



# Annual Report 2015

## MLC Superannuation Fund

This report is for members in:

MLC Wrap Super Series 2, MLC Wrap Super,

MLC Navigator Retirement Plan Series 2 and MLC Navigator Retirement Plan

**Preparation date**  
1 November 2015

**Issued by** The Trustee,  
NULIS Nominees (Australia)  
Limited

**ABN** 80 008 515 633  
**AFSL** 236465

**For** MLC Superannuation  
Fund (the Fund)  
**ABN** 40 022 701 955



**This Annual Report is your update on  
how your money is invested and a  
reminder of some things you should know.  
*The Fund's Financial Reports are also provided.***

***This is the Annual Report for the  
MLC Superannuation Fund and  
is relevant to:***

***MLC Wrap Super Series 2, MLC Wrap Super,  
MLC Navigator Retirement Plan Series 2 and  
MLC Navigator Retirement Plan.***

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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.

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](http://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 (Mathematics and 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

## Some things you should know

- 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.

### 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,

## Some things you should know

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.

### 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.

## Some things you should know

### 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](http://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](mailto:info@sct.gov.au)**. More information is available at **[sct.gov.au](http://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 MLC Navigator Retirement Plan or MLC Wrap Super Plan (including Series 2) 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 MLC Superannuation Fund 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 – 6.60%
- Other assets in NAB Limited including term deposits, shares (directly and through the SMA) and cash accounts – 5.47%

## How your money is invested

### 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 whole of the MLC Superannuation Fund. The assets of the sub-plans at 30 June 2015 are given below:

MLC Navigator Retirement Plan (including Series 2)	7.2 billion
MLC Wrap Super (including Series 2)	8.8 billion

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.

**MLC Superannuation Fund**  
**Abridged Financial Information – Statement of Financial Position**

As at 30 June 2015

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Investment in MLC Pooled Superannuation Trust	16,764,213	15,779,002
Receivable - MLC Pooled Superannuation Trust	6,155	14,539
<b>Total assets</b>	<b>16,770,368</b>	<b>15,793,541</b>
<b>Liabilities</b>		
Payable – Navigator Australia Limited	995	3,588
Payable – MLC Limited	3,346	9,134
Other payables	1,814	1,817
<b>Total liabilities (excluding net assets available to pay benefits)</b>	<b>6,155</b>	<b>14,539</b>
<b>Net assets available to pay benefits</b>	<b>16,764,213</b>	<b>15,779,002</b>

**MLC Superannuation Fund**  
**Abridged Financial Information – Operating Statement**

For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Investment revenue</b>		
Changes in net market value of investments	1,204,305	1,661,593
<b>Net investment revenue</b>	1,204,305	1,661,593
<b>Contribution revenue</b>		
Employers' contributions	189,031	185,893
Members' contributions	650,058	529,788
Transfers from other funds	1,195,418	1,107,683
Insurance proceeds	12,100	9,745
Other contributions	19,461	21,959
<b>Total contributions revenue</b>	2,066,068	1,855,068
<b>Total revenue</b>	3,270,373	3,516,661
<b>Expenses</b>		
Insurance premiums	39,395	38,130
Administration fees and other expenses	93,199	82,075
<b>Total expenses</b>	132,594	120,205
<b>Benefits accrued as a result of operations before income tax</b>	3,137,779	3,396,456
<b>Income tax expense</b>	-	-
<b>Benefits accrued as a result of operations</b>	3,137,779	3,396,456

**MLC Superannuation Fund**  
**Abridged Financial Information – Cash Flow Statement**

For the year ended 30 June 2015

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Employers' contributions received	230,216	257,077
Members' contributions received	607,979	458,604
Transfers in received	1,116,749	1,051,247
Other contributions and income received	31,948	31,139
Insurance premiums paid	(45,183)	(32,474)
Administration fees paid	(94,021)	(79,348)
Redemptions paid	(1,560,111)	(1,682,386)
Pensions paid	(592,449)	(534,670)
Tax paid to the ATO	22	-
<b>Net cash outflows from operating activities</b>	<b>(304,850)</b>	<b>(530,811)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(2,017,951)	(1,808,592)
Proceeds on sale of investments	2,322,801	2,339,403
<b>Net cash inflows from investing activities</b>	<b>304,850</b>	<b>530,811</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of the financial year	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>-</b>	<b>-</b>









**For more information call us  
from anywhere in Australia  
on 132 652 or contact  
your financial adviser.**

**Postal address**

GPO Box 2567  
Melbourne VIC 3001

**Registered office**

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

**[mlc.com.au](http://mlc.com.au)**

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**a NAB company**

