Annual Report 2015
The Universal Super Scheme

This report is for members with:
Whole of Life and/or Endowment contracts
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.

We continue to enhance the online tools available to you, to help you grow your wealth and save for your retirement.

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
MLC Nominees Pty 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 MLC Limited (ABN 90 000 000 402) to carry out the day-to-day investment management and administration of the Fund.

Annual audit

Each year we are audited by an independent company. We’re pleased to report we’ve met all our obligations and received an unqualified audit report. All member benefits are wholly determined by reference to life insurance policies, so this report doesn’t include statements of assets and income, the auditor’s report and accounts or information about holdings of investments that are greater than 5% of the total assets of the Fund. However, you can easily get a copy of this information by calling us.

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 partially funded with the remaining funding to be established by NAB. However, we may require members to contribute to the Reserve in the future. We’ll notify you in advance if we require you to contribute to the Reserve.

<table>
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<tr>
<th>Option</th>
<th>Proportion (%)</th>
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<tbody>
<tr>
<td>MLC Horizon 4 Balanced Portfolio</td>
<td>100%</td>
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The balance of the Reserve at the end of the last two financial years is summarised below:

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<th>Year ended 30 June</th>
<th>Plan reserve ($)</th>
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<tr>
<td>2015</td>
<td>$22,625,406,60</td>
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<tr>
<td>2014</td>
<td>NA</td>
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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 McCrredden
B Comm (Hon) 1977 (University of Melbourne)

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

The MLC group of companies is the wealth management division of the National Australia Bank Limited (NAB) (ABN 12 004 044 937).
Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your benefit to an Eligible Rollover Fund if:

• you haven’t made a contribution in the last 12 months and your balance falls below $500

• we lose contact with you and can’t locate you, or

• other situations permitted under the law.

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 have a different fee structure, different investment strategies and may not offer insurance benefits.

Special rules for temporary residents

If you are or have been a temporary resident you can generally only access your 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 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.

Transfers to the Australian Taxation Office (ATO)

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 $2000 (this threshold will increase to $4000 from 31 December 2015, and to $6000 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,
Some things you should know

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 a 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 is a pension account) and paid to the ATO.

If you have 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 will be responsible for paying the Surcharge to the ATO. If you have a pension account, you are 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.

Resolving complaints

We can usually resolve complaints over the phone. Please call us on 132 652. If we can’t resolve your complaint or you’re not satisfied with the outcome, please write to us at GPO Box 2567 Melbourne VIC 3001. We’ll work to resolve your complaint as soon as possible. More information is available at mlc.com.au/complaint

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

Objective and strategy

The Trustee's investment objective is to provide a guaranteed benefit payable on maturity of the policy or your death.

The Trustee invests in policies issued by MLC Limited who, in turn, invests in a suitably structured portfolio of securities. Surplus assets, over and above those required to fund guaranteed benefits, are generally invested in a more diversified portfolio to increase potential returns.

Investment earnings

In most cases, these products earn bonuses which are allocated annually. Your bonuses, where applicable, are advised each year in your Annual statement.

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).

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

Information on MLC’s derivatives policy is available on mlc.com.au/derivatives
For more information call us from anywhere in Australia on 132 652 or contact your financial adviser.

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GPO Box 2567
Melbourne Victoria 3001

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

mlc.com.au