SMF Eligible Rollover Fund

Annual report 2021

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 part of the Insignia Financial Group of companies, comprising Insignia Financial Ltd ABN 49 100 103 722 and its related bodies corporate. 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 adviser. You should obtain and consider a copy of the Product Disclosure Statement available from us or your financial adviser 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.

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Message from the Chair

Welcome to the Trustee's Annual Report for members of the SMF Eligible Rollover Fund (Fund) for the year ended 30 June 2021.

This report has been prepared by IOOF Investment management Limited, as Trustee of the Fund. It contains general information about the Fund, including abridged financial statements, changes to the Fund during the year and developments in super.

The COVID-19 pandemic has had devastating consequences globally and continues to challenge us all to find new ways of living and working. An important priority was assisting our members who were financially impacted by the COVID-19 pandemic to quickly access their super in line with the Government's economic response package.

Despite the ongoing uncertainty created by COVID-19, most global markets have recovered since the pandemic driven decline in the first half of 2020 and have gone on to deliver strong investment returns in 2021. We're pleased we've been able to help our members access investment opportunities and navigate the volatile environment.

The 2021 financial year also saw a major milestone with IOOF and MLC combining to become one of Australia's leading wealth managers, managing and administering $450 billion on behalf of more than 2.2 million Australians. This combination brings scale, diversity and growth opportunities through wide-ranging capabilities and technical expertise. Looking forward, members will benefit from a programme to deliver leading capabilities in products and services focused on better member outcomes.

Additionally, there have been many changes in the superannuation landscape over the last 12 months, including the Government's 'Your Future Your Super' package which aims to help Australians better save for their retirement and improve their financial future. This is consistent with the Fund's purpose and we look forward to supporting members with these changes.

We strive to support the long-term financial wellbeing of our members to help them adapt to an ever-changing environment. Putting members' financial interests first has always been, and will continue to be, at the heart of the Fund's goals. We have a Member Office (formerly known as the Office of the Superannuation Trustee) that works daily on behalf of the Trustee Board to ensure members' interests come first in all the operations and activities related to the Fund.

In February of this year, we held our first Annual Member Meeting. This was a wonderful opportunity for the IOOF executive team and the Trustee Board to connect with the Fund's members. We will be in contact with members soon with an invitation to our next Annual Member Meeting in 2022. We hope you will be able to join us to hear an update on the performance of the Fund, the outlook for the next year and ask questions. In the interim, if we can be of help to you, please don't hesitate to contact us. You can find up to date information about the support we can offer at ioof.com.au/contact-us

Looking ahead, we believe we have a substantial opportunity to continue to make a difference to the long-term financial wellbeing of our members and on behalf of the Trustee Board and Management, would like to thank you for this privilege and your support.

Warm regards

Lindsay Smartt

Government reforms in superannuation since 1 July 2020

Closure of Eligible Rollover Funds and trustee ability to transfer funds to the ATO

Eligible rollover funds (ERFs) such as the SMF ERF were introduced as an option for trustees to transfer member benefits when they believed the member's interests were no longer served by their fund, and were intended as a temporary repository of funds that a member would consolidate with their other super monies in short order. However in practice members were not usually aware of the ERF to which their funds had been transferred and these amounts would remain within the ERF, which does not generate much return.

Given the increase in the ATO's involvement with consolidating lost super balances, the Government have passed legislation requiring ERFs to transfer their balances to the ATO, and the ATO to consolidate amounts to member's active super accounts. All amounts within ERFs are to be transferred before 31 January 2022.

The Trustee therefore decided to close the ERF and transfer members to the ATO effective 15 October 2021. Members were provided reasonable notice of the closure and given the opportunity to transfer their benefit to a fund of their choosing.

To provide trustees an alternative mechanism to deal with situations where the member's interests are no longer served by remaining within the fund, the trustee now has the option to voluntarily transfer member's funds to the ATO, who will then consolidate the transferred amount with any active fund the member has. The trustee can only transfer money to the ATO in this way if they believe it is in the member's best interest to do so.

Financial adviser commissions ceased

As noted in the 2020 trustee report, commissions (payments from product providers to financial advisers for certain arrangements entered into before 1 July 2013) were to be terminated no later than 1 January 2021.

The trustee ceased paying commissions no later than 1 December 2020, and where possible lowered the costs of administration fees or insurance premiums.

Changes relating to contributions

Legislation has been passed to increase the age at which members can access the bring-forward non-concessional contributions cap from 64 to 66. This means anyone who is 66 years or under at the start of a financial year may make a contribution of up to $330,000 without breaching the contribution cap (subject to their total super balance at the start of the year). Although the legislation was only passed in June 2021, the change is effective from 1 July 2020 which may impact members who made large non-concessional contributions last year.

Legislation was also passed to introduce a COVID-19 recontribution option. If a member had taken advantage of the COVID-19 compassionate release, there is now an option to make a top-up contribution over the next ten years without the contribution counting towards their non-concessional contributions cap. Amounts subject to a COVID-19 recontribution cannot be claimed as a tax deduction and members taking advantage of this recontribution must provide the ATO form to the fund at or before the time they transfer money to the fund.

Further, from 1 July 2021 contribution caps have increased in line with indexation and the Superannuation Guarantee rate has increased. Refer to the section 'Superannuation thresholds for 2021/22' below for more information.

Your Future, Your Super reforms

As part of the 2020 Federal budget, the Government announced, and has since implemented, a series of reforms to superannuation that aim to:

- Reduce multiple accounts being established for members by requiring employers to first seek information from the ATO about a new employee's existing super funds before establishing a new account in the employer's default fund. This measure, referred to as super stapling, takes effect for someone starting work with a new employee from 1 November 2021.
- Require the ATO to develop a 'YourSuper' comparison tool which provides a high-level comparison between different superannuation options. This tool is now live on the ATO website.
- Require APRA, the prudential regulator, to carry out annual performance testing against MySuper options, as well as products controlled by the super fund or an associated entity. Funds which fail APRA's performance assessment must notify members and cannot accept new members if they fail twice. The first MySuper performance test was completed effective 1 July 2021, and trustee-directed products will be measured from 1 July 2022.

Family Court can request superannuation information from the ATO

From 1 April 2022, parties who are separating can request the Family Court seek information about the other party's super benefits from the ATO. The ATO will then provide any information it has about superannuation interests to the Family Court. This is designed to reduce the ability for 'bad faith' settlements by one party not disclosing their super assets.

Design and distribution obligations

All financial product providers are, from 5 October 2021, subject to enhanced obligations around the design of their products, as well has how people can invest in them (i.e. how the product is distributed). As a result, certain investment options available through the platform will be restricted to members who are receiving personal advice from a financial planner. If a member has existing investments in an option that has this requirement, the existing holding can be maintained.

Adjustments to annual member meetings

Regulations were passed in August 2021 that prescribe specific information that must be provided by a super fund with its notice of an upcoming annual member meeting. The adjustments also allow for more flexible delivery of the notice, including by simply posting the notice on the fund's website. This will apply for annual member meetings held after 1 July 2022.

Western Australia super family law splitting delegated to Commonwealth for de-facto couples

The federal Government has passed legislation enabling de-facto couples to apply for super splitting on the breakdown of the relationship, however this has not yet taken effect as Western Australia will need to pass supporting legislation at a State level. Once this occurs, it is expected the Commonwealth legislation will be enacted.

Superannuation changes announced but not yet implemented

The Government has announced other changes which have not yet passed into law. This includes:

- The removal of age limit to enter into a bring-forward arrangement in relation to non-concessional contributions and removal of work test requirement from 1 July 2022. Combined, this would allow members to make contributions up to age 74, however non-concessional contributions will still be subject to the total super balance requirements. Note the work test is proposed to be applied for members who are over 67 and are intending to claim a deduction for their personal contributions.
- An ability to exit certain legacy income stream products such as term allocated pensions. The Government has acknowledged these products may no longer be fit for their original purpose given the amount of change to superannuation law over the past decade. The proposal is to allow a two year window from 1 July 2022 where members can choose to exit these arrangements. The specifics of how this will operate are not known at this time.
- The eligible age for making a downsizer contribution is proposed to reduce from 65 to 60 from 1 July 2022.
- From 1 July 2022 trustees of super funds (excluding SMSFs) are expected to design, implement and review a retirement income strategy as part of a new retirement income covenant. This will include consideration of what support a super fund may be able to provide a member to help them maximise their income in retirement.

Superannuation thresholds for 2021/22

Concessional contributions cap	$27,500 (previously $25,000 in 2020/21)
Non-concessional contributions cap (NCC)	$110,000 annual cap (previously $100,000 in 2020/21) if under $1.7m in super and pension on 30 June 2021 $0 if $1.7 million or more in super and pension on 30 June 2021 If individual is under age 67 on 30 June 2021, potential bring-forward: • $330,000 if under $1.48 million in super and pensions on 30 June 2021 • $220,000 if between $1.48 million and $1.59 million in super and pensions on 30 June 2021
Superannuation guarantee (SG) rate	10% (increase from 9.5% in 2020/21)
SG maximum contribution base	$58,920 ordinary time earnings per quarter or $235,680 pa (up from $57,090 per quarter 2020/21)
Preservation age • **Benefits can be accessed on retirement** • **0% effective tax on withdrawals under low rate threshold**	Age 58 if born from 1 July 1962 to 30 June 1963 Age 59 if born from 1 July 1963 to 30 June 1964 Age 60 if born after 1 July 1964
Low rate cap • **0% effective tax on taxable component of withdrawals**	$225,000 (up from $215,000 for 2020/21)
CGT cap amount • **Excluded from NCC cap**	$1,615,000 (up from $1,565,000 for 2020/21)
Government co-contribution income	Full co-contribution – $41,112 pa or less (up from $39,837 for 2020/21) No co-contribution – $56,112 pa or more (up from $54,837 for 2020/21)
Spouse contribution tax offset	Maximum of $540 if annual spouse income less than $37,000. Offset ceases at $40,000.
Departing Australia Superannuation Payment tax rate	35% on taxable component (65% for working holiday makers)
Centrelink age pension age	Age 66 and six months Age pension age increases by 6 months every 18 months until it reaches age 67 by 1 July 2023.

The year at a glance

Changes to the Trust Deed

The Trust Deed for the SMF Eligible Rollover Fund was not amended during the 2020/21 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, upon request by calling our Client Services Team on 1800 677 306, or may be inspected by arrangement during business hours at any office of the Trustee.

Investment return

For the year to 30 June 2021, your account was adjusted to reflect a crediting rate of 5.68% per annum.

The average fund crediting rate for the last five years was 3.40% per annum.

Operational Risk Financial Requirement (ORFR)

Prudential Standard SPS 114 (SPS1 14) – Operational Risk Financial Requirement requires that the ORFR 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;
- Term deposits;
- Unlisted units in cash trusts; and
- Liquid unlisted unit trusts.

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. The Trustee has effected and maintains in force professional indemnity insurance to protect the interests of members. However, as noted above, the fund has closed effective 15 October 2021.

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 maintains a small portion in cash to facilitate cashflow but is otherwise wholly invested in a single conservative investment strategy which is the IOOF MultiMix Conservative Trust (Trust). The Trust 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.

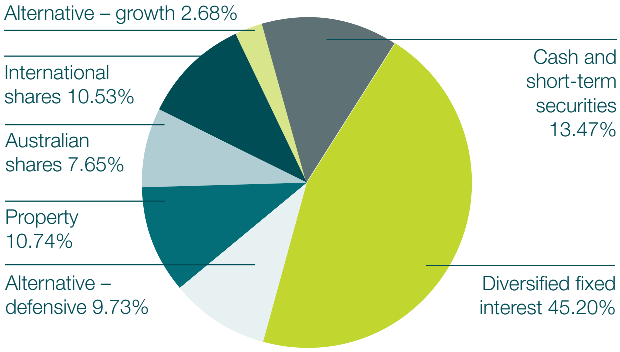
The underlying investment managers may utilise strategies for the management of currency exposure. The level of currency hedging used for the Trust will vary from time to time. The Trust has the capacity to apply a currency overlay to manage the Trust's currency risk.

Investment manager

The responsible entity of the Trust is IOOF Investment Services Ltd (IISL) ABN 80 007 350 405, AFSL 230703, a related party of IIML. IISL's 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.

Asset allocation

Asset allocation of IOOF MultiMix Conservative Trust as at 30 June 2021:



The Trust will vary the asset allocation around prescribed benchmarks and within the broad ranges set by IISL 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

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 2021, the underlying investment manager fee was 0.80% 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 3.40% 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.

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 2019/20 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 Alan Chonowitz (appointed 31 March 2021)
- Ms Carolyn Colley (appointed 31 March 2021)
- Mr Geoffrey Martin Walsh
- Ms Jane Harvey
- Ms Karen Gibson
- Mr Lindsay Smartt
- Mr Robert Andrew Bloore.

Access to information

You may view copies of the following information at any office of the Trustee during business hours or by visiting the website (www.ioof.com.au):

- 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 2021.

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	2021 ($)	2020 ($)
Revenue		
Investment income	2,639	1,252
Sundry income	43	–
Transfers from other funds	179	184
Total Revenue	**2,861**	**1,436**
Expenses		
Benefits paid	5,885	26,438
Management Fees	608	791
General administration expenses	6	7
Income tax (benefit)/expense	181	130
Total Expenses	**6,680**	**27,365**
Transfers to reserves	**–**	**–**
Decrease/Increase in members' funds	**(3,819)**	**(25,930)**
Balance brought forward	**37,523**	**63,452**
Net Assets available for Member Benefits	**33,704**	**37,523**
Represented by		
Assets		
Investments	30,308	32,572
Cash and cash equivalents	1,988	3,560
Sundry debtors	1,511	1,329
Current tax asset	–	–
Deferred tax assets	–	149
Total Assets	**33,807**	**37,609**
Liabilities		
Current Tax Liabilities	32	29
Creditors and accruals	71	57
Total Liabilities	**103**	**87**
Member Benefits	**33,601**	**37,418**
Net Assets	**103**	**105**
Equity		
ORFR	85	107
General Reserve	18	(2)
Total Equity	**103**	**105**

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	2021($)	2020($)	2019($)
Opening balance	106,636	165,729	189,830
Transfer to reserves	(21,680)	(59,093)	(25,101)
Closing balance	84,956	106,636	165,729

The Fund's ORFR balance exceeded the tolerance limit since April 2020. A transfer from the ORFR was made to align the balance with the ORFR Target Amount. The transfer was included in the current year annual crediting rate paid to members. The tolerance limit was exceeded due to the decline in net assets of the Fund associated with the ATO unclaimed super transfer.

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 2021:

- 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.

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. The Fund had no derivative financial instruments as at 30 June 2021.

Complaints

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

Free call: 1800 062 963
By writing:
Customer Care
GPO Box 264
MELBOURNE VIC 3001

We will provide you with all reasonable assistance and information you may require for the purpose of making a complaint and assist you in understanding our complaints handling procedures.

You have the option to lodge a complaint with AFCA directly rather than lodging a complaint with us. You can also lodge a complaint with AFCA if you are not satisfied with our response or if your complaint has not been resolved within the maximum timeframe prescribed by ASIC's Regulatory Guides (RG 271). AFCA provide a fair and independent financial services complaint resolution that is free to consumers. Time limits may apply to complain to AFCA. Please act promptly and consult the AFCA website to find out if or when the time limit relevant to your circumstance expires.

Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)

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

Contact us

Client services

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