



AET small APRA funds 2021/22 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 2021/22 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

Welcome to the Trustee's Annual Report for members of the **AET small APRA funds (AET SAF)** for the financial year ended 30 June 2022.

This report has been prepared by **IOOF Investment Management Limited (IIML)**, as Trustee of the AET SAF. It contains general information about the AET SAF, including abridged financial statements and changes to the SAF during the year. It will also be the last annual report that IIML will prepare as Trustee of the AET SAF.

In August this year we advised our members that IIML would be retiring as Trustee of the AET SAF pending appropriate board approvals. It is now confirmed that on 30 November 2022, IIML will be replaced by Equity Trustees Superannuation Limited (ETSL) (ABN 50 055 641 757, AFSL No. 229757) as Trustee of the AET SAF. This decision follows our review of ETSL and recognises that we are satisfied that our members can expect an appropriate continuity of service under ETSL's Trusteeship.

The financial year can be separated into two contrasting halves. From July to December 2021, the global economy had turned for the better with vaccines becoming more available, allowing many businesses to re-open and employees returned to work. Factors such as low interest rates set by central banks and the financial support provided by governments worldwide, allowed global economic activity to pick up speed and make a rapid recovery.

The second half of the financial year from January to June 2022 has seen a different picture at home and across the globe.

Concerns grew over high inflation and rising interest rates. Russia's invasion of Ukraine in February only intensified the inflation threat by pushing up prices of oil, gas, copper, fertiliser and wheat. Given the strong global demand for these commodities and Russia being as a key source of supply, both energy and food prices have skyrocketed.

This means many consumers are likely feeling both angrier and poorer with every visit to the supermarket and service station. This high inflation rate represents a significant loss of purchasing power.

The combination of rising inflation, higher interest rates and the war in Ukraine have created a challenging period. While navigating through these uncertain times we've introduced a number of measures to bring about the best outcomes for our members.

On behalf of the Trustee Board and Management, we would like to thank you for your support during our time as Trustee and we wish all the best for your future.

Warm regards



Lindsay Smartt

Government reforms in superannuation since 1 July 2021

Changes to contribution eligibility from 1 July 2022

Individuals under age 75 are able to make contributions to superannuation regardless of their working status. Contributions can be accepted until 28 days after the end of the month in which the member turns 75.

However, if a member intends to claim a personal tax deduction for contributions made after their 67th birthday, the work test or work test exemption must be met for the ATO to accept the deduction. The work test requires an individual to be gainfully employed for at least 40 hours in a consecutive 30-day period during the financial year. The work test exemption can be used if the work test is not met, however the work test was met in the previous financial year and the member's total super balance is under \$300,000. The exemption can only be used once. The ATO will assess the work test / exemption when a member lodges their tax return for the relevant financial year. If the deduction is denied, the member may be able to vary their deduction with the fund if they have not commenced a pension or withdrawn their benefit.

Further, the age restriction on accessing the bring-forward provisions has been increased to age 74. This means any member under age 75 on 1 July of a financial year may be able to contribute up to \$330,000 as a non-concessional contribution subject to their total super balance.

Additionally, the eligible age for making a downsizer contribution has been reduced to age 60.

Continued extension of minimum pension relief

The Government has further extended the 50% reduction in the minimum pension required to be drawn from account-based income streams to the 2022/23 financial year.

First Home Super Saver Scheme increased cap

From 1 July 2022, the total contributions that can be released under the First Home Super Saver Scheme increased from \$30,000 to \$50,000. The annual cap remains unchanged at \$15,000, and contributions must be made within an individual's contribution caps.

Removal of income limit before Super Guarantee payable

From 1 July 2022, the \$450 monthly earning threshold before employers are required to make super guarantee contributions for their employees has been removed. This means employers will be required to make super contributions for all employees (excluding employees under 18 working less than 30 hours in any week)

Retirement income covenant

From 1 July 2022, all super trustees (excluding self-managed super funds) are required to have a retirement income strategy, and publish a summary of this strategy on their public website. Our summary can be found here or on the trustee disclosure section of our website: ioof.com.au/about-us/about-ioof/trustee-disclosures.

Deferral of performance testing for trustee-directed products

As part of the 'Your Future Your Super' reforms, certain investment options within super funds which were administered by the fund or a related party (known as trustee-directed products) were to be subject to performance testing by APRA from 1 July 2022. However, this has been deferred for 12 months until 1 July 2023.

Reforms announced but not yet legislated

The following reforms have been announced but not yet legislated:

- Legislation has been introduced to further reduce the eligible age for downsizer contributions to 55
- An announcement from the 2021-22 Federal budget was to allow a two-year window for members to exit certain legacy income stream arrangements such as Term Allocated Pensions. This was expected to commence 1 July 2022 however at present no legislation or regulation has been introduced to support this measure.

Superannuation thresholds for 2022/23

Concessional contributions cap	\$27,500 (previously \$27,500 in 2021/22)
Non-concessional contributions cap (NCC)	<p>\$110,000 annual cap (previously \$110,000 in 2021/22) if under \$1.7m in super and pension on 30 June 2022</p> <p>\$0 if \$1.7 million or more in super and pension on 30 June 2022</p> <p>If individual is under age 75 on 30 June 2022, potential bring-forward:</p> <ul style="list-style-type: none"> • \$330,000 if under \$1.48 million in super and pensions on 30 June 2022 • \$220,000 if between \$1.48 million and \$1.59 million in super and pensions on 30 June 2022
Superannuation guarantee (SG) rate	10.5% (increase from 10% in 2021/22)
SG maximum contribution base	\$60,220 ordinary time earnings per quarter or \$240,880 pa (up from \$58,920 per quarter 2020/21)
Preservation age	Age 58 if born from 1 July 1962 to 30 June 1963
<ul style="list-style-type: none"> • Benefits can be accessed on retirement • 0% effective tax on withdrawals under low rate threshold 	Age 59 if born from 1 July 1963 to 30 June 1964
	Age 60 if born after 1 July 1964
Low rate cap	\$230,000 (up from \$225,000 for 2021/22)
<ul style="list-style-type: none"> • 0% effective tax on taxable component of withdrawals 	
CGT cap amount	\$1,650,000 (up from \$1,615,000 for 2021/22)
<ul style="list-style-type: none"> • Excluded from NCC cap 	
Government co-contribution income	<p>Full co-contribution – \$42,016 pa or less (up from \$41,112 for 2020/21)</p> <p>No co-contribution – \$57,016 pa or more (up from \$56,112 for 2021/22)</p>
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	<p>Age 66 and six months</p> <p>Age pension age increases by 6 months every 18 months until it reaches age 67 by 1 July 2023.</p>

General information

Directors of the Fund

- Mr Lindsay Raymond Smartt (Appointed 6 August 2019)
- Ms Beth Veronica McConnell (Appointed 17 March 2022)
- Mr Steven John Schubert (Appointed 17 March 2022)
- Mr Robert Andrew Bloore (Appointed 26 November 2018)
- Ms Karen Nita Gibson (Appointed 26 November 2018)
- Ms Jane Margaret Harvey (Appointed 19 March 2020)
- Ms Carolyn Judith Colley (Resigned 16 March 2022)
- Mr Geoffrey Martin Walsh (Resigned 16 March 2022)
- Mr Alan Harold Chonowitz (Resigned 31 December 2021)
- Mr Geoffrey Martin Walsh (Resigned 16 March 2022)
- Ms Annette Louise King (Appointed 17 March 2022, Resigned 20 May 2022).

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
- 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 2022. 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.

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 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)

The Government requires superannuation fund trustees to hold adequate financial resources (ORFR) to cover any losses that members incur due to operational errors. If the ORFR falls below our targets, the Trustee will approve and implement a plan to replenish financial resources to bring the ORFR back to the Target Amount. The expected period over which the financial resources will be replenished will be dependent on the quantum of the shortfall from the Target Amount as prescribed in the applicable policy.

The balance of the ORFR at the end of the last 3 financial years is summarised below:

- 30 June 2022: \$2.94M
- 30 June 2021: \$2.94M
- 30 June 2020: \$2.94M

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.

Understanding investment performance

The investment performance of your fund is determined by reference to the investment performance of the assets of your fund, and different types of assets will perform differently in different market conditions. In your fund, you get to choose the assets that your fund is invested in and accordingly the investment performance of those assets is directly allocated to you. You should refer to your annual statement for the year ended 30 June 2022 for details of the investment performance of your chosen assets.

Information on the performance of alternative assets available through your fund is available from your financial adviser.

Strategy 1: Conservative

- Risk – Low – Medium
- Usually held for a minimum of: 1 – 3+ years
- Objective – To provide a low risk investment over the short to medium term by investing predominantly in defensive assets.
- 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 – Medium
- Usually held for a minimum of: 3 – 5+ years
- Objective – To provide stable returns over the medium term by investing in a diversified portfolio of defensive assets with some growth asset exposure.
- 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 to High
- Usually held for a minimum of: 5+ years
- Objective – To provide capital growth over the medium to long term by investing in a diversified portfolio of growth and defensive assets.
- 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 (%)

Defensive 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	30
Property	0

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

Investment strategy	
Asset class	Allowable range (%)

Defensive 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	30
Property	0

Investment allocation	Maximum allocation in account (%)
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Speculative investments	5
Cautious investments	15
Cautious & Speculative investments combined*	15

Investment strategy	
Asset class	Allowable range (%)

Defensive 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	30
Property	50

Investment allocation	Maximum allocation in account (%)
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Speculative investments	15
Cautious investments	25
Cautious & Speculative investments combined*	25

* The limits listed in the table for speculative investments still apply when applying the total combined investment allocation limit in cautious and speculative investments.

Strategy 4: Balanced to moderate growth

- Risk – High
- Usually held for a minimum of: 5 – 7+ years
- **Objective** – To provide capital growth over the medium to long term by investing in a diversified portfolio of growth assets with some defensive asset exposure.
- **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 (%)
Defensive investments	15-45
Growth investments	55-85

Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	10
Cautious	15
Non-speculative	30
Property	60

Investment allocation	Maximum allocation in account (%)
Speculative investments	25
Cautious investments	35
Cautious & Speculative investments combined*	35

Strategy 5: Growth

- Risk – High
- Usually held for a minimum of: 7 – 10+ years
- **Objective** – To provide capital growth over the long term by investing in a diversified portfolio of predominantly growth assets with minimal defensive asset exposure.
- **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 (%)
Defensive investments	1-25
Growth investments	75-99

Investment guidelines	
Investment rating	Maximum in any one investment (%)
Highly speculative	0
Speculative	15
Cautious	20
Non-speculative	30
Property	70

Investment allocation	Maximum allocation in account (%)
Speculative investments	25
Cautious investments	40
Cautious & Speculative investments combined*	40

* The limits listed in the table for speculative investments still apply when applying the total combined investment allocation limit in cautious and speculative investments.

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.

Complaints

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

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

Customer Care
Level 1, 800 Bourke Street,
Docklands, VIC 3008

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.

Complaints are managed in accordance with a regulatory guide governed by ASIC, specifically RG271. For more information on the regulatory guide, visit the ASIC website on www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-271-internal-dispute-resolution/.

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

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

Trustee

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