



**SMERT**  
SUPER MONEY ELIGIBLE ROLLOVER FUND

## Annual Report

for the year ending 30 June 2014

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This Annual Report has been prepared by CCSL Limited (“Trustee” or “CCSL” ABN: 51 104 967 964, RSE Licence L0000758) as the Trustee of the Super Money Eligible Rollover Fund (“Fund” or “SMERF” ABN: 94 334 023 289 RSE No: R1001372) which relates to the Financial Year ending 30 June 2014. It should be read in conjunction with your 2014 Member Statement, which has been mailed to you.

This Annual Report has been prepared in accordance with the Corporations Act and Corporations Regulations 2001. While all reasonable care has been taken to ensure the information contained in this Annual Report is correct, the Trustee reserves the right to correct any error, misprint or omission. Information contained in this Annual Report is accurate as at 30 June 2014, based on information provided to the Trustee by the Fund’s service providers. Information contained within this Annual Report is specific to the Fund, unless stated otherwise.

Neither the Trustee, nor any of its service providers, guarantee the performance of any of the investments available within the Fund. The Trustee does endeavour to ensure that only professional managers using sound investment processes are utilised.

This publication contains general information or general advice only that has been prepared without taking into account your objectives, financial situation or needs.

If you would like a printed copy of this Annual Report free of charge, contact us on:

SMERF  
PO BOX A2499  
Sydney South NSW 1235  
Freecall: 1800 114 380  
Fax: (02) 9262 7473  
Email: [smerf@diversa.com.au](mailto:smerf@diversa.com.au)

## CARING FOR YOUR MONEY

The SMERF was established on 1 July 2005 as an Eligible Rollover Fund (“ERF”).

An ERF is a special type of Superannuation Fund designated by the Australian Prudential Regulation Authority (APRA) to receive and invest the entitlements of superannuation members in certain circumstances. Generally, people become members of an ERF because the trustee of a superannuation fund of which they were a member transferred their benefit to the ERF.

As an ERF, SMERF is not able to receive any form of contributions or future rollovers for its members. The primary purpose of an ERF is as a temporary repository, and accordingly, the SMERF Trust Deed only allows initial rollovers for members and nothing more. If we receive a contribution or a secondary rollover or any monies from the ATO for your membership, we will refund the money back to the source.

Insurance benefits are not available through the Fund.

Through the SMERF website ([www.smerf.com.au](http://www.smerf.com.au)) you are able to access SuperSeeker. This is a tool provided by the Australian Taxation Office that will look for your lost superannuation in real time and instantly provide you with possible matches. It is free to use. The SuperSeeker online and phone services are available 24 hours a day, 7 days a week.

There are many benefits of consolidating your superannuation funds - some of which are:

- Saving costs by paying only one set of fees
- Reduce your paperwork; and
- Makes it easier to keep track of your superannuation

### Who Manages the Fund?

The Trustee of the Fund during the Financial Year was CCSL Limited, CCSL holds a Registrable Superannuation Entity (RSE) Licence No L0000758. CCSL is a specialist superannuation trustee company and is responsible for ensuring that the Fund is managed in accordance with the Trust Deed and superannuation laws.

As Trustee, CCSL aims to ensure that all legal and compliance obligations are properly met. It is responsible for compliance with the Trust Deed of the Fund, including ongoing satisfaction of legislative requirements, and monitoring of risk controls as specified in its’ risk management framework. In summary, CCSL’s role as Trustee generally incorporates:

- Fund registration
- Issue of disclosure documents
- Compliance monitoring against legislative and regulatory requirements
- Risk Management

The names of the directors of the Trustee who held office during the year 1 July 2013 to 30 June 2014 are as follows: Mark Cerché (Chairman), Murray Jones, Andrew de Vries and Vincent Parrott.

Note: Neither the Trustee, nor any of its advisors or service providers guarantee the performance of the Fund. Any information contained in this document is general information only. We have not taken into account your individual investment objectives, financial position or needs. Before making a decision on the basis of the information contained in this document, you need to consider whether it is appropriate in light of your own circumstances and you should refer to the Product Disclosure Statement (PDS) for the

Fund. You may wish to consult an appropriately licensed or authorised financial adviser for advice on your particular needs.

It is intended that in the first 3 months of 2015, The Trust Company (Superannuation) Limited (TTCSL) will take over trusteeship of SMERF from CCSL. The people involved with the management of SMERF remain the same and as such this change will have no affect on your membership with SMERF.

### **Authorisation of SMERF**

Recent reforms have meant that trustees of eligible rollover funds, such as SMERF, were required to apply to the Australian Prudential Regulation Authority for authorisation to continue to operate an ERF (ERF authorisation). The Trustee of SMERF obtained this ERF authorisation on 8 October 2013.

### **Service Providers**

The Trustee uses a range of specialist service providers to help look after the Fund and its investments. The service providers were as following at 30 June 2014:

<b>Auditors</b>	UHY Haines Norton
<b>Administration</b>	Diversa Superannuation Services Limited
<b>Asset Consultant</b>	TAG Asset Consultants Pty Ltd trading as Atchison Consultants
<b>Custodian</b>	RBC Investor Services Trust

### **Trustee Liability Insurance**

The Trustee has liability insurance to protect it and the Fund against certain losses arising as a result of claims made against it (subject to the terms and conditions of the relevant insurance policy).

## SMERF INVESTMENTS

The Trustee has adopted an investment strategy that governs the way the assets of SMERF are invested which includes SMERF's investment objective and strategy for achieving this objective.

The Trustee does not promise that Members will earn any return on their investment or that their investment will gain or retain its value. An investment in SMERF is subject to investment risk.

Currently SMERF invests Members' money across various asset classes and two principal underlying investment managers. An investment portfolio with a spread of asset classes is designed to reduce the volatility (variability) of the returns of the portfolio. Volatility may also be reduced by utilising multiple investment managers.

SMERF only has one investment option. As a Member of SMERF, your money will be invested in accordance with the SMERF investment strategy. You do not have a choice of different investment options to choose from.

### Investment Objective

The investment objectives of SMERF are to:

- Achieve an after fee and tax crediting rate of at least 3% per annum above increases in Consumer Price Index (CPI) over a rolling five-year period;
- Maintain a cash account of \$1m (within ranges of \$500,000 to \$1.5m) for cash flow management purposes;
- To preserve capital by limiting the likelihood of a negative annual return to no more than one year in ten (Risk Level).

### Investment Strategy

In formulating the investment strategies, the Trustee will have regard to items related to sources of returns, the risk factors associated with each return source and the appropriate level of diversification required for each investment strategy.

Returns will generally be generated from growth assets and defensive (income) assets. Growth assets will include shares (Australian and international), property and alternative assets, and defensive assets will include fixed interest (Australian and international) and cash.

## Asset Allocation

The Trustee has set the following long term strategic asset allocation consistent with the investment objectives and strategy. On an annual basis the objectives and strategy will be reviewed by the appointed investment consultant (Section 18 Review of the Investment Strategy) including confirmation that the strategic asset allocation targets and ranges remain consistent with these. The strategic asset allocation and targets and ranges will be changed if required in order to continue to meet the investment objectives.

Asset Class	Asset Allocation Benchmark (%)	Asset Allocation Range (%)
Australian Shares	20.0	10-25
Overseas Shares	12.0	5-15
Australian Property	3.5	0-10
Overseas Property	2.5	0-5
Alternative Assets	2.0	0-5
Total Growth Assets	40.0	15-55
Australian Fixed Interest	9.5	5-20
International Fixed Interest	14.0	10-20
Cash	36.5	30-50
Total Defensive Assets	60.0	45-85

The benchmark asset allocation is SMERF's target allocation to the different asset classes. The actual asset allocation may occasionally fall outside of the ranges shown. This may happen for example as a result of sudden significant movements in values for an asset class or decisions by underlying fund managers. Where this happens, the Trustee will take action to move back within the ranges as soon as practicable having regard to the interests of Fund members

## Underlying Managers and Significant Investments

The Trustee is required to disclose any individual investment or the total investments with any one organisation which represents 5% or more of the Fund's total assets. As at 30 June 2014 the Fund's investments were held as follows:

Name of Investment	% of Assets
Vanguard Balanced Index Fund	48.99
Vanguard Cash Reserve Fund	33.23
BT Wholesale Active Balanced Fund	14.83
Cash	2.95
<b>Total</b>	<b>100.0</b>

Updated information about the allocation of Fund assets to particular asset classes and investment managers is available on request from SMERF. The underlying investment managers used by SMERF may change at the discretion of the Trustee without notification to you as considered necessary or appropriate to achieve SMERF's investment objectives.

## Investment Performance

As the Fund commenced on 1 July 2005, performance figures are only available for the period 1 July 2005 to 30 June 2014. The investment performance of the Fund is calculated after the deduction of some (but not all) fees, costs and taxes. For more information about

fees and costs deducted from your account and/or deducted from your investment, see the Fund's current PDS.

The investment performance of the Fund is calculated and applied to members' accounts each year as at 30 June using a declared crediting rate for the Fund. This rate takes into account the performance of the Fund's underlying investments and any allocation to or distributions from the Fund Reserves.

The declared crediting rate can be positive or negative and may be different from the net return of the Fund's underlying investments.

The net returns (earned from the Fund's investments) and declared crediting rates for each year ending 30 June, since the inception of the Fund, is shown below:

Year to 30 June	Net returns	Declared crediting rate
2006	3.00%	3.00%*
2007	8.00%	8.00%
2008	-4.90%	-4.80%
2009	-6.10%	-3.85%
2010	10.20%	8.25%
2011	7.10%	7.10%
2012	5.40%	1.80%
2013	10.30%	8.02%
2014	8.90%	4.99%

\* The crediting rate for the year ending 30 June 2006 represents the net earnings of the Fund (after rounding) for the period (approximately 9 months) that the Fund held assets (it is not an annualised rate and does not reflect a full year of investment).

The compound average net return for the Fund since its inception is 4.49% and for five years is 8.36%. The compound average declared crediting rate for the Fund since inception is 3.50% and for five years is 6.00%.

**Note:** Past performance is not a reliable indicator of future performance. The Trustee does not guarantee that you will earn any specific rate of return on your investment or that your investment will gain or retain its value.

Interim crediting rates are reviewed and determined at various times during the year for members who leave the Fund part way through a financial year. These are based on what the Trustee believes is prudent having regard to the investment experience of the Fund at the time of the determinations and estimated tax and indirect fees and costs. An interim crediting rate is applied to the accounts of Members that leave the Fund prior to 30 June in any year. The interim crediting rate can be positive or negative.

## Derivatives

The Trustee does not directly invest any of the assets of the Fund in derivative securities such as futures, options or swaps. The underlying investment managers of the Fund may however, utilise derivatives to manage the risk and liquidity of their portfolios. Derivatives are not used by the investment managers to gear the investment portfolio of the Fund or as speculative investments.

**Asset Consultant**

The Trustee utilises an independent Asset Consultant to provide advice regarding the investments of SMERF. The Asset Consultant is Atchison Consultants.

The underlying investment managers and investment funds utilised by SMERF are appointed and removed by the Trustee in accordance with SMERF's investment strategy. Any decision to appoint/remove a manager or fund is based upon an assessment of the style and performance of the manager or fund.

**Other Considerations**

Labour standards, environmental, social or ethical considerations are not taken into account in making investment decisions or selecting underlying investment managers or investment funds.

# OPERATION OF FUND RESERVES

The Fund operates Reserve Accounts. The following reserving arrangements apply:

## Source and Limits of Reserve

The Reserve comprises accumulated investment income, fees deducted from member accounts, expenses paid, investment tax provisions and any distributions and member protection applied to members including exited members during the year.

The Reserve is measured at 30 June each year. The Trustee manages this Reserve to ensure excess Funds are not accumulated. The Reserve cannot be negative.

## Purpose and Use of Reserve

The primary purpose of the reserve is that it will accumulate investment income during the financial year in anticipation of crediting members at the conclusion of the financial year. The purpose of the Reserve is to pay Fund expenses and taxes as they fall due. The Reserve may also be used to facilitate the funding of the Fund's Operational Risk Financial Requirement (ORFR). In this regard, amounts from the Reserve may be transferred to the Operational Risk Reserve (refer to the Operational Risk Reserve section following for further details).

## Distributing the Reserve

At 30 June each year, the Fund administrator runs a trial estimated crediting rates through the administration system and thereby are able to provide estimates of the annual distributions to members. The Trustee then determines and approves the final crediting rates to be applied having regards to the amount distributed and the balance remaining in the Reserve. The final crediting rates are to be applied in such a manner so that the Fund's Reserve after crediting is in the order of \$50,000 - \$100,000 at 30 June each year.

## Investment of Reserve

The Reserve will be invested in line with the Fund's investment strategy, described in the 'SMERF INVESTMENTS' section of this document.

The amount of the Reserves as at 30 June (for the respective year) was:

30 June	Admin Reserve Value \$	Operational Risk Reserve value \$
2012	74,442	-
2013	58,271	40,000
2014	99,620	110,000

## Operational Risk Reserve

The Federal Government as part of its Stronger Super reforms has imposed a requirement for funds to establish and maintain an Operational Risk Reserve (ORR) to specifically cover potential losses arising from operational risks that may affect the Funds' business operations.

An operational risk is the risk of a loss resulting from inadequate or failed internal processes, people and systems, or from external events. The ORR may be drawn upon to assist in compensating members or the Fund in the event of an operational risk having materialised.

The Trustee will build up the ORR within the Fund to the defined target amount over a 3 year transition period leading up to 30 June 2016. The ORR will be funded from amounts transferred from the expense reserve, which will subsequently reduce the crediting rate to members. If the ORR falls below the target amount, the Trustee will seek to top up the ORR from these sources if required.

# GENERAL SUPERANNUATION INFORMATION

## Introduction of Temporary Budget Repair Levy

As proposed in the 2014-15 Federal budget, a temporary Budget Repair Levy of 2% was approved by the Parliament in June 2014.

The levy will apply from 1 July 2014 and apply to the 2015, 2016 and 2017 Financial Years to individual taxpayer with taxable incomes in excess of \$180,000 p.a. This effectively increase the top marginal tax rate from 45% to 47% plus the Medicare levy.

The temporary budget repair levy impacts the following:

- the tax rate on excess non-concessional contributions has increased from 45% plus Medicare levy to 47% plus Medicare levy;
- the maximum tax rate on excess concessional contributions counted towards the non-concessional contributions cap has increased from 93% to 95%;
- the tax rate paid by former temporary residents on any taxable component of a Departing Australian Superannuation Payment (DASP) has increased from 35% to 38%;
- the tax rate on excess untaxed rollover amounts has increased from 45% plus Medicare levy to 47% plus Medicare levy; and
- the tax rate on the taxable component of your superannuation benefit if you have not quoted your Tax File Number (TFN) has increased from 45% plus Medicare levy to 47% plus Medicare levy.

## Departing Australia Superannuation Payment (DASP) Withholding Tax Rate Change

As a consequence of the introduction of the Temporary Budget Repair Levy, the withholding tax rates for super payments made to temporary residents have changed. Effective from 1 July 2014:

- DASP payments from a taxed super fund increase from 35% to 38%.
- DASP payments from an untaxed super fund increase from 45% to 47%.

## Medicare Levy Increase

From 1 July 2014, the Government will increase the Medicare levy rate from 1.5 to 2% of taxable income for the 2014 Financial Year and later Financial Years.

The money raised from the increase will be placed into a DisabilityCare Australia Fund for 10 years.

## Surcharge

Surcharge tax was abolished from 1 July 2005, however the ATO may issue surcharge assessments in respect of prior years. If the Fund received and paid a surcharge assessment in respect of a member during the reporting period, the surcharge tax will have been deducted from the member's account balance and paid to the ATO.

## OTHER IMPORTANT INFORMATION

### More Information

If you would like more general information about superannuation (including relevant tax rules), see the current Fund PDS or contact our Administrator (see the final page of this Annual Report for contact details).

As we cannot provide you with taxation advice or financial advice that takes into account your personal circumstances, for advice relevant to your personal circumstances, we recommend you seek appropriately qualified taxation or financial advice.

Some of the superannuation changes referred to in this section have not been legislated at the time of writing and in any event, are subject to change via standard parliamentary and regulatory processes.

### Lost Members & Unclaimed Benefits

In certain circumstances, SMERF is required to pay superannuation accounts as unclaimed money to the ATO. This is typically done where a person meets the definition of a lost member, generally meaning that you cannot be contacted (the fund receives two pieces of unclaimed mail in respect of you), you have been transferred as a lost member or the account has been inactive for a period of five years and the fund has insufficient information to identify the owner.

Once a member's account has been transferred to the ATO, the member can reclaim their money by applying to the ATO. You can call them on 13 10 20 or visit their website at [www.ato.gov.au/super](http://www.ato.gov.au/super).

### Enquiries and Complaints

The Trustee has set up a formal procedure for dealing with enquiries and complaints regarding SMERF's operation and management. You can make an initial enquiry by contacting SMERF or you can formally register a complaint by contacting the:

**Enquiries and Complaints Officer**  
CCSL Limited  
PO Box A2499  
SYDNEY SOUTH NSW 1235  
Phone: 1800 114 380  
Fax: 02 9262 7473  
Email: [smerf@diversa.com.au](mailto:smerf@diversa.com.au)

We aim to resolve all complaints quickly and fairly. If you are not satisfied with the response from us, you may refer your complaint to the Superannuation Complaints Tribunal (SCT), an independent government body. Strict time limits apply for lodging certain complaints with the SCT; otherwise the SCT may not be able to deal with your complaint.

**Superannuation Complaints Tribunal**  
Locked Bag 3060  
GPO MELBOURNE VIC 3001  
Phone: 1300 884 114  
[www.sct.gov.au](http://www.sct.gov.au)

## ABRIDGED FINANCIAL INFORMATION

The following abridged financial information is based on audited data.

<b>The Super Money Eligible Rollover Fund Statement of Financial Position at 30 June 2014</b>		
	30 June 14 \$	30 June 13 \$
<b>ASSETS</b>		
<b>Investments</b>		
Wholesale Unit Trusts	63,433,300	35,095,653
<b>Total Investments</b>	<b>63,433,300</b>	<b>35,095,653</b>
<b>Other Assets</b>		
Cash	948,799	681,928
Receivables	906,106	560,998
Deferred Tax Assets	77,600	257,216
<b>Total Other Assets</b>	<b>1,932,505</b>	<b>1,500,142</b>
<b>TOTAL ASSETS</b>	<b>65,365,805</b>	<b>36,595,795</b>
<b>LIABILITIES</b>		
Other Payables	140,834	92,902
<b>TOTAL LIABILITIES</b>	<b>140,834</b>	<b>92,902</b>
<b>NET ASSETS AT END OF THE PERIOD</b>	<b>65,224,971</b>	<b>36,502,893</b>
Liability For Accrued Benefits		
Represented by:		
Vested Benefits Allocated to Members	64,875,284	36,404,622
Not yet Allocated	140,067	-
	<b>65,015,351</b>	<b>36,404,622</b>
Administrative Reserve	99,620	58,271
Operational Risk Reserve	110,000	40,000
<b>NET ASSETS AT END OF THE PERIOD</b>	<b>65,224,971</b>	<b>36,502,893</b>

### **Would you like further information?**

Abridged financial information is shown in this Annual Report. Full (audited) financial statements (excluding the auditor's report) are available on the Fund's website [www.smerf.com.au](http://www.smerf.com.au). To request a copy of the audited accounts and auditor's report, please contact the Fund.

As a regulated fund, SMERF is audited each year and a return is lodged with the Australian Prudential Regulation Authority (APRA).

## **COMMUNICATING WITH US**

We are happy to assist you with any questions you may have about the Fund or your account. If you have any enquiries or complaints, please contact the Fund at:

SMERF Member Services  
PO BOX A2499  
Sydney South NSW 1235  
Freecall: 1800 114 380  
Fax: (02) 9262 7473  
Email: [smerf@diversa.com.au](mailto:smerf@diversa.com.au)

You can also follow the SMERF on Twitter: @The\_SMERF