

PremiumChoice Retirement Service



Annual Report 2015

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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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A year in review

The 2015 financial year was another year of solid performance, particularly for global shares and property securities investors. Interest rates remained at historically low levels around the globe for much of the year, resulting in modest returns for fixed income investors. By keeping interest rates low, central banks in many countries attempted to encourage investment in assets that generate economic growth.

While global economic growth improved, questions remained about the robustness of the recovery, and conditions varied widely across countries. Slowing demand from China for our commodities was a key driver of the modest returns from Australian shares this year.

With the unpredictability of the market, the rising cost of living and increased life expectancy, it's never been more important than now to ensure that you have a holistic wealth strategy in place – one that will ensure you live comfortably now and into your retirement.

We know that your needs change over time, that's why our super and insurance solutions are designed to grow with you. Our investment menu offers multi-class portfolios and single asset class funds, so you can tailor your investment strategy to suit your personal financial objectives and risk appetite. You can help protect your wealth and lifestyle with insurance, to achieve a wealth strategy to suit your needs in a cost effective way.

For more information about building a strong portfolio, and to help protect the lifestyle you've worked hard for, go to saveretirement.com.au



Nicole Smith

Chair

NULIS Nominees (Australia) Limited

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 will be established. It is expected that the NAB Group will fund and maintain the Reserve. However, we may require members to contribute to the Reserve in future years. We'll notify you in advance of any deductions.

As the Reserve will be established during 2016 financial year, the balance of the Reserve at the end of the last three financial years was zero.

Meet the Board

The directors are:

Nicole Smith (Chair)

BFA 1990, CA
GAICD

Michael Clancy

B Bus (Finance and Economics) 1992
CFA 1997

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

For this reporting period, there were no changes to Trustee directors.

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 \$2,000 (this threshold will increase to \$4,000 from 31 December 2015, and to \$6,000 from 31 December 2016), and either
 - no contributions or rollovers have been made to your account 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.

Some things you should know (cont.)

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.

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 are or have been a temporary resident you can generally only access your super benefits as a single lump sum where your visa has ceased to have effect and you have departed Australia. Withholding taxes may apply to the lump sum payment.

Exceptions apply if you become permanently disabled or suffer a terminal medical condition or, in the event of your death.

If you don't claim your super benefit within six months of becoming eligible, we may have to pay it to the ATO. Where this occurs, we are not obliged to notify you or give you an exit statement, and you will need to make an application to the ATO to have any entitlements paid to you.

These rules don't apply if you are, or become, a New Zealand citizen, Australian citizen or permanent resident, or you hold a class 405 or 410 Retirement visa.

Some things you should know (cont.)

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'.

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 complaints over the phone. Please call us on **1300 880 054**. If we can't resolve your complaint or you're not satisfied with the outcome, please write to us at GPO Box 1610 Melbourne VIC 3001. We'll work to resolve your complaint as soon as possible. More information is available at investinfo.com.au/premiumchoice

If you're not satisfied with our decision you can refer your complaint to the Superannuation Complaints Tribunal by calling **1300 884 114** or emailing info@sct.gov.au. 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 either the Investment Menu or the Investment Allocation Authority. 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.

Performance information

For actual performance of your account in the PremiumChoice Retirement Service for the year ended 30 June 2015, 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 2015, 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 – 6.11%
- Other assets in NAB Limited including term deposits, shares (directly and through the SMA) and cash accounts – 2.55%
- Platinum International Fund – 5.17%
- St George Bank Term Deposit and Westpac shares – 7.27%

How your money is invested (cont.)

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.

The Trustee currently permits derivatives to be used for the purposes of the provision of investment protection, hedging, efficient portfolio management, and investment return generation (where consistent with investment objectives).

The Fund currently doesn't directly invest in or use financial derivatives except where financial derivatives are acquired as a result of a corporate action in relation to an investment within the Fund.

Some of the available investment options may however invest in financial derivatives. How investment managers invest in derivatives is included in their Product Disclosure Statement on our website.

Financial Report

The following abridged fund accounts for the financial year ended 30 June 2015 are for the PremiumChoice Retirement Service. The assets for the PremiumChoice Retirement Service are \$371 million.

The full audited financial statements and auditor's report will be available on our website from December 2015.

You can also call us to receive a paper copy.

PremiumChoice Retirement Service
Abridged Financial Information – Statement of Financial Position

As at 30 June 2015

	2015 \$'000	2014 \$'000
Assets		
Cash and cash equivalents	3,954	4,060
Outstanding settlements	431	457
Investment revenue receivables	15,775	10,466
Trade and other receivables	3	4
Professional funds account	22,687	32,466
Listed shares	31,296	30,060
Separately Managed Accounts	17,883	15,085
Cash Account Income Fund	9,102	9,102
Unlisted unit trusts	240,267	221,649
Term deposits	29,160	22,574
Income tax receivable	341	485
Deferred tax asset	999	1,767
Total assets	371,898	348,175
Liabilities		
Payable - Navigator Australia Limited	328	489
Payable - MLC Limited	99	258
Outstanding settlements	358	190
Trade and other payables	7	1
Total liabilities (excluding net assets available to pay benefits)	792	938
Net assets available to pay benefits	371,106	347,237
<i>Represented by:</i>		
Total liability for accrued benefits	371,106	347,237

PremiumChoice Retirement Service
Abridged Financial Information – Operating Statement

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Investment revenue		
Rebates	105	81
Dividends	1,358	1,240
Interest	1,611	1,763
Distributions	21,499	15,825
Changes in the net market value of investments	9,170	19,731
Net investment revenue	33,743	38,640
Contributions revenue		
Employers' contributions	9,102	7,973
Members' contributions	11,146	9,285
Transfers from other funds	16,664	21,474
Other contributions	437	935
Total contributions revenue	37,349	39,667
Total revenue	71,092	78,307
Expenses		
Management fees	4,103	4,412
Other operating expenses	1,932	1,474
Insurance premiums	1,074	1,074
Total expenses	7,109	6,960
Benefits accrued as a result of operations before income tax	63,983	71,347
Income tax expense attributed to benefits accrued as a result of operations	385	1,444
Benefits accrued as a result of operations	63,598	69,903

PremiumChoice Retirement Service
Abridged Financial Information – Cash Flow Statement

For the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
Cash flows from operating activities		
Employers' contributions received	9,102	7,973
Members' contributions received	11,146	9,285
Other contributions received	408	933
Interest received	1,612	1,762
Distributions received	16,189	9,460
Dividends received	1,358	1,240
Rebates received	110	78
Transfers in received	15,640	21,038
Compensation received	26	2
Management fees paid	(4,204)	(4,337)
Other	(3,229)	(2,478)
Redemptions paid	(31,229)	(37,837)
Pensions paid	(8,489)	(8,156)
Tax received from the ATO	526	279
Net cash flows used in operating activities	8,966	(758)
Cash flows from investing activities		
Purchase of investments	(100,579)	(85,894)
Proceeds on sale of investments	91,507	86,822
Net cash flows from investing activities	(9,072)	928
Net increase in cash and cash equivalents	(106)	170
Cash and cash equivalents at beginning of the financial year	4,060	3,890
Cash and cash equivalents at end of the financial year	3,954	4,060

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

investinfo.com.au/premiumchoice