

PremiumChoice Retirement Service



Annual Report 2016

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Issued by: The Trustee,

NULIS Nominees (Australia) Limited

ABN 80 008 515 633 AFSL 236465

for PremiumChoice Retirement Service (the Service)

ABN 70 479 285 132



This Annual Report is your update on how your money is invested and a reminder of some things you should know.

The Service's Financial Reports are also provided.

This is the Annual Report for the PremiumChoice Retirement Service.

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Looking out for your interests

The directors of the Trustee Board have a variety of work and life experiences which help them represent your interests.

Made up of non-executive directors, the Trustee Board is responsible for the management of the Fund. The Trustee's duties include:

- providing investment choice
- ensuring your interests are maintained, and
- keeping you informed of any changes.

The Trustee Board has professional indemnity insurance, and has appointed Navigator Australia Limited (ABN 45 006 302 987) to carry out the day-to-day administration of the Fund.

Operational Risk Financial Reserve (Reserve)

The Government requires super funds to keep a financial reserve to cover any losses that members incur due to a breakdown in operations. The Reserve has been established in full by the National Australia Bank. We may require members to contribute to the Reserve in the future. If we do, we'll notify you in advance of any deductions.

The Reserve was established in the 2016 financial year. The Reserve is held by the Trustee across the superannuation funds of which it acts as trustee. The balance of the Reserve at the end of the last 3 financial years is summarised below:

- 30 June 2016: \$240M
- 30 June 2015: Not applicable
- 30 June 2014: Not applicable

Meet the Board

The directors are:

Nicole Smith (Chair)

BFA 1990, CA
GAICD

Alan Schoenheimer

MBA
B Eng (Chemical) (First Class Hons)

Andrew Gale

MBA
B Arts (Actuarial), FAICD, FIAA

John Reid

B Sc Mathematical Physics 1971
FIA (UK and Australia), GAICD

Peggy O'Neal

BA (Virginia) 1973
JD (Virginia) 1976
Diploma of Superannuation Management
(Macquarie) 1994, FAICD

Trevor Hunt

B Bus (Accounting and Economics) 1989

Evelyn Horton

Masters of Social Science (Economics) 1995
B Economics 1986 (ANU), GAICD

Terry McCredden

B Comm (Hon) 1977 (University of Melbourne)

Trustee director movements

Michael Clancy retired effective 15 December 2015.

Alan Schoenheimer was appointed non-executive director effective 26 August 2016.

Andrew Gale was appointed non-executive director effective 26 October 2016.

About your account value

How earnings are reflected in your account

Income from investments will be in the form of capital growth, dividends, interest and distributions that occur at different times throughout the year.

Please refer to the relevant investment's disclosure document and the Australian Securities Exchange (ASX) (for listed securities) for details. Income received is usually net of fees and charges.

Income distributions will be allocated to your Cash Account after we receive them. All income distributions must be received as cash as we don't administer dividend and distribution reinvestment plans.

Interest earned on your Cash Account is paid after the end of each quarter.

How your account is valued

The value of your account is based on:

- prices provided by the investment managers multiplied by the number of units held
- prices provided by the Australian Securities Exchange multiplied by the number of shares held
- any term deposits, and
- your Cash Account.

Prices are generally provided daily, however there may be times when we don't receive updated prices. This might happen when shares are delisted or assets can't be valued.

In these circumstances we may have to use different valuation methods.

You should be aware that your account balance doesn't include the tax impact of any unrealised gains or losses that may arise if you request a full withdrawal.

Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your account balance to an Eligible Rollover Fund if:

- you haven't made a contribution in the last 12 months and your balance falls below \$2,000, or
- we lose contact with you and can't locate you.

The Eligible Rollover Fund we currently use is the Australian Eligible Rollover Fund and it can be contacted on **1800 677 424**.

We'll advise you in writing to your last known address if we intend to transfer your account balance and will proceed if you don't respond with instructions regarding an alternative super fund.

Please note, a transfer to an Eligible Rollover Fund may be detrimental to you as the Eligible Rollover Fund may have a different fee structure, different investment strategies and may not offer insurance benefits.

Transfers to the Australian Taxation Office (ATO)

The law and rules defining the transfer of unclaimed superannuation money to the ATO can be viewed on the ATO website at ato.gov.au

In summary, we're generally required by law to transfer your account to the ATO if one of the following situations occurs:

- your account balance is less than \$4,000 (this threshold will increase to \$6,000 from 31 December 2016), and either
 - no contributions or rollovers have been made to your account for 12 months, you have not otherwise contacted the fund for 12 months and we have no way of contacting you, or
 - you've been a member of the Fund for more than 2 years, your account was set up through your employer, and there have been no contributions or rollovers made to your account for over 5 years
- you're over 65, no contributions have been made to your account for over 2 years, you haven't contacted us for at least 5 years, and we've tried but have been unable to contact you
- the ATO informs us that you were a former temporary resident and left the country over six months ago
- upon your death, where no contributions have been made for at least 2 years, and after a reasonable period of time, we've tried but have been unable to identify or contact the beneficiary of your account.

The law also requires us to transfer to the ATO the portion payable to your spouse as a result of Family Law ruling, if after a reasonable period of time we've tried but have been unable to contact your spouse, or your spouse's beneficiary/estate.

If your account is transferred to the ATO for any of these reasons, you will then have to contact the ATO on **13 10 20** to claim your benefit.

Some things you should know (cont.)

Surcharge assessment for prior years

The Superannuation Contributions Surcharge (Surcharge) was removed in relation to contributions made from 1 July 2005. However, a Surcharge liability may still arise in respect of relevant contributions made in prior years.

The Surcharge assessment may be sent to the Fund, in which case the amount will generally be deducted from your account (unless it's a pension account) and paid to the ATO.

If you've withdrawn your account balance (in whole or part) or commenced a pension, the ATO may send the Surcharge assessment to your new super arrangement or directly to you.

Where you receive the assessment directly, you'll be responsible for paying the Surcharge to the ATO. If you have a pension account, you're generally able to ask us to pay you a lump sum in order to meet your Surcharge liability.

If you have any questions about the Surcharge please visit the ATO website at ato.gov.au or call **13 10 20**.

Special rules for temporary residents

If you're a temporary resident and your visa has ceased to have effect and you leave Australia permanently, you may be able to claim your superannuation from the Fund as a Departing Australia Superannuation Payment. Withholding taxes may apply to the lump sum payment. However, if you don't make a claim within six months of the later of your visa expiring or your departure from Australia, we may be required to transfer your superannuation to the ATO as unclaimed super. In these circumstances, relying on relief from ASIC we're not required to notify you or give you an exit statement and you'll need to contact the ATO directly to claim your superannuation. For more information go to ato.gov.au

Illiquid investments and portability

When you ask us to roll over or transfer your account balance, we're generally required to respond to this within 3 business days, or if you made an investment choice after 1 July 2007, within 30 days. There may be a delay in processing your request where part of your account balance is invested in an 'illiquid investment'.

Some things you should know (cont.)

What is an illiquid investment?

An investment is considered illiquid when you're unable to access your investment within the required timeframes, or if you do it would be at a materially lower price. This situation may arise when:

- a fund manager suspends transactions or closes their fund
- the normal redemption processing timeframe for a fund is greater than the required timeframe, or
- a listed investment is under administration, suspended or delisted.

Where we're unable to process your request within the required timeframe, we'll notify your financial adviser of this and provide details of the illiquid investments.

Suspended or terminated managed funds

Some investment managers suspend redemptions on their funds.

In some cases the managed fund may have been closed.

If you have some of these investments, we've already notified you about these changes.

You can find a summary of these managed funds, including details of their current status, on our website.

Resolving complaints

We can usually resolve your complaint over the phone on **1300 880 054**, or you can email or write to us. More information about how to contact us and the complaint resolution process is available at **investinfo.com/premiumchoice**.

If you're unhappy with the resolution of your complaint, please contact us to commence our internal dispute resolution process. We'll conduct a review and provide a written final outcome of your complaint, including the reasons for our decision.

If you're not satisfied with the final outcome of your complaint or if your complaint is not satisfactorily resolved within 90 days, you have the right to lodge a dispute with the Superannuation Complaints Tribunal (SCT), an independent, external dispute resolution body established by the Commonwealth Government, who can resolve certain types of disputes relating to superannuation providers. You can contact the SCT by calling **1300 884 114** or emailing **info@sct.gov.au**. Time limits apply to certain complaints to the SCT so you should contact them to find out if a time limit applies. More information is available at **sct.gov.au**

If you have a complaint about the financial advice you received, you should follow the complaint resolution process explained in the Financial Services Guide provided by your financial adviser.

How your money is invested

The investment objective of the Fund is to give you a wide choice of investment options from which you and your financial adviser can select investment strategies to suit your investment needs.

You can choose investments from:

- over 300 managed investments
- over 500 ASX listed investments, such as direct shares, and exchange traded funds
- a variety of term deposits, and
- a Separately Managed Account (SMA) providing access to a range of direct share portfolios.

If you haven't chosen a particular investment option, or your instructions aren't clear, your money will be retained in your Cash Account until we receive a clear instruction.

The full list of investment options is contained in the Investment Menu. For specific information on an investment option, please refer to the company information or the relevant disclosure document for that investment option. All these documents are available from your financial adviser or on our website.

No matter your type of investment, it's important to remain informed about changes to the underlying investment option. You need to make sure you have an up to date Product Disclosure Statement (PDS) for any investments you have selected, as additional units may be purchased overtime. You can access these PDSs at **investinfo.com.au/premiumchoice**

How your money is invested (cont.)

Performance information

For actual performance of your account in the PremiumChoice Retirement Service for the year ended 30 June 2016, please refer to your Annual Statement.

For more recent performance information, you may access this on the website or by calling us.

Asset allocation

The breakdown of assets held in the Fund is determined at an individual member level. Further information about your actual asset allocation can be found in your Annual Statement.

As at 30 June 2016, the PremiumChoice Retirement Service held the following assets with a value of greater than 5% of the Fund's total assets:

- NAB Professional Funds Account issued by NAB Limited – 7.38%
- Other assets in NAB Limited including term deposits, shares (directly and through the SMA) and cash accounts – 2.88%
- St George Bank Term Deposit and Westpac shares – 6.77%

Derivatives

Derivatives may be used in any of the investment options.

Derivatives are contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns.

Some derivatives allow investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable.

Investment managers have derivatives policies which outline how derivatives are managed. How investment managers invest in derivatives is included in their PDS on our website.

Financial Report

The following abridged fund accounts for the financial year ended 30 June 2016 are for the PremiumChoice Retirement Service. The assets for the PremiumChoice Retirement Service are \$380 million.

The full audited financial statements and auditor's report will be available on our website from December 2016.

You can also call us to receive a paper copy.

PremiumChoice Retirement Service

Abridged Financial Information – Statement of Financial Position

As at 30 June 2016

	2016	2015
	\$'000	\$'000
Assets		
Cash and cash equivalents	4,025	3,954
Outstanding settlements	348	431
Investment revenue receivables	12,554	15,775
Trade and other receivables	6	3
Professional funds account	28,006	22,687
Australian equities	32,929	31,296
Separately Managed Accounts	17,543	17,883
Cash Account Income Fund	9,102	9,102
Unlisted unit trusts	244,196	240,267
Term deposits	30,026	29,160
Income tax receivable	106	341
Deferred tax asset	1,095	999
Total assets	379,936	371,898
Liabilities		
Payable - Navigator Australia Limited	286	328
Payable - MLC Limited	100	99
Outstanding settlements	40	358
Trade and other payables	9	7
Total liabilities (excluding net assets available to pay benefits)	435	792
Net assets available to pay benefits	379,501	371,106
<i>Represented by:</i>		
Total liability for accrued benefits	379,501	371,106

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Abridged Financial Information – Operating Statement

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Investment revenue		
Rebates	76	105
Dividends	1,438	1,358
Interest	1,694	1,611
Distributions	17,008	21,499
Changes in the net market value of investments	(12,669)	9,170
Net investment revenue	7,547	33,743
Contributions revenue		
Employers' contributions	9,787	9,102
Members' contributions	13,360	11,146
Transfers from other funds	19,248	16,664
Other contributions	472	437
Total contributions revenue	42,867	37,349
Total revenue	50,414	71,092
Expenses		
Management fees	3,774	4,103
Other operating expenses	249	597
Adviser review fees	1,758	1,335
Insurance premiums	1,125	1,074
Total expenses	6,906	7,109
Benefits accrued as a result of operations before income tax	43,508	63,983
Income tax expense/(benefit) attributed to benefits accrued as a result of operations	(168)	385
Benefits accrued as a result of operations	43,676	63,598

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Abridged Financial Information – Cash Flow Statement

For the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
Cash flows from operating activities		
Employers' contributions received	9,787	9,102
Members' contributions received	13,360	11,146
Other contributions received	353	408
Interest received	1,694	1,612
Distributions received	20,228	16,189
Dividends received	1,438	1,358
Rebates received	73	110
Transfers in received	17,477	15,640
Compensation received	115	26
Management fees paid	(3,801)	(4,204)
Other expenses paid	(3,137)	(3,229)
Redemptions paid	(25,188)	(31,229)
Pensions paid	(10,095)	(8,489)
Tax received from the ATO	307	526
Net cash inflows from operating activities	22,611	8,966
Cash flows from investing activities		
Purchase of investments	(117,161)	(100,579)
Proceeds on sale of investments	94,621	91,507
Net cash (outflows) from investing activities	(22,540)	(9,072)
Net increase/(decrease) in cash and cash equivalents	71	(106)
Cash and cash equivalents at beginning of the financial year	3,954	4,060
Cash and cash equivalents at end of the financial year	4,025	3,954

How to contact us

For more information call us from anywhere in Australia on **1300 880 054** or contact your financial adviser.

Postal address:

PremiumChoice Client Services
GPO Box 1610
Melbourne Victoria 3001

Registered office:

Ground Floor, MLC Building
105–153 Miller Street
North Sydney NSW 2060