

# Annual report to members for the year ended 30 June 2014

## Macquarie ADF Superannuation Fund



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Macquarie ADF Superannuation Fund RSE R1004502 is a superannuation fund established by way of a trust deed. The trustee for the superannuation fund is Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281 (MIML, Macquarie, the trustee, we, us). Contributions are invested in a life insurance policy issued by Macquarie Life Limited ABN 56 003 963 773 AFSL 237497 (Macquarie Life). MIML and Macquarie Life are wholly owned subsidiaries of Macquarie Group Limited ABN 46 008 583 542. The trustee is covered by the professional indemnity insurance taken out by the Macquarie Group.

**MIML is not an authorised deposit-taking institution for the purposes of the *Banking Act (Cth) 1959*, and MIML's obligations do not represent deposits or other liabilities of Macquarie Bank Limited. Macquarie Group Limited does not guarantee or otherwise provide assurance in respect of the obligations of MIML.**

**Investments in the Macquarie ADF Superannuation Fund are not deposits with or other liabilities of Macquarie Group Limited or of any Macquarie Group company, and are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Neither Macquarie Group Limited, MIML, Macquarie Life, nor any other investment managers referred to in this report, nor any other member company of the Macquarie Group guarantees the performance of the Macquarie ADF Superannuation Fund or the repayment of capital from the Macquarie ADF Superannuation Fund.**

The information contained in this Annual Report is dated 8 December 2014 and is general information only. We have not taken into account your objectives, financial situation or needs. You should consider the appropriateness of this information, taking into account your objectives, financial situation before acting on any of the information in this Annual Report.

# Welcome

8 December 2014

Dear Member,

## **Welcome to the ADF Superannuation Fund (the Fund) Annual Report for the financial year ended 30 June 2014.**

This Annual Report provides you with general information about the management and financial position of the Fund, a legislative update and details of matters concerning the investments in the Fund. This report should be read with your Annual Statement for the year ended 30 June 2013, which gives details of your benefits in the Fund.

During the past year positive improvements have been made towards digital efficiency within the Australian superannuation landscape. With the introduction of the Federal Government's SuperStream reforms, a new ecommerce and data standard (the Standard), certain superannuation transactions, including employer contributions, will be automated and timely.

The 2014 financial year witnessed increasing divergence in the pattern of global growth. The US and UK economies steadily gathered momentum while the Eurozone and Japan struggled to maintain confidence in their recovery. Meanwhile, developments in the key emerging economies were dominated by increasing concerns about a noticeable slowing in Chinese growth and structural impediments to expansion of the Indian economy. Against this backdrop, the global business cycle has been characterised by low inflation outcomes and concerns about the risk of encroaching deflationary forces in the Eurozone economies.

The Australian economy experienced slower growth over 2014 as the drivers of activity continued to transition away from mining investment to non-mining sector demand. A combination of the weak housing construction response to low interest rates and a strong Australian dollar prompted the Reserve Bank of Australia to reduce interest rates by a further 25 basis points to a historical low of 2.5 per cent in August 2013. Nevertheless, business and consumer confidence levels continued to be subdued over 2014, in turn constraining business and consumer spending patterns, ensuring that the Australian economy also reflected the low inflation environment of the other major developed economies.

Welcome

We hope you will find this year's Annual Report informative and we thank you for your ongoing support.

If you have any questions about this Annual Report or about the Fund in general, please contact your adviser or call us on 1800 801 651.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bill Marynissen', with a long horizontal flourish extending to the right.

**Bill Marynissen**

Executive Director  
Banking and Financial Services Group

# Overview of the Fund

The Fund offers a range of benefits that may assist you in meeting your retirement savings needs at various points throughout your lifetime. It suits people who are at crossroads in their working life – you may have changed jobs, opted for a redundancy package or taken an early retirement. Whatever the reason, the Fund allows you to ‘park’ your superannuation money (subject to preservation rules) in a safe place while you consider your investment strategies for the short, medium or long term.

In addition, the Fund is a secure choice for the cash portion of any diversified portfolio.

The Fund consists of three plans:

1. **Super Plan:** enables you to save for your retirement by rolling over your existing superannuation accounts and by making additional superannuation contributions.
2. **Allocated Pension Plan:** allows you to use your accumulated superannuation to obtain flexible and tax effective retirement income payments. The plan closed to new investors on 6 May 2004. The closure of the Allocated Pension Plan does not impact the way in which investments in the Fund are managed, nor does it impact the service that members of the Allocated Pension Plan receive in relation to their accounts.
3. **Fixed Pension Plan:** closed to new investors on 31 July 1998. For existing investors, it ceased to be treated as an asset test exempt pension for social security purposes, in September 1998 as a result of legislative changes.

## Fund performance

The following investment returns were achieved for the year:

- Super Plan achieved 1.26 per cent
- Allocated Pension Plan achieved 1.49 per cent
- Fixed Pension Plan achieved 1.49 per cent.

Super Plan <sup>1</sup> – inception: 26 November 1984						
Year to 30/6/14	Year to 30/6/13	Year to 30/6/12	Year to 30/6/11	Year to 30/6/10	5yrs to 30/6/14	Inception to 30/6/14
%	%	%	%	%	% pa	% pa
1.26	1.87	3.06	3.23	2.26	2.33	5.91

<sup>1</sup> Returns are quoted net of all fees, charges and taxes with the exception of the account keeping fee and other incidental fees which may be charged directly to your account.

### Allocated Pension Plan<sup>1</sup> – inception: 5 August 1996

Year to 30/6/14 %	Year to 30/6/13 %	Year to 30/6/12 %	Year to 30/6/11 %	Year to 30/6/10 %	5yrs to 30/6/14 % pa	Inception to 30/6/14 % pa
1.49	2.11	3.49	3.8	2.73	2.72	4.14

### Fixed Pension Plan<sup>1</sup> – inception: 3 September 1997

Year to 30/6/14 %	Year to 30/6/13 %	Year to 30/6/12 %	Year to 30/6/11 %	Year to 30/6/10 %	5yrs to 30/6/14 % pa	Inception to 30/6/14 % pa
1.49	2.11	3.49	3.80	2.74	2.72	3.98

<sup>1</sup> Returns are quoted net of all fees, charges and taxes with the exception of the account keeping fee and other incidental fees which may be charged directly to your account.

It is important to remember that:

- past performance is no indication of future performance
- your investment is not guaranteed
- the value of your investment can rise and fall.

## Economic update<sup>2</sup>

### The Australian economy

During the past year, Australia's economy continued its transition from mining investment-driven growth to non-mining sector activity. But as expected, the path has been uncertain and uneven. The persistently high Australian dollar has continued to complicate the economy's transition and be reflected in patchy business conditions across the business sectors.

The Reserve Bank of Australia (RBA) continued to adopt a supportive monetary policy stance throughout the 2013/14 financial year by reducing interest rates by 0.25 percentage points to a historical low of 2.5 per cent in August 2013. Despite periodic financial market speculation about a hike in official interest rates in late 2014, the RBA continued to stress the benefits of a stable economy during a period of unchanged rates. The moderation of inflation and wage growth in the past year has supported the RBA's current supportive policy stance, suggesting that there is no imminent risk to stable policy settings.

<sup>2</sup> The information provided in this review is based on information as at 30 June 2014 and is derived from sources that are believed to be reliable at that time.

Concerns in the first half of the year about rapid growth in house prices, notably in Sydney, abated somewhat as housing market activity slowed and prices reached a plateau from April 2014. Although housing affordability remains a key concern for Australians, there is now a diminishing risk of a destabilising 'house price bubble' developing in the economy. In contrast to New Zealand, Australia does appear to have additional capacity to support the further expansion of housing construction in the coming year.

The challenges associated with the transition of the Australian economy were also reflected in continuing low levels of business and consumer confidence over the past year. Lacklustre consumer sentiment has continued to result in sub-trend consumer spending growth. The average household savings rate maintained itself around 10.5 per cent, compared to the mid-2000's average of just 3.0 per cent. Consumer spirits were buffeted further with the announcement in May 2014 of the new Australian Government's 2015 financial year Federal Budget and package of fiscal consolidation measures. While there was some recovery in confidence levels in early June, they remain well below historical averages.

Overall, the Australian economy is expected to have grown at a sub-trend pace of 2.8 per cent during 2013 and 2014, as the mining investment boom fades and the transition to other non-mining sector areas of activity struggles to overcome the pressures of a still-high Australian dollar. The prospects for Australia's growth rate to meet its long-term potential of around 3.25 per cent in the 2014/15 financial year will likely hinge on a noticeable recovery in consumer confidence, a stabilisation in China's business cycle and a measured decline in the value of the Australian dollar. At this juncture, it is not expected that the RBA will cut interest rates further, nor is it believed that there is a risk of an early hike in rates, given the benign inflation and wages conditions prevailing in the economy.

# How the Fund is managed

The Fund is conservatively managed, investing primarily in shorter term securities (money market) with some holdings in longer term Australian fixed interest securities.

## Investment objective

The Fund's objective is to produce consistent returns in a low risk style by investing in short term money market and fixed interest securities. It is suitable for security-conscious investors looking for either a short, medium or long term investment.

## Investment strategy

The Fund will invest a minimum of 70 per cent of the portfolio in money market and fixed interest securities of less than one year's maturity. The Fund may invest the remaining assets in longer dated investments to take advantage of higher yields or the capital gains potential of the bond market. The performance of the short term money market portfolio may be enhanced with the use of structured securities, such as asset-backed securities, listed hybrid securities and interest rate derivatives.

## Futures and options

Futures and options (derivatives) can be used in the Fund:

- as a hedge to offset the risk of price variations of securities
- as an alternative to purchasing the physical security, and
- to take advantage of any opportunities which may exist in the market from time to time.

Redemptions from the Fund are met from readily liquefiable securities. The trustee is of the opinion that in the normal course of business the redemption arrangements of the Fund are adequate.

## The Macquarie Life policy

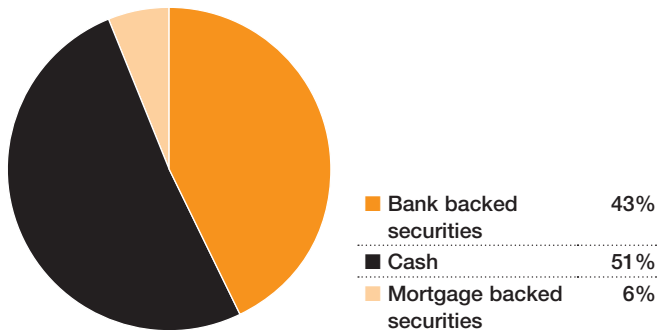
The Fund is invested in a life policy issued by Macquarie Life Limited (Macquarie Life). Through this policy, your investment has access to a wide variety of cash and fixed interest assets.



### Asset allocation as at 30 June 2014<sup>3</sup>

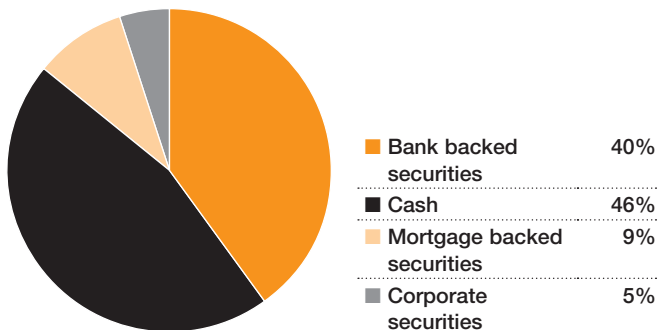
Investments held through the Macquarie Life policy represented 100 per cent of the Fund.

#### 30 JUNE 2014



### Asset allocation as at 30 June 2013<sup>3</sup>

#### 30 JUNE 2013



<sup>3</sup> The asset allocations shown in these pie charts are the composition of the Fund as at the relevant dates and will vary from day to day as securities are bought and sold.

# Important information

## Super disclosure changes from 1 July 2014

New disclosure requirements for superannuation trustees came into effect on 1 July 2014 and aim to increase transparency by providing more extensive and timely information about superannuation funds to members.

Information about the Fund is available from [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap) and includes:

- the Trustee company's constitution and financial statement for the previous financial year
- the trust deed for the Fund
- information about the Trustee's Directors and Executive Officers
- policies relating to conflict management and proxy voting.

## Operational Risk Financial Requirement

The Trustee has formulated a strategy for establishing, implementing, managing and maintaining an Operational Risk Financial Requirement (ORFR) in accordance with applicable superannuation laws. The ORFR is funded by the Trustee through shareholder capital and does not form part of the administration fee or any other fee described within the Product Disclosure Statement (PDS).

## Removal of small member account protection standards

From 1 July 2013, the Government repealed member protection standards within the SIS Regulations designed to protect small member account balances.

The Trustee has elected to continue to protect member account balances below \$1,000 by not charging administration fees on these accounts until an Eligible Rollover Fund (ERF) review is conducted.

From 1 January 2015, if your account balance is below \$1,000 we may write to you to explain our ERF process and inform you of what these changes may mean to your account.

## Consolidation of multiple accounts

Each year, the Trustee is obliged to identify and review members who hold more than one superannuation account within the Fund. Where the Trustee reasonably determines

that it is in the best interests of the member, the member's superannuation benefits may be consolidated into a single account. Members may be provided with the opportunity to elect not to consolidate their accounts. The next review will be conducted from January 2015.

## Updated Privacy Policy

Macquarie's Privacy Policy was updated on 12 March 2014 in accordance with new Australian Privacy Principles. The Privacy Policy was updated to include new information about:

- the way we collect and handle your personal information, including the sources we use to collect information about you
- who we may exchange your information with and where they are located (including what laws we may be required to disclose information under)
- your right to request access to, or correct, the information we hold about you and how you can make a complaint.

For a copy of the Privacy Policy, please visit [macquarie.com.au](http://macquarie.com.au)

## Accessing your Annual Report

You can view the latest Annual Report for the Fund online at any time by visiting [macquarie.com.au/yourwrap](http://macquarie.com.au/yourwrap). You may also elect to have a hard copy of the Annual Report sent to you free of charge.

## Financial Services Council

MIML complies with the Financial Services Council Standard 20: *Superannuation Governance Policy*.

## Legislative updates

Since the beginning of the 2013/14 financial year, the following changes affecting superannuation have occurred. Some of these changes are subject to passage of legislation through Parliament, as indicated below.

### Concessional contributions cap

The general concessional contributions cap increased on 1 July 2014 from \$25,000 to \$30,000, as a result of indexation.

In 2014/15, the higher concessional contributions cap of \$35,000 has been extended to individuals aged 49 and over at 30 June 2014. In the previous year this higher cap was only available to those aged 59 and over at 30 June 2013. All other individuals are subject to the general concessional contributions cap.

### **Non-concessional contributions cap**

The standard non-concessional contributions cap increased on 1 July 2014 from \$150,000 to \$180,000, as a result of indexation.

Those under age 65, at any time in the financial year, may use the 'bring forward' rule to contribute up to three times the standard non-concessional cap, so as to contribute a maximum of \$540,000 over a three year period where the 'bring forward' rule is triggered from 1 July 2014. Members wishing to make use of this rule should seek professional advice.

### **Excess non-concessional contributions**

The Government announced in the 2014 Federal Budget to change the treatment of excess non-concessional contributions made from 1 July 2013. It is proposed to allow individuals to withdraw any excess amount, plus an associated earnings amount. The associated earnings amount is proposed to be included in the individual's assessable income and taxed at marginal rates. This measure is not yet law at the time of writing.

### **Superannuation Guarantee**

The Superannuation Guarantee (SG) rate increased from 9.25 per cent to 9.5 percent on 1 July 2014.

Legislation has been passed by Parliament to pause the SG rate at 9.5 per cent from 1 July 2015 to 30 June 2021. The SG rate will increase to 10 per cent from 1 July 2021, with further increases of half a percentage point each year until it reaches 12 per cent on 1 July 2025.

### **Low income superannuation contributions**

Legislation has been passed by Parliament to cease payment of the low income superannuation contribution (LISC) from 1 July 2017. LISC effectively provides a refund of taxable contributions up to a maximum of \$500 per year, where an individual's income is less than \$37,000.

This means the LISC will no longer be payable for contributions made after 30 June 2017.

### **SuperStream**

Measures aimed at improving the administration and management of member accounts were introduced from 1 July 2013. These measures, known as SuperStream, included the introduction of a new data and payment standard for

the electronic processing of rollovers. This standard applies to contributions made by medium to large employers from 1 July 2014, subject to transitional arrangements. For small employers, the standard will apply from 1 July 2015.

### **Insurance within superannuation**

From 1 July 2014, superannuation regulations restrict the types of insurance that can be put in place within a superannuation fund. The regulations require alignment of the definitions of insurance inside superannuation with the superannuation law payment rules for death, terminal medical condition, permanent incapacity and temporary incapacity. This means that superannuation fund trustees are not able to take out certain types of cover or cover with certain features and benefits from 1 July 2014. Insurance cover held for existing fund members that is in place prior to 1 July 2014 is not affected.

### **Deeming of account-based pensions**

From 1 January 2015, the treatment of account-based pensions under the income test for social security entitlements will change. An assumed amount of income known as 'deemed' income will be assessed under the income test from 1 January 2015, replacing the current method of assessing an individual's pension income less a deduction amount.

Where an individual has an existing account-based pension and is in receipt of social security benefits on 1 January 2015, their pension will continue to be assessed under the pre 1 January 2015 rules provided both the pension and social security entitlements are retained.

Changes to the treatment of account-based pensions for the Commonwealth Seniors Health Card (the Card) are also proposed. A deemed level of income is proposed to be included in the income test for the Card from 1 January 2015.

Where an individual has an existing account-based pension and holds the Card on 1 January 2015, their pension is proposed to continue to be exempt from the income test provided both the pension and Card is retained. Please note that this measure is not yet law at the time of writing.

### **Future of Financial Advice amendments**

Further refinements were made to the Future of Financial Advice (FOFA) reforms, including the removal of the catch-all provision from the best interests duty requirement for financial advisers,

removal of the opt-in requirement and fee disclosure statement obligations for existing clients as at 1 July 2013 and the clarification of various conflicted remuneration arrangements.

Regulations came into effect from 1 July 2014 but have subsequently been disallowed and are no longer law at the time of writing.

Other refinements including further disclosures in Statements of Advice and the requirement for both advisers and clients to sign and acknowledge Statements of Advice continue to apply.

### **Temporary budget repair levy**

In the 2014 Federal Budget, the Government announced the introduction of a temporary budget repair levy. The levy is calculated as two per cent for the part of an individual's taxable income that exceeds \$180,000 in the 2014/15, 2015/16 and 2016/17 income years. This may increase the tax withheld on some payments from superannuation.

The levy also increases the tax applicable to certain excess non-concessional contributions and for concessional contributions where no Tax File Number is provided to the fund.

### **Increase to Medicare levy**

As a result of the introduction of Disability Care Australia, the Medicare levy increased on 1 July 2014 from 1.5 per cent to two per cent. This may impact on the tax withheld on some payments from superannuation.

### **Increase to low rate cap**

The low rate cap increased from \$180,000 to \$185,000 from 1 July 2014, as a result of indexation. The low rate cap limits the amount of taxable component benefits an individual may withdraw from their super between preservation age and age 60 where a zero rate of tax is applied. Amounts withdrawn above the limit are generally taxed at 15 per cent plus Medicare levy.

### **The APRA levy**

To fund the costs associated with the implementation of the Government's SuperStream reforms, a temporary 'SuperStream levy' is imposed on Australian Prudential Regulation Authority (APRA) regulated superannuation funds from 1 July 2012 until 30 June 2018.

As the fund is regulated by APRA, the next levy instalment will be debited from members' accounts no later than December 2014.

## Use of derivatives

We may invest in derivatives to obtain or reduce market exposure. Derivatives, such as futures and options, are financial instruments whose value is derived from actual underlying assets. As the market value of derivatives is variable, gains and losses can be incurred and this can be magnified due to the leveraged nature of the investments.

The Fund may use derivative securities such as futures, options and swaps:

- as a hedge (used to offset the risk of price variations)
- as an alternative to buying and selling the physical security, or
- to take advantage of opportunities for profit.

If we decide to use derivatives, we ensure that the Fund can always meet its commitments without having to borrow.

## Eligible Rollover Fund

The Trustee reserves the right to pay all accounts with a balance up to \$1,200 to an ERF, which accepts small amounts. The ERF chosen is called the Super Safeguard Eligible Rollover Fund.

The Super Safeguard Eligible Rollover Fund is administered by Australian Administration Services Pty Limited ABN 62 003 429 114 AFSL 295142. APRA has approved the Super Safeguard Eligible Rollover Fund to operate as an ERF. The trustee is Trust Company Superannuation Services Limited ABN 49 006 421 638 AFSL 235153.

Trust Company Superannuation Services Limited will protect your benefits from erosion due to fees and charges under member benefit protection rules.

Should your benefit be transferred to the Super Safeguard Eligible Rollover Fund all subsequent enquiries relating to your benefit should be directed to:

### **Super Safeguard Eligible Rollover Fund**

GPO Box 3426

Melbourne

VIC 3001

Phone: 1300 135 181

Fax: 1300 135 191

Email: [supersafeguard@primary.com.au](mailto:supersafeguard@primary.com.au)

Website: [supersafeguard.com.au](http://supersafeguard.com.au)

Should your benefit be transferred to the Super Safeguard Eligible Rollover Fund:

- your interest in the Fund, including your insurance cover, will cease
- you will become a member of the Super Safeguard Eligible Rollover Fund and will be subject to its governing rules
- your account will be invested according to the investment strategy of the Super Safeguard Eligible Rollover Fund
- the Super Safeguard Eligible Rollover Fund may charge fees to your account
- you may not be offered insurance cover.

Please refer to the PDS for the Super Safeguard Eligible Rollover Fund for more information.

We reserve the right to change the chosen ERF without notice to you.

## Complaints

If you have a complaint, please contact your adviser and discuss your enquiry or complaint with them.

If you are not satisfied with the result, please contact us on 1800 801 651. Alternatively, please write to us at the address below.

### **Macquarie Investment Management Limited**

GPO Box 4045  
Sydney NSW 2001

We will respond to your written enquiry or complaint as soon as possible and always within 45 days of receipt.

If you are not satisfied with our response after 90 days, you may wish to refer the matter to the Superannuation Complaints Tribunal, an independent body set up by the Federal Government to review trustee decisions relating to individual members. You can contact the tribunal on 1300 884 114 or [info@sct.gov.au](mailto:info@sct.gov.au).

## Further information

Further information is available from either:

- your adviser (if applicable)
- by contacting us on 1800 801 651.



# Financial statements of the Fund<sup>4</sup>

## Operating statement for year ended 30 June 2014

	2014 \$'000	2013 \$'000
<b>Investment revenue</b>		
Changes in the net market value of investments	4,921	8,760
<b>Total investment revenue</b>	<b>4,921</b>	<b>8,760</b>
<b>Contributions revenue</b>		
Employer contributions	8,096	9,059
Members' contributions	9,905	12,542
Transfers from other funds	7,664	18,423
<b>Total contributions revenue</b>	<b>25,665</b>	<b>40,024</b>
<b>Total revenue</b>	<b>30,586</b>	<b>48,784</b>
<b>Expenses</b>		
Contributions tax	1,725	2,345
Withholding tax	56	123
Other	92	129
<b>Total expenses</b>	<b>1,873</b>	<b>2,597</b>
<b>Benefits accrued as a result of operations before income tax</b>	<b>28,713</b>	<b>46,187</b>
Income tax expense/(benefit)	–	–
<b>Benefits accrued as a result of operations</b>	<b>28,713</b>	<b>46,187</b>

<sup>4</sup> This Annual Report contains abridged financial information for the financial year ended 30 June 2014 for the Fund. The full financial information is available upon request by contacting your adviser, or us on 1800 801 651.

## Statement of financial position as at 30 June 2014

	2014 \$'000	2013 \$'000
<b>Assets</b>		
Cash and cash equivalents	2	3
Investments	364,376	425,820
<b>Total assets</b>	<b>364,378</b>	<b>425,823</b>
<b>Liabilities</b>		
Trade and other payables	868	628
<b>Total liabilities</b>	<b>868</b>	<b>628</b>
<b>Net assets available to pay benefits</b>	<b>363,510</b>	<b>425,195</b>
<b>Represented by:</b>		
<b>Liability for accrued benefits</b>		
Allocated to members' accounts	363,510	425,195

# Contacts

## Mailing address

### **Macquarie Investment Management Limited**

GPO Box 4045  
Sydney NSW 2001

## Office addresses

### **New South Wales**

1 Shelley Street  
Sydney NSW 2000

### **Victoria**

Level 24, 101 Collins Street  
Melbourne VIC 3000

### **Queensland**

Level 16A, 345 Queen Street  
Brisbane QLD 4000

### **South Australia**

Level 2, 151 Pirie Street  
Adelaide SA 5000

### **Western Australia**

Level 2, 235 St Georges Terrace  
Perth WA 6000

For more information, financial advisers call 1800 801 651, fax 1800 550 140 or visit **[macquarie.com.au/advisers](http://macquarie.com.au/advisers)**

Existing members, call 1800 801 651 or fax 1800 025 175.