

Annual report to members for the year ended 30 June 2015

Insurance-only division of the
Macquarie Superannuation Plan



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The insurance-only division forms part of a superannuation fund known as the Macquarie Superannuation Plan RSE R1004496. 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).

MIML and Macquarie Life are not authorised deposit-taking institutions for the purposes of the *Banking Act 1959* (Cth), and their respective obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Neither Macquarie Bank Limited, nor any other company in the Macquarie Group, guarantees or otherwise provides assurance in respect of the obligations of MIML or Macquarie Life.

The information contained in this annual report is dated 7 December 2015 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 and needs and the applicable PDS available from us or your adviser, before acting on any of the information in this annual report.

Welcome

7 December 2015

Dear Member,

Welcome to the Annual Report for the insurance-only division of the Macquarie Superannuation Plan for the year ended 30 June 2015.

This Annual Report provides you with general information about the management and financial position of the insurance-only division of the Macquarie Superannuation Plan (the Fund) and a legislative update. This report should be read with your Annual Statement for the year ended 30 June 2015, which gives details of your benefits in the Fund.

What happened this year?

In Australia we witnessed a strong housing market, particularly in Sydney and Melbourne, and a decline in the mining sector due to lower priced commodities (like iron ore) from slower manufacturing and infrastructure growth in China and other large commodity exporters. It was a lacklustre year for our equity market however, with the S&P/ASX 200 Accumulation Index losing 0.7 per cent over the 12 months to September, while the All Ordinaries slipped 5 per cent. With the decline in commodity prices intensifying concerns regarding local growth, the Reserve Bank of Australia (RBA) shaved 50 basis points from the cash rate over the period, taking it to 2 per cent.

Overseas, we saw conditions in the United States (US) and United Kingdom (UK) head towards economic recovery. Globally, we experienced a dramatic sell-off in commodities and energy, the introduction of quantitative easing in Europe, a significant increase in the value of the US dollar and slowing growth in China as their export-led boom faded.

We hope you 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 Macquarie Superannuation Plan in general, please contact your adviser.

Yours sincerely,



Bill Marynissen

Executive Director
Macquarie Investment Management Limited

Overview of the insurance-only division of the Macquarie Superannuation Plan

The insurance-only division of the Macquarie Superannuation Plan provides a mechanism to allow you to hold your insurance cover within superannuation, without the need to maintain an account balance.

The amounts you direct to the insurance-only division as new contributions to superannuation or rollovers are paid by the Trustee of the Fund to Macquarie Life Limited to meet the premium (and policy fee if applicable) for your insurance cover.

The Fund is a resident regulated superannuation fund within the meaning of the *Superannuation Industry (Supervision) Act 1993* and a complying superannuation fund, able to accept employer superannuation guarantee contributions.

The rights and obligations of members of the Fund are set out by way of a Trust Deed and the trustee of the fund is Macquarie Investment Management Limited (MIML). MIML applies no management fees or costs to members of the insurance-only division or their benefits. The only amounts paid by you are contributions or rollovers to meet the premium (and policy fee) for your insurance cover.

Important information

Amendments to the Fund's trust deed

The trust deed of the Fund was amended several times during this financial year, effective 30 June 2015. A brief summary of each amendment is described below.

Reversionary beneficiary nominations

In November 2014, amendments were made to sub-sections 1.1, 6.3 and 6.3A of the trust deed to enable account based pension holders to nominate a reversionary beneficiary after the pension commencement date. This amendment was made in consideration of changes to the social security treatment of account based pensions that came into effect from 1 January 2015 (see *Legislative updates* section for more information).

Scope of relevant law

In June 2015, amendments were made to sub-section 1.1 of the trust deed to clarify that the scope of applicable 'Relevant Law' includes any other statutory or regulatory requirement (including relevant UK pension legislation) that the Trustee is required to comply with for the Fund to be a Qualified Recognised Overseas Pension Scheme (QROPS).

The intended effect of this amendment was to maintain the QROPS status of the Fund for members who transfer UK benefits into the Fund from 6 April 2015. Despite this amendment, on 1 July 2015 the Fund (along with the majority of Australian-based superannuation funds) was removed from the UK Government's list of Recognised Overseas Pension Schemes.

However, as the insurance-only division does not accept UK transfer amounts, there are no direct implications of this change for members' interests in the division.

Approved insurance providers

In June 2015, amendments were made to sub-sections 1.1 and 2.2 to 2.8 of the trust deed to provide for the purchase of insurance policies within the Fund from insurers other than Macquarie Life Limited. The amendments also clarified the operation of the trust deed with respect to section 58A of the *Superannuation Industry (Supervision) Act 1993*.

For more information and a copy of the current trust deed for the Fund, please visit macquarie.com.au/yourwrap

Significant events

During this financial year, a significant event notice was issued on 30 April 2015 to members account balances near or below \$1,000 to notify them of the removal of small member account protection standards (see *Removal of small member account protection standards* above for more information).

A copy of all significant event notices can be accessed at macquarie.com.au/yourwrap

Ongoing electronic disclosure

On 28 July 2015, the Australian Securities and Investment Commission (ASIC) issued an updated *Regulatory Guide 221 Facilitating online financial services disclosure* (RG221). RG221 enables financial product providers (including superannuation trustees) to more easily provide ongoing disclosure to clients through electronic or digital delivery methods, including by:

- sending the information to an email address the client or their agent has provided to the financial product provider;
- publishing or hosting the information on a website the financial product provider has nominated for that purpose.

As a result of these changes, we may communicate with you by using any email address nominated by you or your financial adviser or by making a communication or other information available to you on any relevant website, app or online portal we make available for your use in the future.

If you would like to update your email address please speak to your adviser or contact us on 1800 005 057. Any email address provided to us for these purposes should be an email address which you access regularly and you or your adviser must notify the Trustee if you change this email address. You acknowledge that it is your responsibility to regularly check your email address or ClientView to access ongoing disclosure in relation to your account.

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 PDS.

Fund reserve

The Trustee maintains a reserve within the Fund to facilitate the Trustee's voluntary acquisition of certain illiquid investments from members exiting the Fund. This reserve did not have a balance as at 30 June 2015.

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 2016.

Financial Services Council

Macquarie Investment Management Limited complies with the Financial Services Council Standard 20: *Superannuation Governance Policy*.

Trustee Board

The Board of the Trustee is comprised of a majority of independent directors. Information about the Trustee's directors and executive Officers is available from macquarie.com.au/yourwrap

Accessing your Annual Report

You can view the latest Annual Report for the Fund online at any time by visiting macquarie.com.au/yourwrap

Further information

More information about the Fund is available from macquarie.com.au/yourwrap, including:

- 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 conflicts management and proxy voting.

Legislative updates

Since the beginning of the 2014/15 financial year, the following changes affecting superannuation 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 was extended to individuals aged 49 and over at 30 June of the previous financial year.

These caps remain unchanged in 2015/16.

Non-concessional contributions cap

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

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.

These caps remain unchanged in 2015–16.

Members wishing to make use of this rule should seek professional advice.

Excess non-concessional contributions

Legislation to amend the treatment of excess non-concessional contributions made from 1 July 2013 was passed by Parliament in March 2015. The changes allow individuals to withdraw an excess amount, plus 85 per cent of an associated earnings amount. The associated earnings amount is calculated using the Australian Taxation Office's (ATO) general interest charge rate for each of the quarters of the financial year in which excess contributions are made, commencing on 1 July of that year.

The entire associated earnings amount is included in the individual's assessable income and taxed at marginal rates, with the individual receiving a 15 per cent non-refundable tax offset on this amount.

Any excess amount not released will continue to be taxed at the highest marginal tax rate.

Low income superannuation contributions

Legislation was passed by Parliament to cease payment of the low income superannuation contribution (LISC) for contributions made after 30 June 2017. LISC effectively provides a refund of tax paid on taxable contributions (eg Superannuation Guarantee contributions) up to a maximum of \$500 per year, where an individual's income is less than \$37,000.

Superannuation Guarantee

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

The SG rate will be paused at 9.5 per cent from 1 July 2015 to 30 June 2021. It will then 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.

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 and employer contributions. This standard applies to all contributions made by medium to large employers from 1 July 2014, subject to transitional arrangements. For small employers, the standard applies from 1 July 2015.

Deeming of account based pensions

From 1 January 2015, the treatment of account based pensions under the income test for social security entitlements changed.

An assumed amount of income known as 'deemed' income is assessed under the income test from 1 January 2015, replacing the previous method of assessing an individual's pension income less a deduction amount.

Where an individual had an existing account based pension and was 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) also became effective from 1 January 2015.

Deemed income from account based pensions will be included in the income test for the Card from 1 January 2015.

Where an individual had an existing account based pension and held the Card on 1 January 2015, their pension will continue to be exempt from the income test provided both the pension and Card are retained.

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.

Increase to Medicare levy

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

Temporary budget repair levy

In the 2014 Federal Budget, the Government introduced a temporary budget repair levy. The levy is calculated as two per cent of 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.

Insurance within superannuation

From 1 July 2014 restrictions on the types of insurance that can be put in place within a superannuation fund came into force. There must be alignment of the insured benefits provided under the policy with the superannuation law payment rules for death, terminal medical condition, permanent incapacity or 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 was in place prior to 1 July 2014 is not affected.

Terminal Medical Condition

Superannuation law allows members to access their accumulated benefits if they suffer a terminal medical condition.

To withdraw benefits under this condition of release, from 1 July 2015, the member must have a life expectancy of less than 24 months, as determined by two registered medical practitioners, at least one of whom is a specialist. The life expectancy period has been extended from 12 to 24 months.

While the condition of release under superannuation law has changed, the terms and conditions for terminal illness insurance benefits provided through the insurance-only division remain the same. That is, terminal illness insurance benefits are only payable where the insured is diagnosed with an illness that reduces life expectancy to less than 12 months. This means in some situations a member may satisfy the relevant superannuation condition of release but not satisfy the terms and conditions of the policy for the payment of a terminal illness insurance benefit. Where this occurs, it may be important to maintain the insurance until a later time, when the terms and conditions may be met.

Lost member accounts

Legislation was passed by Parliament to increase the threshold below which superannuation funds are required to transfer small lost accounts to the ATO. The threshold will increase from \$2,000 to \$4,000 from 31 December 2015 and further increase to \$6,000 from 31 December 2016.

The APRA levy

To fund the costs associated with 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 February 2016.

Trustee and fund management information

The Trustee of the Fund is Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 RSEL L0001281. From 1 July 2013, the board of the Trustee comprises three independent directors and one non-executive director.

During the 2014/15 financial year, the Fund held the following assets directly or indirectly with a value of greater than 5 per cent of the Fund's total assets:

- in all trusts for which Macquarie Investment Management Limited acts as responsible entity (\$1.808 billion)
- in Macquarie Group Limited (\$2.645 billion) including the Macquarie Wrap Solutions Cash Account (\$1.196 billion)
- in Dimensional Funds Australia Limited (\$2.110 billion), and
- in Vanguard Investments Australia Limited (\$1.356 billion).

The Trustee is covered by the professional indemnity insurance taken out by the Macquarie Bank Group.

Payment of premiums

As a member of the insurance-only division of the Macquarie Superannuation Plan, the premium (and policy fee if applicable) paid by the Trustee to Macquarie Life for your insurance cover is funded by contributions you make into the Fund or by rolling over existing superannuation benefits from another superannuation fund.

Contributions

In order to contribute to the Fund, you must be eligible to make superannuation contributions or have them made on your behalf. Generally, you are eligible to contribute to superannuation (or have contributions made on your behalf) if you are either:

- under age 65, or
- aged 65 to 74 and have worked at least 40 hours in a period of not more than 30 consecutive days in the financial year in which contributions are made (known as the 'work test').

Once you reach age 65, for superannuation contributions to be accepted, we need you to confirm you have satisfied the work test each financial year. If we do not receive confirmation from you, we will be unable to accept further contributions and will be required by law to return any contributions already received during that financial year. However, work test and age restrictions do not apply to mandated employer contributions. That is, contributions required to be made under Superannuation Guarantee legislation or certain industrial awards or agreements.

If you are no longer eligible to contribute to superannuation but would like to continue your insurance cover, you may take up a non-superannuation policy for the same benefits and level of cover as you hold at the time. You must exercise this option before cover under the superannuation policy ends. Alternatively, you may retain your existing cover and pay for your premiums via a rollover from an external superannuation fund.

Rollovers

A rollover of existing superannuation benefits from another superannuation fund can be used to pay the annual premium on your policy held within the insurance-only division of the Macquarie Superannuation Plan. From 1 January 2015, if premiums are paid by rollover from another complying taxed superannuation fund, only 85 per cent of the premium due needs to be rolled over. The benefit of the tax deduction available to the Trustee in relation to policy premiums will be credited to your account and used to meet the balance of the premium.

The reduction in the amount of the rollover required is available for both new and existing policies renewed on or after 1 January 2015. The rollover must equal the amount advised by us or it will be returned to the external superannuation fund and processing of the premium payment will be delayed until the correct amount is received. Rollovers containing an untaxed element or UK transfer or New Zealand Kiwi Saver transfer amounts cannot be accepted.

The tax benefit is allocated at the Trustee's discretion and it may review or change its practice in the future. Any changes will be communicated with advance notice.

Refund of premiums

The insurance-only division of the Macquarie Superannuation Plan has been established purely for the purpose of providing insurance cover inside the superannuation environment and is not an accumulation based superannuation fund. Payments made towards insurance premiums are superannuation contributions which are subject to superannuation preservation rules and therefore are generally not refundable directly back to the member or contributor. In cases where a premium is refunded (for example, a part refund of an annual insurance premium where cover is cancelled), the refund will need to be paid to another complying superannuation fund (the 'other fund') by way of a rollover, rather than as a direct payment back to the contributor.

If the member does not provide details of the other fund to which they would like the rollover to be paid within 30 days, the Trustee may transfer the money to an Eligible Rollover Fund (ERF). The ERF chosen for this purpose is called the Super Safeguard Eligible Rollover Fund. The Australian Prudential Regulation Authority 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 RSEL L0000635. 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: enquiries@supersafeguard.com.au

Website: 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 005 057. Alternatively please write to us at the below address.

Macquarie Investment Management Limited

GPO Box 5216

Brisbane QLD 4001

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

If you are still 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.

Further information

Further information is available either from your adviser (if applicable) or by contacting us on 1800 005 057.

Financial statements of the Fund¹

Income statement for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Superannuation activities		
Investment revenue		
Interest	32,119	34,480
Distributions from unit trusts	525,036	340,833
Dividends	139,691	119,328
Changes in investments measured at fair value	361,833	849,190
Total investment revenue	1,058,679	1,343,831
Total revenue	1,058,679	1,343,831
Expenses		
Operating expenses	166,684	151,688
Total expenses	166,684	151,688
Net Income from superannuation activities	891,995	1,192,143
Profit before income tax	891,995	1,192,143
Income tax benefit	61,983	21,231
Profit after income tax	953,978	1,213,374

Statement of financial position as at 30 June 2015

	2015 \$'000	2014 \$'000
Assets		
Cash and cash equivalents	396,229	316,072
Investments	14,128,533	12,614,425
Receivables	160,985	132,676
Current tax asset	31,664	21,522
Deferred tax asset	–	–
Total assets	14,717,411	13,084,695
Liabilities		
Trade and other payables	14,903	13,474
Deferred tax liability	19,238	1,960
Total liabilities excluding member benefits	34,141	15,434
Net assets available for member benefits	14,683,270	13,069,261
Member vested benefits	14,680,791	13,067,581
Total Net Assets	2,479	1,680
Equity		
Unallocated surplus	–	–
Tax reserve	2,479	1,680
Total equity	2,479	1,680

¹ This annual report contains abridged financial information for the financial year ended 30 June 2015 for the Fund. The full financial information is available upon request by contacting your adviser or us on 1800 005 057.

Statement of changes in member benefits as at 30 June 2015

	2015 \$'000	2014 \$'000
Opening balance of member benefits	13,069,261	11,273,930
Contributions		
Transfers in from other superannuation plans	1,449,368	1,313,720
Member	664,133	510,318
Employer	259,779	222,111
Government co-contributions	547	773
Income tax on contributions		
Contributions tax	(45,110)	(36,897)
Contributions surcharge tax	(4)	(4)
Contributions net of tax	2,328,713	2,010,021
Transfers out to other superannuation plans	(804,107)	(673,845)
Benefits paid to members	(806,413)	(703,247)
Insurance premiums charged to members' accounts	(69,021)	(56,631)
Death and disability benefits credited to members' accounts	10,858	5,659
Benefits allocated to members' accounts comprising		
Net investment income	1,058,680	1,343,831
Operating expenses	(166,683)	(151,688)
Income tax benefit	61,983	21,231
Closing balance of member benefits	14,683,270	13,069,261

Contacts

Mailing address

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Brisbane QLD 4001

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Brisbane QLD 4000

South Australia

Level 2, 151 Pirie Street
Adelaide SA 5000

Western Australia

Level 3, 235 St George's Terrace
Perth WA 6000

For more information about Macquarie Life and Macquarie Investment Management Limited, contact your adviser, call **1800 005 057** or visit our website at **macquarielife.com.au**

You can contact us by fax on **1800 812 175**, by email at **insurance@macquarie.com** or by writing to us at **Macquarie Life GPO Box 5216, Brisbane QLD 4001**.

For claims queries, contact us on **1800 208 130**, by fax on **1800 065 145** or email us at **insuranceclaims@macquarie.com**