



AET small APRA fund 2012/13 Annual Trustee report

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About your annual Trustee report

Important information

This report is issued by Australian Executor Trustees Limited (AET) ABN 84 007 869 794 AFS Licence 240023 as Trustee of your AET Small APRA Fund (Fund or AET SAF).

Within the report you will find general information about your Fund, including legislative changes proposed for 2013/14 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 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. AET provides no assurance that the Fund will continue to be available in the future.

Message from the Trustee

I am pleased to present the following Trustee's annual report to investors in the AET SAF for the financial year ending 30 June 2013. This report has been prepared by AET as Trustee of the AET SAF.

Within the report you will find general information about the AET SAF, including changes that have occurred during the financial year, and those proposed for the 2013/14 financial year.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Christopher Kelaher', with a horizontal line extending to the right.

Christopher Kelaher
Managing Director
Australian Executor Trustees Limited
as Trustee of the AET small APRA fund

Legislative changes

Minimum annual payments for account based pensions

In recent years, the Government has provided relief from the minimum drawdown percentages for account based pensions, in recognition of the impact of the Global Financial Crisis.

For the 2013/14 year and later years, the minimum percentages revert to the standard rates as follows:

Age	Minimum annual pension payment as a percentage of account balance (%)
Under 65	4.00
65-74	5.00
75-79	6.00
80-84	7.00
85-89	9.00
90-94	11.00
95 and over	14.00

Standard payment factors are also used for term allocated pensions, instead of the reduced amounts which applied from the 2008/09 year until the 2012/13 year.

SuperStream

SuperStream is a package of reforms which will make the superannuation system easier to use and ultimately reduce costs - benefiting funds, members and employers.

Broadly, SuperStream involves moving the superannuation industry from paper-based processing to mandatory electronic transactions. Transferring superannuation savings between funds, for example, will be completed by transferring data and money electronically. In addition, the Australian Taxation Office (ATO) will verify fund data and member identity, thus eliminating the need for members to provide certified copies of documents to the fund as proof of identity. Individuals can also use the ATO online portal SuperSeeker to request a full rollover of benefits from one fund to another, either by using the paper forms or the electronic portability form.

All Australian Prudential Regulation Authority (APRA) regulated funds will comply with these requirements by 1 January 2014.

All large and medium employers are expected to start sending employers contributions in a standard electronic format by 1 July 2014, and all small employers are expected to implement this standard by 1 July 2015. This new standard will remove the need to submit this information to separate funds in different paper formats. Contributions will be allocated to member accounts more quickly using this electronic process.

Fees

General fee rules now apply to all APRA regulated superannuation funds. New legislative provisions now include:

- a prohibition on entry fees
- the cost of financial product advice (other than intra-fund advice) being charged to the member as an advice fee
- all fees (other than administration fees and investment fees) being charged on a cost recovery basis.

As a result, you may see changes to the fee names on your member statements in the future.

Website information

Legislative and regulatory changes mean that certain information must be made publicly available on each fund's website. This may include information relating to the investment performance of each investment option (including the MySuper option) and the fees and costs relating to each option, as well as information about the trustees or directors of the trustee board and various documents relating to the fund, such as the trust deed.

Member benefit protection

The member benefit protection rules required funds to protect account balances under \$1,000 by reducing or waiving fees in certain circumstances. These rules were repealed on 1 July 2013 so that all fees will be applied in full for 2013/14 and later years.

Increased tax on concessional contributions for very high income earners

In broad terms, individuals with income above \$300,000 per annum will pay an additional 15 per cent on concessional contributions made on or after 1 July 2012. The ATO will calculate the liability and issue a notice of assessment and a release authority so that the amount of the assessment can be released from the individual's super fund to make the payment to the ATO.

There is a specific definition of 'income' for these purposes and the calculations to determine an individual's tax liability are very complex.

Concessional contributions cap

The concessional contributions cap is the limit on the amount of concessional contributions you can make each year before you pay extra tax.

The concessional contributions cap for most individuals for the 2013/14 year is \$25,000. However, from 1 July 2013, if you are 59 years old or over on 30 June 2013, the cap increases from \$25,000 to \$35,000.

From 1 July 2014, the higher \$35,000 cap will also apply to individuals who are 49 years or older on 30 June 2014.

Exceeding the concessional contributions cap

If your contributions in the 2012/13 year exceeded the cap by no more than \$10,000, you may be able to have your excess contributions refunded and assessed at your marginal tax rate, instead of being taxed at a total of 46.5 per cent.

Contributions which exceed the relevant cap in 2013/14 and later years will be included in your assessable income and taxed at your marginal tax rate. You will also be liable for an excess concessional contributions charge. To take into account the 15 per cent tax paid by your fund on the excess contributions, you will receive a non-refundable tax offset equal to the amount of tax paid. You can also elect to have your excess concessional contributions released from your superannuation fund which will result on those amounts not being counted towards your non-concessional contributions cap.

The taxation rules relating to concessional and non-concessional contributions caps are complex and change from time to time.

Increase in Superannuation Guarantee rate

The rate of Superannuation Guarantee (SG) contributions will increase gradually between 1 July 2013 and 1 July 2019.

The following table shows the rate for each year from the 2013/14 year.

Year	Rate (%)
2013/14	9.25
2014/15	9.50
2015/16	10.00
2016/17	10.50
2017/18	11.00
2018/19	11.50
2019/20	12.00

Trans-Tasman retirement savings portability

From 1 July 2013 it is possible to transfer superannuation benefits between Australian APRA-regulated funds and New Zealand KiwiSaver schemes. The Trustee is now able to transfer member benefits to a KiwiSaver scheme if a member has left Australia and permanently emigrated to New Zealand. It is not compulsory for members to move their benefits. A form is available from the relevant client services team for members wishing to use this facility.

The Trustee is unable at this stage to accept benefits from a KiwiSaver scheme in respect of individuals who have migrated to Australia from New Zealand.

Intra-fund consolidation

The intra-fund consolidation measures were deferred from the 2012/13 year and will now apply from 1 July 2013. Trustees are required to identify members with multiple superannuation accounts within the fund and consolidate those accounts where it is in the best interests of the members to do so. This consolidation is required on an annual basis, with the first consolidation occurring before 1 July 2014.

Unclaimed superannuation money

From 31 December 2012, small lost accounts with balances of less than \$2,000 (previously \$200) and accounts of unidentifiable members that have been inactive for 12 months were required to be paid to the ATO as unclaimed money.

From 1 July 2013, interest calculated in accordance with the consumer price index, will be paid at the time the money is claimed.

Low income superannuation contribution

The low income super contribution (LISC) is a Government super payment of up to \$500 per financial year to help low income earners save for their retirement.

The LISC is 15 per cent of the concessional (before tax) contributions you or your employer makes from 1 July 2012. The maximum payment you can receive for a financial year is \$500 and the minimum is \$20.

You are eligible for the low income super contribution (LISC), if:

- you have concessional contributions for the year made to a complying super fund; and
- your adjusted taxable income does not exceed \$37,000; and
- you are not a holder of a temporary resident visa (New Zealand citizens in Australia do not hold a temporary resident visa and, as such, are eligible for the payment); and
- 10% or more of your total income is derived from business or employment; and
- the amount payable is \$20 or more.

Superannuation co-contributions

Reductions apply to the co-contributions scheme, for personal contributions made from 1 July 2012. These announcements reduce the matching rate and upper threshold, as shown in the following table:

Year in which contributions made	Maximum entitlement	Matching rate (%)	Lower income threshold	Upper income threshold
2011/12	\$1,000	100	\$31,920	\$61,920
2012/13	\$500	50	\$31,920	\$46,920
2013/14	\$500	50	\$33,516	\$48,516

Removal of upper age limit for superannuation guarantee contributions

From 1 July 2013, the upper age limit (previously age 70) for superannuation guarantee (SG) contributions is removed. This means that if you are still working, your employer will continue to be required to make SG contributions, regardless of your age.

If you lodge an income tax return, you will receive your LISC in your super account when the Australian Taxation Office (ATO) has processed your income tax return and received information from your super fund about your super contributions. If you do not lodge an income tax return, the ATO will work out your eligibility using contributions information from your super fund along with other information it collects.

The LISC is paid directly into your super account, but it may take up to 14 months from the end of the financial year for you to receive your payment. It will be shown on your annual statement following receipt of the contributions.

ATO online portal (SuperSeeker)

The ATO has upgraded its Superseeker website so that it is now part of an individual's online portal. Individuals can view all the super data the ATO holds for them, as well as other tax information. Currently individuals can view on Superseeker:

- Accounts that have received contributions within the last 2 years.
- Lost super.
- ATO held super – including unclaimed super money, SG contributions paid to the ATO, Government co-contributions.

From 1 January 2014 new information will be available:

- Information about contributions and balances for all super accounts, including defined benefits; pensions; and accounts that have not received contributions.
- Whether the account has insurance cover.

Operational Risk Financial Reserve

Under legislative requirements applying 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 must be achieved by the end of a 3 year period. AET has determined that in order to reach its target for the SAF the Trustees will utilise a combination of transferring existing reserves to the Operational Risk Financial Reserve as well as imposing a levy on the members of the Fund which may be deducted annually during the 2013/14 year and the following two financial years. Should an operational risk event occur post 1 July 2013, additional deductions against each member's balance may be required to restore the Operational Risk Financial Reserve back to the target amount.

General information about your Fund

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 per cent of the value of the account is required.

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 strategy

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, and
- current and future liabilities.

Benchmark asset allocation and investment guidelines apply to each investment strategy. During the year, as part of our commitment to provide products that meet our clients' needs, we made changes to the investment strategies and asset classes. 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.

Once an investment strategy has been selected, we monitor your Fund to ensure that it stays within the investment strategy guidelines.

Strategy 1: Conservative

- Risk – Low
- Time horizon – 1 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.

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	5
Cautious	10
Non-speculative	25
Investment allocation	Maximum allocation in account (%)
Speculative investments	5

Strategy 2: Moderately conservative

- Risk – Low to medium
- Time horizon – More than 2 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.

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

Strategy 3: Balanced

- Risk – Medium
- Time horizon – More than 3 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	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
Investment allocation	Maximum allocation in account (%)
Speculative investments	15

Strategy 4: Balanced to moderate growth

- Risk – Medium to high
- Time horizon – 5 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
Investment allocation	Maximum allocation in account (%)
Speculative investments	25

Strategy 5: Growth

- Risk – High
- Time horizon – More than 5 years
- Objective – To achieve capital growth over the medium to long term
- 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 therefore be aware there are greater risks involved. 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 ¹

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

¹ If property is subject to a limited recourse borrowing arrangement, the holding of both cautious and speculative rated investments must be zero. A minimum cash level of 5 per cent of your Fund value must be maintained at all times.

Trustee details

The Trustee's details are:

Australian Executor Trustees Limited
 ABN 84 007 869 794
 AFSL No 240023
 RSE Licence No L0002554

The directors of the Trustee are:

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

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.

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:

Australian Executor Trustees Limited
Complaints Officer
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 Superannuation Complaints Tribunal (SCT), an independent complaints handling body.

The SCT may be able to help you to resolve your complaint, but only after you have made use of our dispute resolution procedures.

The SCT will first attempt to resolve the matter through conciliation, which involves assisting both parties to come to a mutual agreement. If the matter cannot be resolved by conciliation, the SCT has the power to either overturn or confirm the Trustee's decision.

To find out whether the SCT can handle your complaint, and the type of information you need to provide, you can call the SCT from anywhere in Australia on 1300 884 114 between 9am and 5pm (Eastern Standard Time) or write to:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Types of benefits

The types of benefits available through your Fund include:

- retirement benefits at normal retirement age (age 65)
- any early retirement benefits (from age 55)
- any total and permanent disablement benefits
- any temporary disability benefits
- any leaving service benefits (resignation or termination of employment), and
- 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 2013. 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

We may transfer your benefit to an eligible rollover fund (ERF) without your consent if:

- we are required to pay your benefit but we are unable to pay it to you or at your direction, or
- we lose contact with you.

During the reporting period, the ERF for the Fund was the SMF Eligible Rollover Fund.

If we transfer your benefit to the ERF:

- your Fund membership and your insurance cover under the Fund (if any) will cease
- you will become a member of the ERF
- you will need to apply directly to the ERF for your benefits
- you will not be able to make contributions to the ERF, and
- you will not be able to choose your investment strategy.

For more information about the SMF Eligible Rollover Fund, 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 or write to:

Fund Administrator
SMF Eligible Rollover Fund
GPO Box 529
Hobart TAS 7001

In accordance with superannuation law, we may pass on any relevant personal information required by the 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 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.

Other information

If you require further information or clarification about any aspect of your Fund membership, please contact us on 1800 254 180.

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 benefit statement which is included in your annual fund package shows the annual net effective earning rates for your account for the last 10 years (or for the period of your membership if that is shorter).

Asset allocation

The 'Portfolio 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 portfolio comparison report are carried forward from the previous year end audited financial statements.

Illiquid investments

Illiquid investments are investments that have low liquidity and invest in more complex asset types that undertake pricing on a monthly basis or longer. Examples of illiquid investments may include:

- capital guaranteed funds
- certain property funds
- hedge funds
- private equity
- structured funds, and
- unlisted unit trusts.

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.

Your Fund may invest in derivatives that we have rated and approved for Fund use.

The derivatives charge ratio is the market value of the assets of your Fund (other than cash) that are subject to a charge as security for the derivatives investments within your Fund, and is expressed as a percentage of the total market value of all of the assets of your Fund. If the derivatives charge ratio of your Fund exceeded 5 per cent at any time during the reporting period we have included a derivatives charge ratio notice in your annual fund package that:

- states the derivatives charge ratio at the end of the reporting period
- states the highest derivatives charge ratio attained during the reporting period
- provides an explanation of why the derivatives charge ratio exceeded 5 per cent, and
- provides an explanation of the meaning of derivatives charge ratio.

Contributions

As a consequence of your membership, contributions may be made to the Fund by you, your employer, your spouse, the Government or the Australian Taxation Office.

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.

Taxation of superannuation contributions

Generally, your concessional contributions will be taxed up to 15 per cent, however, the amount of tax may be more if you receive concessional contributions to your Fund in excess of the relevant concessional contribution cap, or if your income is \$300,000 per annum or above. Any non-concessional contributions that exceed the relevant non-concessional contribution cap are taxable at 46.5 per cent.

For further general information about the taxation of superannuation contributions, please refer to the AET small APRA fund product disclosure statement, which is available from our website at www.aetlimited.com.au If you have any queries on how the taxation of superannuation contributions affects you, please speak to your financial adviser.

Taxation of superannuation benefits

Different taxation treatment applies depending on whether you take your superannuation benefits as a lump sum or pension as well as your age. If you receive a pension, the pension income may itself be subject to tax if you are under age 60. If you are aged 60 or over, any lump sum or income stream from your pension will be paid to you tax-free.

Please refer to our product disclosure statement for further general information. For information on how the taxation of superannuation benefits affects you, please speak to your financial adviser.

Management of earnings reserves

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

Audited Fund financial statements

Superannuation legislation requires us to produce certain minimum 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.



Contact details

If you have questions about the annual Trustee report please contact the client services team:

Postal address

GPO Box 546
Adelaide SA 5001

Registered address

44 Pirie Street
Adelaide SA 5000

Telephone

1800 254 180

Email

aetclientservices@aetlimited.com.au

Website

www.aetlimited.com.au