



SMF Eligible Rollover Fund

Annual report 2015

Issued by IOOF Investment Management Limited ABN 53 006 695 021, AFSL 230524
Part of the IOOF group

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Message from the Trustee

I am pleased to present the following annual report to members of the SMF Eligible Rollover Fund (Fund) for the year ending 30 June 2015. This report has been prepared by IOOF Investment Management Limited as Trustee of the Fund.

As one of the largest, independent financial services companies in the industry, IOOF is committed to continuously improving our systems and processes. This allows us to maintain the quality of our products and services for you, our investors. Today, IOOF Holdings Limited (IOOF) has over \$144 billion in funds under management, administration, advice and supervision, and we service more than 650,000 customers in Australia and New Zealand*.

Within the report you will find general information about the Fund, including abridged financial statements and changes to the Fund that have occurred during the 2014/15 financial year.

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

Yours sincerely,



Christopher Kelaher
Managing Director
IOOF Investment Management Limited
as Trustee of the SMF Eligible Rollover Fund

*As at 30 June 2015

Important Information

Issued by IOOF Investment Management Limited ABN 53 006 695 021, AFSL 230524 (IIML) as Trustee for the SMF Eligible Rollover Fund ABN 82 810 851 250 (Fund). 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 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. IIML provides no assurance that the Fund will continue to be available in the future.

Government reforms in superannuation

Changes and developments in superannuation

Terminal illness condition of release

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

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

Refund of excess non-concessional contributions

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

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

Superannuation thresholds for 2015/16

Concessional contributions cap	\$30,000 or \$35,000 if aged 49 or more on 30/6/2014
Non-concessional contributions (NCC) cap	\$180,000 or \$540,000 over 3 years if under age 65
Superannuation Guarantee (SG) rate	9.5%
SG maximum contributions base	\$50,810 salary per quarter or \$203,240 p.a. (Up from \$49,430 per quarter in 2014/15)
Preservation age • Benefits can be accessed on retirement • 0% tax on low rate threshold (below)	Age 56 for those born 1 July 1960 – 30 June 1961 Age 55 for those born before 1 July 1960
Low rate threshold • 0% tax from preservation age to age 59	\$195,000 (up from \$185,000 in 2014/15)
CGT cap amount • excluded from NCC cap	\$1,395,000 (up from \$1,355,000 in 2014/15)
Government co-contribution income	Full co-contribution - \$35,454 p.a. or less (up from \$34,488 in 2014/15) No co-contribution - \$50,454 p.a. or more (up from \$49,488 in 2014/15)

Unclaimed money and small lost member's account threshold to rise from 31 December 2015

A Bill recently passed both houses of Parliament, and has received Royal Assent, which increases the threshold for superannuation unclaimed monies to be paid to the ATO¹. The threshold for accounts to be transferred to the ATO increases from \$2,000 to \$4,000 from 31 December 2015 and then to \$6,000 from 31 December 2016.

The transfer applies to small lost member accounts and includes:

- Accounts where the member is uncontactable. That is the fund does not have the current address and no contribution has been received within the past 12 months.
- Inactive accounts where no contribution or rollover has been received within the last 5 years (unless specifically excluded).
- Accounts where the member was transferred to the fund 'lost'.

Members cease to be 'lost' if they confirm their details with the fund within the past 2 years. If a member's account is transferred to the ATO, the member can claim the money back from the ATO.

ATO Developments: SuperStream and Single Touch Payroll

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

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

The Government is also considering 'Single Touch Payroll' which includes streamlining tax file number (TFN) declarations and choice of fund forms for new employees; and reporting pay as you go (PAYG) withholding and superannuation contributions at the same time as paying wages. After feedback from small businesses, the Government has agreed that the actual payment of PAYG withholding tax and the payment of super contributions at the same time as wages would be voluntary. The ATO will commence pilot programs from July 2016.

Changes to the Centrelink assets test

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

- The thresholds will increase to: \$250,000 for single homeowner; \$375,000 homeowner couple; \$450,000 non-homeowner single; and \$575,000 for non-homeowner couple; and
- The taper rate will double from \$1.50 to \$3.00 for every \$1000 over the threshold. This will affect members who are currently receiving the part Age pension and may result in the pension being reduced or extinguished. Members who lose the age pension from 1 January 2017 will automatically be issued with a Commonwealth Seniors Health Card.

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

¹ Tax and Superannuation Amendment (2015 Measurers No 4) Bill was passed by both houses on 16 September 2015, and received Royal Assent on 13 October 2015.

The year at a glance

Changes to the Trust Deed

The Trust Deed for the SMF Eligible Rollover Fund was not amended during the 2014/15 financial year.

A copy of the current Trust Deed is available to members upon request by calling our client services team or may be inspected by arrangement during business hours at the office of the Trustee.

Investment return

For the year to 30 June 2015, your account was adjusted to reflect a net crediting rate of 5.78 per cent pa.

The compound average net fund crediting rate for the last five years was 4.97 per cent pa.

Operational risk financial reserve (ORFR)

Prudential Standard SPS 114 (SPS114) – Operational Risk Financial Requirement requires that the ORFR provide 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 Investment Committee and the Trustee will review and revise, as necessary, the investment strategy of the ORFR.

How your Fund works

Eligible rollover funds are designed to accept the benefits of members leaving or changing employment or who have become 'lost'. The Fund operates on an accumulation style basis; benefits are based on the balance of your account at the time you leave the Fund. Your benefit includes investment earnings which may be positive or negative (after fees, taxes and other expenses are deducted).

The Fund 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. As Trustee, we regularly monitor the investment options available to members in the Fund. Any investment option currently available may not continue to be available in the future. If we remove an investment option from the Fund, we may transfer your investments in the investment option that is no longer available, to another investment option of the Fund. We will attempt to notify you before we take this action. Neither IIML nor any service provider to the Fund guarantee investment performance, the repayment of capital or any particular rate of return for the Fund. If you require further information about investment options available through each product, please refer to the PDS of the investment option and relevant product and speak to your financial adviser or our Client Services Team.

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.

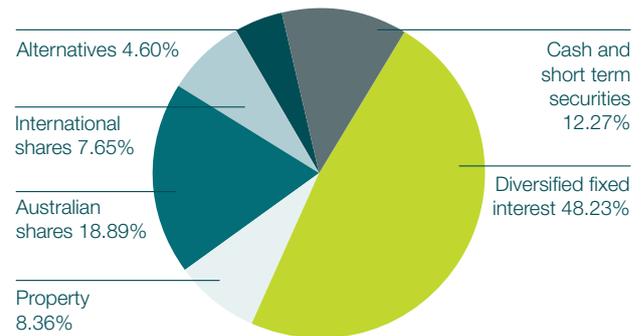
The conservative nature of the Trust means it has a greater exposure to income bearing assets such as cash, fixed interest and alternative-debt with some exposure to growth assets such as Australian and international property and shares.

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 2015:



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	23
Diversified fixed interest	30-55	42
Alternative defensive assets	0-15	5
Property	0-20	10
Australian shares	0-20	11
International shares	0-20	9

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 2015, the underlying investment manager fee was 0.77 per cent 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 and the trustee's fees and expenses.

As at 30 June 2015 the Fund expense rate (including all underlying investment manager and trustee fees, costs and expenses) is 2.43 per cent pa net of GST.

The compound average net fund crediting rate for the last five years was 4.97 per cent pa.

For more information on potential investment performance, please visit our website (www.ioof.com.au) and view the IOOF MultiMix Conservative Trust Profile.

Crediting rate policy

At the beginning of each financial year, the Trustee estimates the expenses required to operate the Fund. During the financial year an interim crediting rate is calculated on the earnings of the Fund's underlying assets, less the estimated fees and costs, expenses, and taxes. At the end of the financial year, the Trustee reviews the expenses and any over or under provision for expenses incurred during the year is considered in the calculation of the crediting rate for 30 June.

The interim crediting rate will be used to determine the investment return credited to your account if you withdraw or rollover your investment in the Fund during a financial year, before the crediting rate for that financial year is calculated at 30 June.

Reserving policy

The Trustee will pass all investment earnings, whether positive or negative (less fees, expenses and taxes) to members when they are received. The Trustee does not maintain investment reserves. The Trustee maintains an expense account to meet the costs associated with operating the fund.

Taxation

Tax on investment earnings

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

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 2013/14 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 noncompliance from APRA.

Directors of the Trustee

Dr Roger Neil Sexton (Chairman)
Ms Jane Margaret Harvey
Mr Ian Gregory Griffiths
Mr George Venardos
Mr Christopher Francis Kelaher
Mr Allan Raymond Griffiths

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 2015.

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	2015 (\$)	2014 (\$)
Revenue		
Investment income	6,430,027	6,875,437
Sundry income	11,478	-
Member contributions	-	17,702
Transfers from other funds	495,362	21,655,180
Total revenue	6,936,867	28,548,319
Expenses		
Benefits paid	8,517,733	6,569,288
Management Fees	1,683,735	1,807,208
General administration expenses	35,993	228
ORFR Levy	83,573	85,606
APRA fees	15,758	19,175
Superannuation contributions surcharge	213	213
Income tax (benefit)/expense	683,879	(2,073,260)
Total expenses	11,020,883	6,408,458
Transfers to reserves	(83,573)	(85,606)
Increase in members' funds	(4,000,443)	22,225,467
Balance brought forward	105,255,428	83,029,961
Members' funds	101,254,985	105,255,428
<i>Represented by</i>		
Assets		
Investments	92,962,025	99,161,079
Cash and cash equivalents	871,496	177,322
Sundry debtors	6,242,883	4,937,877
Current tax asset	116,113	65,528
Deferred tax assets	1,208,135	2,007,958
Total Assets	101,400,652	106,349,764
Liabilities		
Creditors and accruals	145,667	1,094,336
Income tax payable	-	-
Total liabilities	145,667	1,094,336
Net assets	101,254,985	105,255,428
Members' funds	101,254,985	105,255,428

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	2015 (\$)	2014 (\$)
Opening balance	85,606	-
Transfer to reserves	83,573	85,606
Closing balance	169,179	85,606

Concentration of assets of the Fund

The Trustee advises that at 30 June 2015:

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

Contact us

Client services

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Postal address

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