



## AET small APRA funds 2019/20 Annual Trustee report

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This report is issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFSL 230524 RSE Licence No L0000406 as Trustee of the AET small APRA funds.

Within the report you will find general information about your fund, including legislative changes for 2019/20 and later years, as well as financial information about your fund. Together, the annual Trustee report and your annual member statement make up your annual fund package.

The information in this report is general information only and does not take into account your financial circumstances, needs and objectives. 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.

## Message from the Chair

I am pleased to present the Trustee's annual report to members in the AET small APRA funds (AET SAF) for the year ended 30 June 2020. This report has been prepared by IOOF Investment Management Limited, as Trustee of the AET SAF. Within the report you will find general information about the AET SAF including abridged financial statements, changes to the AET SAF and developments in super.

Undoubtedly, the 2020 financial year has been one of the most challenging and volatile in recent history. In the first half of the financial year, Australia experienced serious and prolonged drought conditions with bush fires causing devastation along the eastern seaboard. Then, from February 2020, the global COVID-19 pandemic has caused unprecedented disruption and significant distress to many Australians.

These events have affected the Australian and global economy and all of us personally. Regardless of these circumstances we continue working towards looking after you and what matters to you. In all our efforts this year the independent Office of the Superannuation Trustee (OST) which was established in 2019 and has worked with us to meet all the licence conditions required by APRA. Our investment in governance remains the cornerstone to best serve the interests of our members and ensure members' best interests are at the heart of everything we do.

On behalf of the Board and management, we thank you for your ongoing support.



**Martin Walsh**  
Chairman of IOOF Investment Management Limited

# Government reforms in superannuation

## Changes and developments in superannuation

### Financial adviser commissions to end from 2021

From 1 January 2021, financial advisers will no longer receive product commissions from super funds. Only commissions from retail life insurance policies arranged individually with the insurer can be paid from this date. This change is in response to the recommendations of the Hayne Royal Commission into Misconduct in Financial Services.

Financial advisers are generally paid for providing personal advice to super funds members through Member Advice fees agreed with the client. However, if the arrangement was established before 1 July 2013, the adviser may have received product commissions. The new changes mean that these commission arrangements will cease from 1 January 2021. A Member Advice fee can only be added to an account on the instruction of a member.

Since 2013 some product commissions have already terminated in AET SAFs. Some financial advisers have voluntarily switched off commissions, in favour of agreed Member Advice fees. The trustee has also removed upfront commissions on any contributions or rollovers made from 1 July 2020, effectively removing entry fees on these super accounts. Any remaining commissions will be removed before the end of December 2020 (other than retail life insurance commission).

When product commissions are removed, the trustee will pass on the savings to members through reduced administration fees; lower insurance premiums (or increased insurance cover for fixed premium insurance policies). Members will be notified of any specific changes impacting them after January 2021.

### Changes to age limits for contributions

From 1 July 2020 members under age 67 can make voluntary contributions without the need to meet a work test or use the work test exemption. The Government has raised this age limit from 65 to 67 in line with changes to the Age pension age. The spouse contributions age limit has also increased from age 70 to 74, to make it consistent with rules for other voluntary contributions. Note the receiving spouse is still required to meet the work test or the work test exemption for contributions made after their 67th birthday.

Under the work test a person must be in paid work for at least 40 hours over 30 days period during the financial year. APRA have advised that an employee being paid through the JobKeeper wage subsidy is considered to have met the work test, even though they may have been stood down. The work test does not apply to compulsory super guarantee contributions or downsizer contributions.

Although the age for making contributions without a work test has been raised, legislation which would permit larger contributions up to age 67 by bringing forward future years of the non-concessional contributions cap has not yet passed through parliament.

### COVID-19: Early Release of Super

In response to the impact of the COVID -19 economic downturn, eligible persons could apply to the ATO for a withdrawal of their super up to \$10,000 by 30 June 2020 and a separate withdrawal of up to \$10,000 between 1 July 2020 and 31 December 2020. Temporary residents meeting the eligibility criteria could apply for a release before 30 June 2020, however the 2020/21 withdrawal is limited to eligible Australian or New Zealand citizens or permanent residents.

### COVID-19: Temporary reduction the minimum account-based pension

The Government has reduced the minimum annual draw down rate by 50% for account-based superannuation pensions for the 2019/20 and 2020/21 financial years. This applies to all account-based (allocated) pensions and Term Allocated Pensions. This is a temporary measure only and from 1 July 2021 drawdown rates will return to the standard rates. This change was in response to the financial impact of the COVID-19 virus and is consistent with actions taken during the Global Financial Crisis in 2008.

### Superannuation Guarantee and choice of super fund developments

- Salary sacrifice contributions cannot be used by an employer to meet their super guarantee contribution obligations. This commenced 1 January 2020.
- Employers were provided with a one-off amnesty by the ATO to voluntarily come forward to disclose and pay past unpaid super guarantee contributions for employees. Shortfalls paid under the amnesty would be tax deductible and without additional penalties. The amnesty applied from May 2018 (when it was originally announced) to 7 September 2020.
- 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.
- Under the COVID-19 legislation super guarantee contributions are only calculated on work actually performed, and not on amounts paid to employees through the JobKeeper wage subsidy.
- All new industrial agreements from 1 January 2021 are required to provide employees with the option to choose their own super fund for super guarantee contributions. Although currently most enterprise-based agreements provide full choice of fund to employees, some agreements have restricted employee choice. These restrictions will cease when the agreement is next renewed.

## SMSF rollovers through SuperStream

The start date for including self-managed superannuation funds (SMSFs) rollovers into SuperStream remains 31 March 2021, however in response to COVID-19 the ATO has provided a transition period to 30 September 2021 before SMSF use of SuperStream will be mandatory.

## Superannuation thresholds for 2020/21

Concessional contributions cap	\$25,000 (no change from 2019/20)
Non-concessional contributions (NCC) cap	<p>\$100,000 annual cap (no change from 2019/20) if under \$1.6m in super and pension on 30 June 2020</p> <p>\$0 if \$1.6 million or more in super and pension on 30 June 2020</p> <p>If individual is under age 65*, potential bring-forward:</p> <ul style="list-style-type: none"> <li>\$300,000 if under \$1.4 million in super and pensions on 30 June 2020</li> <li>\$200,000 if between \$1.4 million and \$1.5 million in super and pensions on 30 June 2020</li> </ul> <p>*proposed to change to age 67</p>
Superannuation guarantee (SG) rate	9.5%
SG maximum contributions base	\$57,090 ordinary time earnings per quarter or \$228,360 pa (up from \$55,270 per quarter 2019/20)
Preservation age <ul style="list-style-type: none"> <li>Benefits can be accessed on retirement</li> <li>0% effective tax on withdrawals under low rate threshold</li> </ul>	<p>Age 55 if born before 1 July 1960</p> <p>Age 56 if born from 1 July 1960 to 30 June 1961</p> <p>Age 57 if born from 1 July 1961 to 30 June 1962</p> <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>
Low rate threshold – 0% tax under age 60 for cash lump sums	\$215,000 (up from \$210,000 for 2019/20)
CGT cap amount – excluded from NCC cap	\$1,565,000 (up from \$1,515,000 for 2019/20)
Government co-contribution income	<p>Full co-contribution – \$39,837 pa or less (up from \$38,564 for 2019/20)</p> <p>No co-contribution – \$54,837 pa or more (up from \$53,564 for 2019/20)</p>
Spouse contributions tax offset	Maximum of \$540 if annual spouse income less than \$37,000. Offset ceases at \$40,000.
Departing Australia Super Payment tax rate	35% on taxable component (65% for working holiday makers)
Centrelink Age pension age	<p>Age 66</p> <p>Age pension age increases by 6 months every 18 months 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 include:

- **Larger non-concessional contributions up to age 67**  
Members under age 67 can now make non-concessional contributions without meeting the work test. However, legislation which would permit larger contributions up to age 67 by bringing forward future years of the non-concessional contributions cap has not yet passed through parliament. If passed it is likely to apply to the 2020/21 tax year and beyond.
- **Member Advice fee changes**  
The Government has announced it will introduce changes to how financial advice fees can be deducted from superannuation accounts. These changes are expected to commence from 1 January 2021. Under these changes, members will be required to annually consent to any ongoing financial advice fees.
- **Winding up of Eligible Rollover Funds (ERFs)**  
APRA and the Government has commenced a process to wind up ERFs, now that the ATO has power to proactively unite a person's lost and unclaimed super with an active super account. Under the new process, super funds will not be able to rollover member benefits to an ERF, and instead can transfer amounts to the ATO if it would be in the member's best interests. For existing accounts in ERFs, those under \$6000 will transfer to the ATO before 1 July 2021 and the remainder before 1 January 2022, following the legislation passing through parliament.
- **Western Australia family law referral**  
Super splitting rules on relationship breakdown is to be extended to de-facto couples in Western Australia (WA). Currently super splitting for de-facto relationships in WA is not covered by the commonwealth Family Law Act. WA has now referred this responsibility to the Commonwealth, and legislation implementing it is before parliament.
- **Increase in small fund membership**  
The Government intends to extend the maximum size of self-managed super funds and small APRA funds (SAFs) from 4 members to 6 members, to provide for larger families. The change will commence from the next quarter following the legislation being passed. The trustee will provide further guidance this measure to AET SAFs when the legislation is passed.
- **Exempt current pension income**  
Government proposals to simplify of how exempt current pension income (ECPI) is calculated have been delayed until 1 July 2021, due to COVID-19. Funds with interests in both accumulation and retirement phase will be able to elect their preferred method for calculating ECPI, and actuarial certificates will not be required where all members are in retirement phase.

# General information

## Directors of the Fund

- Mr Geoffrey Walsh
- Ms Elizabeth Flynn (resigned 19 March 2020)
- Ms Karen Gibson
- Mr John Selak (resigned 29 August 2019)
- Mr Robert Andrew Bloore
- Mr Lindsay Smartt (appointed 6 August 2019)
- Ms Jane Harvey (appointed 19 March 2020)

## Trustee indemnity

As Trustee, we have taken out a policy of Trustee indemnity insurance.

Generally, as the Trustee, we are entitled to be indemnified from the assets of your fund against any personal liability for loss or damage incurred by your fund, except where we have failed to act honestly or failed to exercise the degree of care and diligence that we are required to exercise.

## Trustee penalties

No penalties were imposed on us, as Trustee, during the reporting period.

## Types of benefits

The types of benefits available through your fund include:

- retirement benefits at normal retirement age (age 65)
- any early retirement benefits (currently from age 55 and increasing to age 60 progressively until 1 July 2024)
- any total and permanent disablement benefits
- any temporary disability benefits
- any leaving service benefits (resignation or termination of employment)
- any death benefits.

The benefits specified above will generally be the sum of your accumulation account. In the event of death or disability, an additional amount representing the proceeds of insurance (if any) may be included.

Payment of the benefits listed above depends on compliance with relevant legislation as well as the required condition of release being satisfied.

The benefit amounts in your annual member statement are shown as at 30 June 2020. The benefit amount may change. Upon request, we will give you any information you reasonably require to understand your benefit entitlements.

## Death cover continuation option

Your fund allows you to enter into personal insurance policies. If you have insurance coverage within your fund, and you leave your current employment or close your fund, you may be able to continue your insurance cover under a personal policy without the need for further medical examination.

Your elected insurer may provide an option to continue cover with automatic acceptance or limited underwriting requirements. You will need to contact your insurer about any continuation option.

## Eligible rollover fund

The SMF Eligible Rollover Fund (SMF ERF) has been designed as a temporary repository, to accept the benefits of members:

- with low account balances
- who are leaving or changing employment
- who have become uncontactable.

You become a member of the SMF ERF when your superannuation is transferred from another super fund (such as your previous employer's super facility). Your account balance will consist of the amount transferred to the SMF ERF, less any fees and charges which may apply, together with any investment earnings credited to your benefit.

If you are a member of the SMF ERF, you have the following options:

- Transfer your SMF ERF account balance to another super fund
- Claim cash if your account balance is under \$200
- Claim cash if temporary resident leaving Australia permanently.

If we transfer the benefit to the SMF ERF, you will become a member of the SMF ERF. Also, in the SMF ERF, you can no longer make contributions, or choose your investment strategy.

For more information about the SMF ERF, including a copy of the Product Disclosure Statement, please call SMF ERF directly on 1800 677 306, visit their website at [www.smf.com.au](http://www.smf.com.au) or write to:

**Fund Administrator**  
**SMF Eligible Rollover Fund**  
**GPO Box 264**  
**Melbourne VIC 3001**

In accordance with superannuation law, we may pass on any relevant personal information required by the SMF ERF to establish your account.

## Nominating beneficiaries

The beneficiary nominations you make do not expire and the Trustee will pay the benefit in accordance with your nomination, unless a nominated beneficiary is not a dependant at the time of your death. If you would like to make or amend a nomination, please complete the 'Change of nominated beneficiary form' available from our website at [www.aetmyportfolio.com.au](http://www.aetmyportfolio.com.au) and forward it to us.

In the event of your death, where you do not have a nomination, or your nomination is ineffective for any reason, your benefits will be paid to your Legal Personal Representative.

## Non-residents

Unlike self-managed superannuation funds, it may be possible to include non-Australian resident members in your fund without affecting its complying status. If you or any member of your Fund becomes a non-Australian resident, you must inform the Trustee immediately.

## Minimum cash balance requirements

The minimum cash balance requirements are as follows:

- For member accounts under \$1 million, a minimum cash balance of \$5,000 is required.
- For member accounts over \$1 million, a minimum cash balance of 0.5% of the value of the account is required.

## Operational Risk Financial Requirement (ORFR)

Under legislative requirements effective from 1 July 2013, trustees are required to maintain adequate financial resources to address losses arising from operational risk. Trustees must determine the target amount to be set aside for these purposes based on guidelines provided by APRA. The target amount was required to be achieved by the end of a three year period. The Trustee reached the target amount before 30 June 2016 by transferring existing reserves held by AET (Trustee until 30 June 2019) to the ORFR and no levy was imposed on AET SAF members.

Should an operational risk event occur, deductions against each member's balance may be required to restore the ORFR back to the target amount.

## Investment objectives

The investment objective for any superannuation fund is to maximise each member's benefits for retirement purposes, within acceptable parameters of risk and diversity.

Our minimum objective for every fund is to achieve an average annual growth in each member's benefits, for the life of their fund, which exceeds the increase in the consumer price index for that period.

## Investment strategies

It is a legal requirement for us to formulate, and give effect to, an effective investment strategy for your fund.

To give you the flexibility to help you achieve your investment goals, we provide five model investment strategies for you to choose. When formulating these strategies, we take into account:

- the expected risk and return of each investment
- the existing assets of the fund
- diversification of investments
- liquidity and cash flow requirements
- current and future liabilities.

Benchmark asset allocation and investment guidelines apply to each investment strategy. The benchmark asset allocation and investment guidelines for each of the five model investment strategies are outlined on the following pages. If you would like a copy, please refer to the AET SAF Product Disclosure Statement and investment guide.

Once an investment strategy has been selected, we monitor your fund to ensure that it stays within your selected investment strategy. In the event your fund remains out of strategy for more than 180 days, we will select another investment strategy that is more appropriate to the assets held within your fund and notify you of the change.



### Strategy 1: Conservative

- Risk – Low
- Time horizon – One year
- Objective – To achieve stable growth by accumulating and re-investing the interest income.
- Performance benchmark – Consumer price index +1%
- Suitability – This strategy is designed to suit the more conservative investor. It can be appropriate where high liquidity is required or where the fund will have a short life span. There will generally be little or no capital appreciation.

### Strategy 2: Moderately conservative

- Risk – Low to medium
- Time horizon – More than two years
- Objective – To achieve steady growth by accumulating and re-investing the interest income.
- Performance benchmark – Consumer price index +2%
- Suitability – This strategy is less conservative than the ‘conservative’ strategy (strategy 1) but the potential for capital appreciation is still relatively low. Any growth will come mainly from the accumulation of income.

### Strategy 3: Balanced

- Risk – Medium
- Time horizon – More than three years
- Objective – To achieve a moderate level of income accumulation and medium capital growth over the longer term with moderate liquidity.
- Performance benchmark – Consumer price index +3%
- Suitability – This strategy is designed to produce a moderate level of income accumulation and medium capital growth over the longer term and should also provide moderate liquidity.

Investment strategy	
Asset class	Allowable range (%)

Income investments	80-100
Growth investments	0-20

Investment guidelines	
Investment rating	Maximum in any one investment (%)

Highly speculative	0
Speculative	0
Cautious	10
Non-speculative	25
Property	0

Investment allocation	Maximum allocation in account (%)
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Speculative investments	0
Cautious investments	10

Investment strategy	
Asset class	Allowable range (%)

Income investments	55-85
Growth investments	15-45

Investment guidelines	
Investment rating	Maximum in any one investment (%)

Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	25
Property	0

Investment allocation	Maximum allocation in account (%)
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Speculative investments	5
Cautious investments	10

Investment strategy	
Asset class	Allowable range (%)

Income investments	35-65
Growth investments	35-65

Investment guidelines	
Investment rating	Maximum in any one investment (%)

Highly speculative	0
Speculative	5
Cautious	10
Non-speculative	25
Property	0

Investment allocation	Maximum allocation in account (%)
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Speculative investments	15
Cautious investments	10



## Strategy 4: Balanced to moderate growth

- **Risk** – Medium to high
- **Time horizon** – Five years
- **Objective** – To achieve stronger capital growth over the long term with provision for some liquidity and income accumulation.
- **Performance benchmark**  
– Consumer price index +4%
- **Suitability** – This strategy is designed to achieve stronger capital growth over the long term. There is still provision for some liquidity and an income accumulation capability to enable the account to meet its ongoing commitments.

Investment strategy	
Asset class	Allowable range (%)
Income investments	15-45
Growth investments	55-85

Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	10
Cautious	10
Non-speculative	25
Property	0

Investment allocation	Maximum allocation in account (%)
Speculative investments	25
Cautious investments	10

## Strategy 5: Growth

- **Risk** – High
- **Time horizon** – More than five years
- **Objective** – To achieve capital growth over the medium to long term with a limited provision for interest focussed assets.
- **Performance benchmark**  
– Consumer price index +5%
- **Suitability** – The strategy has a greater focus on share securities (listed and unlisted) as well as property and investors should be aware there are greater risks involved as considerable volatility may be experienced over the short term.

Investment strategy	
Asset class	Allowable range (%)
Income investments	1-25
Growth investments	75-99

Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	10
Cautious	10
Non-speculative	25
Property	70

Investment allocation	Maximum allocation in account (%)
Speculative investments	25
Cautious investments	10

# Financial information about your fund

## Allocation of fund earnings

Any earnings from your chosen investments are paid to your fund and reflected in your account balance. All fund assets are held in trust and separate accounts are maintained for each member. Our administration services will collect all fund income and record capital gains.

The member statement which is included in your annual fund package shows the compound average effective rate of net earnings for your account for the last five and ten years (or for the period of your membership if that is shorter).

## Asset allocation

The 'Investment Holdings Comparison' report (included in your annual fund package) shows the asset allocation of your fund at the beginning of the reporting period and at the end of the reporting period.

The values shown at the beginning of the reporting period in your investment holdings report are carried forward from the previous year end audited financial statements.

## Illiquid investments

Illiquid investments are investments that have low liquidity, which means they cannot be easily bought or sold or quickly converted into cash. Examples of illiquid investments may include:

- capital guaranteed funds
- certain property funds
- unlisted unit trusts
- direct property.

Generally, when we receive instructions to transfer your superannuation benefits we have 30 days to implement your request. An illiquid investment within your fund may prevent us from processing your transfer request within the 30 day timeframe due to delays in receiving the sale proceeds from these investments.

## Derivative securities

A derivative is a financial contract, the value of which depends on, or is derived from, assets, liabilities or indices (the underlying assets). Derivatives include a wide assortment of instruments, such as forwards, futures, options, swaps and warrants.

Generally, we do not allow the use of derivatives in the AET SAF for strategic portfolio management. However your fund may be exposed to derivatives by investing in managed funds using derivatives for hedging or risk management purposes.

## Contributions

As a consequence of your membership, contributions may be made to your fund by you, your employer, your spouse, the Government or the ATO if permitted under superannuation legislation.

Your employer may be required to make contributions to the fund, to satisfy the requirements of the Superannuation guarantee, Federal or State Awards, or employment agreements such as salary sacrifice arrangements you have made with your employer and voluntary contributions withheld from your salary or wages at your request.

There is currently no minimum limit on the amount of contributions that can be made. However, maximum limits do apply to the amount of contributions that you or your employer may claim as a tax deduction, or that will be eligible for other tax concessions.

Please refer to the AET SAF Product Disclosure Statement and general reference guide for further general information including information around how your contributions and/or superannuation benefits may be treated for tax. For information on how the taxation of superannuation benefits affects you, please speak to your financial and/or taxation adviser.

## Management of earnings reserves

We do not maintain earnings reserves on behalf of your fund.

## Audited financial statements

Superannuation legislation requires us to produce certain accounting statements for your fund each year and have these statements audited by a qualified auditor.

The auditor's report is now available on request and the abridged financial statements are included in your annual fund package.

## Enquiries and complaints

As Trustee of your fund, we are obliged to provide you with any information that you reasonably require to understand your benefit entitlement.

If you have any questions or a complaint, please:

- call us on 1800 254 180, or
- write to us at:

**IOOF Investment Management Limited**  
**Customer Care Manager**  
**GPO Box 546**  
**Adelaide SA 5001**

We will acknowledge receipt of your complaint within five business days and will normally respond in more detail within 28 days. Some complaints however, can be more complex than others and may take longer to resolve. If that is the case we will keep you informed of our progress. If, however, you have complained to us and your complaint has not been resolved to your satisfaction within 90 days, you have the option of contacting the Australian Financial Complaints Authority (AFCA).

AFCA provides fair and independent financial services complaint resolution that is free to consumers (see: [www.afca.org.au](http://www.afca.org.au)). You can contact the AFCA on 1800 931 678, or by 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

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

### Trustee

IOOF Investment Management Limited  
ABN 53 006 695 021 | AFSL 230524  
RSE Licence No L0000406

### Postal address

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Adelaide SA 5001

### Registered address

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