment and research professionals who undertake the analysis, selection and monitoring of the investment managers who will manage the assets of the Trusts.

# Fund performance

## Fund earning and crediting rates

The net earning rate is the investment return on the assets of the Fund after payment of investment management fees and taxes. As at 30 June 2019, the underlying investment manager fee was 0.75% including GST (after application of performance fees).

The crediting rate is the investment return credited to your account annually, based on the amount earned on the Fund's investments after investment management fees, trustee management fees, recovery of fund expenses, government charges and taxes. The crediting rate may be positive or negative.

The difference between the two rates is that the crediting rate includes both the investment manager's fees, the Trustee's fees, Fund expenses and taxes.

The average net fund crediting rate for the last five years was 4.00% per annum. Past performance is not a reliable indicator of future performance.

## Crediting rate policy

The Trustee has a crediting rate policy in place that outlines the crediting rate framework and policies for allocating investment earnings to members.

Interim crediting rates are calculated on an ongoing basis and include investment earnings, fees, expenses and taxes up to date of calculation. The declared interim crediting rate is used on exit of members and for valuation purposes effective the end of the calculation period. If a member leaves the Fund before the declared interim crediting rate has been determined, the previous interim crediting rate is allocated to the members' account up to the date of that member exiting the Fund. The interim crediting rates may be positive or negative.

The Trustee will determine an annual earnings rate to be allocated to member's accounts after taking into consideration the actual returns for the year minus any relevant tax, fees, expenses or any amounts retained or allocated from the reserves of the Fund. Annual crediting rates are reviewed and approved by the Product Investment Committee before being applied to the members of the Fund. Annual crediting rates may be positive or negative.

The declared annual crediting rate is allocated to each members' account effective 30 June each year. If a member leaves the Fund before the declared annual crediting rate has been determined and allocated to member's accounts, an interim crediting rate is allocated to the member's account up to the date of that member exiting the Fund.

## Reserving policy

The Trustee will pass all investment earnings, whether positive or negative (less fees, expenses and taxes) to members in accordance with the crediting rate policy. The Trustee does not maintain investment reserves.



# Taxation

## Tax on investment earnings

The Fund's investment earnings are taxed at a maximum rate of 15%.

## Taxation of benefits

A lump sum withdrawal from the Fund may be subject to tax, unless rolled over into another complying superannuation, rollover or pension fund. How your withdrawal is taxed will depend on its components and your age at the date of withdrawal. If you have been classified as a lost member and your account balance is less than \$200, you can withdraw your benefit tax-free.

# Member information

## Trust Deed

The Trust Deed sets out the rules of the Fund. The PDS summarises the major provisions of the Fund, which is at all times governed by the Trust Deed. If there is a conflict between the PDS and the Trust Deed, the Trust Deed prevails.

## About the Trustee

As the Trustee, we have met all of the necessary APRA requirements to operate as a trustee of the Fund and we maintain an AFS Licence under the Corporations Act 2001.

We monitored the Fund's compliance with the relevant legislative requirements during the 2018/19 financial year, and confirm that the Fund:

- is a resident regulated superannuation fund within the meaning of the *Superannuation Industry (Supervision) Act 1993*
- has not received a notice of non-compliance from APRA.

## Directors of the Trustee

- Mr Christopher Kelaher (resigned 1 September 2018)
- Mr George Venardos (resigned 28 November 2018)
- Ms Dawn Oldham (resigned 21 August 2018)
- Mr Geoffrey Martin Walsh
- Ms Elizabeth Flynn
- Ms Karen Gibson (appointed 26 November 2018)
- Mr John Selak
- Mr Robert Andrew Bloore (appointed 26 November 2018)

## Access to information

You may view copies of the following information at any office of the Trustee during business hours:

- The annual report of the Fund.
- The audited accounts and auditor's report of the Fund.
- The Trust Deed of the Fund.

All enquiries relating to the Fund should be directed to our Client Services team on 1800 677 306.

# Abridged financial statements

Set out below are the abridged financial statements detailing the Fund's financial transactions for the year ended 30 June 2019.

If you would like to obtain a copy of the full audited fund financial statements and related audit reports for the year (free of charge), please contact our Client Services Team or email us.

The auditor has issued an unqualified opinion in respect of the financial statements.

Extract of accounts as at 30 June	2019 (\$)	2018 (\$)
<b>Revenue</b>		
Investment income	3,672,626	3,931,003
Sundry income	218	8,053
Transfers from other funds	351,879	415,615
<b>Total Revenue</b>	<b>4,024,723</b>	<b>4,354,671</b>
<b>Expenses</b>		
Benefits paid	11,368,099	11,637,801
Management Fees	1,156,501	1,321,069
General administration expenses	7,817	8,068
Income tax (benefit)/expense	71,129	126,083
<b>Total Expenses</b>	<b>12,603,546</b>	<b>13,093,021</b>
Decrease/Increase in members' funds	<b>(8,578,823)</b>	<b>(8,738,350)</b>
Balance brought forward	<b>72,031,024</b>	<b>80,769,374</b>
<b>Net Assets available for Member Benefits</b>	<b>63,452,201</b>	<b>72,031,024</b>
<i>Represented by</i>		
<b>Assets</b>		
Investments	60,272,745	67,036,267
Cash and cash equivalents	867,565	2,108,548
Sundry debtors	2,183,354	2,642,538
Current tax asset	8,602	82,504
Deferred tax assets	249,610	327,186
<b>Total Assets</b>	<b>63,581,876</b>	<b>72,197,043</b>
<b>Liabilities</b>		
Creditors and accruals	129,675	166,019
<b>Total Liabilities</b>	<b>129,675</b>	<b>166,019</b>
<b>Member Benefits</b>	<b>63,254,224</b>	<b>71,796,940</b>
<b>Net Assets</b>	<b>197,977</b>	<b>234,084</b>
<b>Equity</b>		
ORFR	165,729	189,830
General Reserve	32,248	44,254
<b>Total Equity</b>	<b>197,977</b>	<b>234,084</b>

## ORFR

The ORFR has been established to meet the requirements of 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	2019(\$)	2018(\$)	2017(\$)
Opening balance	189,830	218,465	218,148
Transfer to reserves	(25,101)	(28,635)	317
Closing balance	165,729	189,830	218,465

The Fund's ORFR balance exceeded a trigger level in December 2018. In January, a transfer from the ORFR was made to align the balance with the ORFR target amount. The transfer was included in the annual crediting rate paid to members. The trigger has been exceeded due to the gradual decline in net assets of the Fund.

There have been no payments made from the ORFR to fund operational risk events.

**Should an operational risk event occur in the future, additional deductions against members' accounts may be required to restore the ORFR back to the target amount.**

## Concentration of assets of the Fund

The Trustee advises that at 30 June 2019:

- the IOOF MultiMix Conservative Trust is an underlying investment of the Fund which has a value of more than 5% of the total assets of the Fund
- no direct shareholding of the Fund constituted an investment whose value was more than 5% of the value of the Fund.

# Complaints

If you have a complaint about your account (or wish to obtain further information about the status of an existing complaint), please contact us on:

**Free call:** 1800 062 963

**By writing:**

Manager, Customer Care  
IOOF Investment Management Limited  
GPO Box 264  
MELBOURNE VIC 3001

Where possible, concerns will be resolved straightaway.

If further investigation is required, our Customer Care team will acknowledge your complaint in writing and will consider and respond to your complaint as quickly as possible. We are required by law to respond to superannuation related complaints within 90 days.

## Derivative policy

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 ongoing 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 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.

If an issue has not been resolved to your satisfaction, or if we have not responded within the above timeframes, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA. AFCA provides fair and independent complaint resolution service that is free to consumers.

**Website:** [www.afca.org.au](http://www.afca.org.au)

**Email:** [info@afca.org.au](mailto:info@afca.org.au)

**Telephone:** 1800 931 678 (free call)

**In writing to:** Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

There are some time limits for lodging certain complaints. This includes complaints about the payment of a death benefit, which you must lodge with AFCA within 28 days of being given our written decision.

# Contact us

## Client services

**Telephone:** 1800 677 306

**Email:** [email@ioof.com.au](mailto:email@ioof.com.au)

**Facsimile:** (03) 6215 5933

**Website:** [www.ioof.com.au](http://www.ioof.com.au)

## Postal address

SMF Eligible Rollover Fund

GPO Box 264

Melbourne VIC 3001