



Addendum 2: Other information you may find useful

This addendum contains important information not included in the AustChoice Super PDS. We recommend that you read this entire addendum.

The information is divided into the following sections.

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Everything you need to know about contributions

What types of contributions can be made?

The Super Division accepts all types of contributions.

- **Personal contributions:** contributions that you make which may or may not be tax deductible, depending on your particular circumstances. For more information about the tax deductibility of personal contributions, see the 'Taxation information' section in this addendum.
- **Spouse contributions:** contributions made by your spouse for your benefit.
- **Employer contributions:** these can be:
 - mandated employer contributions (such as Superannuation Guarantee contributions or contributions under an industrial award)
 - salary sacrifice or other voluntary employer contributions.
- **Government Co-contributions:** contributions paid by the Commonwealth Government which match your personal contributions.
- **Transfers** of super benefits from other super funds, ADFs or superannuation annuities.
- **Directed Termination Payments** (see the 'Taxation information' section in this addendum).

When can these contributions be made?

Below is a table setting out when these contributions can be made

| | |
|----------------|---|
| Your age | Contributions we can accept into your member account |
| Any age | Transfers from another product within the Fund. Transfers of benefits from other super funds, ADFs and superannuation annuities. |
| Under age 65 | All contributions including personal, spouse and employer contributions. |
| Age 65 to 74 | Personal contributions, spouse contributions, salary sacrifice and other employer contributions can still be made after you turn age 65 but you will need to meet a work test ¹ . Spouse contributions cannot be made after you turn age 70. Mandated employer contributions, however, Superannuation Guarantee contributions cease at age 70. There is no work test applying to these contributions. |
| Age 75 or more | Mandated employer contributions (excluding Superannuation Guarantee contributions). |

We can also accept a wide range of contributions to commence your account-based pension. These are:

- personal contributions, both tax deductible and non tax deductible. If you wish to make a tax deductible personal contribution to commence your pension, you will need to inform us prior to your pension commencing by ticking 'Yes' in section 8 of the application form (Form B) and include a completed ATO *Notice of intent to claim or vary a deduction for personal super contributions*, available from the ATO website (www.ato.gov.au).
- spouse contributions made by your spouse (legal or de facto) for your benefit
- transfer of super benefits from other super funds, ADFs or superannuation annuities
- transfers from other super or pension products within the Fund
- Directed Termination Payments.

If you wish to commence a pension with other types of contributions (employer contributions, for example), these will need to be contributed to the Super Division first.

¹ Under the work test if you are aged 65 or more you must have worked at least 40 hours over a 30 day period during the financial year you make the contributions.

When can these contributions be made?

Below is a table setting out when these contributions can be made.

| Your age | Contributions we can accept to commence your pension |
|----------------|--|
| Under age 55 | <p>If you have met a condition of release, such as permanent incapacity:</p> <ul style="list-style-type: none"> • Transfers from other super or pension products in the Fund and other super funds. • Personal and spouse contributions. <p>OR where you have not met a condition of release:</p> <ul style="list-style-type: none"> • Transfers from other super or pension products in the Fund and other super funds which are wholly unrestricted non-preserved benefits. |
| Age 55 to 64 | <p>If you have met a condition of release such as retirement after preservation age:</p> <ul style="list-style-type: none"> • Transfers from other super or pension products in the Fund and from other super funds. • Personal and spouse contributions. <p>If you have not met a condition of release, you can only commence a pension using the TTR pension option.</p> |
| Age 65 to 74 | <ul style="list-style-type: none"> • Transfers from other super or pension products in the Fund and from other super funds. • Personal contributions if you have met the work test². • Spouse contributions cannot be accepted once you turn age 70. |
| Age 75 or more | <ul style="list-style-type: none"> • Transfers from other super or pension products in the Fund and from other super funds. |

For information on preservation age and conditions of release, see the 'Accessing your super' section in this addendum.

Particular types of super contributions

Non-concessional contributions

Non-concessional contributions are personal and spouse contributions which are not tax deductible. The Commonwealth Government sets a cap on the amount of these contributions that can be made to your super each year. For 2010/11 this cap is \$150,000. If you are under age 65 you can bring forward the next two years entitlements and contribute up to \$450,000. More details about the cap on these contributions and tax penalties that apply if you breach the cap are set out in the 'Taxation information' section in this addendum.

Some personal contributions, such as those attributable to the sale of some small business assets and those derived from certain personal injury compensation payments, may be exempt from the non-concessional contributions cap. Therefore, we can accept these kinds of personal contributions without restriction. For the exemption to apply, you will need to submit the appropriate Australian Taxation Office (ATO) form with the contributions.

We are required by law to reject any non-concessional contribution (other than exempt personal contributions outlined above) over \$450,000, or over \$150,000 if you were 65 or older on 1 July of the financial year you make the contribution.

You can make personal contributions by:

- regular deduction from your after-tax salary
- BPAY®³
- direct debit
- cheque.

By agreement with your employer, personal contributions paid from your after-tax salary can be deducted from your pay and forwarded to the Fund by your employer within 28 days of the end of the month the deduction was made. However, the contributions should be clearly identified as personal or spouse to avoid confusion with employer contributions such as salary sacrifice contributions.

² Before the contribution is made, you must have worked at least 40 hours in 30 consecutive days in the financial year in which the contribution is made. A personal contribution must be received within 28 days after the end of the month in which you turn age 75.

³ Registered to BPAY Pty Ltd ABN 69 079 137 518. This facility is only available if your nominated financial institution offers this service.

Concessional contributions

Concessional contributions are employer and tax deductible personal contributions. The Commonwealth Government sets an annual cap on the amount of concessional contributions that can be made to your super each year. For 2010/11 this cap is \$25,000 or \$50,000 if you were age 50 or older at any time during the financial year. More details about the cap on these contributions and tax penalties that apply if you breach the cap are set out in the 'Taxation information' section in this addendum.

Contribution splitting with your spouse (Super Division only)

You can split concessional contributions with your spouse.

If employer contributions and/or deductible personal contributions have been paid into your member account in one financial year, you can apply to the Trustee in the next financial year to split up to 85 per cent of these contributions (up to the concessional contributions cap) to your spouse's super account either within the Fund or another super fund. You cannot split any other contributions to your member account.

Only one application to split in respect of the applicable contributions made during the previous financial year can be made, and you must use the application form approved by the Trustee.

Where you are commencing a pension or leaving the Fund, an application to split contributions can be made in the same year as the contribution(s) occurred. In this scenario, your application to split contributions should be made prior to your withdrawal request. Applications made after the withdrawal has been completed cannot be processed.

An application is taken to be invalid if, at the time the application was made, the spouse is either age 65 years or older, or is between the relevant preservation age and 65 years and has satisfied the retirement condition of release.

The Trustee is entitled to reject the application if it does not meet the conditions set out on the form. One of these conditions is that all the required information on the application form has been completed.

Split contributions will be paid to your spouse's member account as a rolled over super benefit.

We recommend that you contact a financial adviser before you make a decision to split your contributions with your spouse.

Application forms for contribution splitting are available to members via AustChoice Online or from our **client services team** on **1800 333 900**.

The Government Co-contribution – do you qualify?

If you make personal after-tax contributions to your member account, the Commonwealth Government will match your contribution, up to a maximum co-contribution of \$1,000. This is subject to certain requirements, including your income level, age and employment status.

To receive the Government Co-contribution, at least 10 per cent of your total income⁴ must relate to employment or business income; and your total income (less business expenses) must be less than \$61,920.

These maximums and the corresponding reduction for each \$1 by which your total income exceeds \$31,920* as are shown in the table below.

| | |
|--|------------------------------------|
| Maximum co-contribution | 100% co-contribution up to \$1,000 |
| Reduction for each \$1 of total income above \$31,920* | 3.333 cents |

* Threshold expected to be indexed annually beyond 2012/13.

You do not have to make a claim for the Government Co-contribution as the Government will pay it automatically to us and we will credit it directly to your member account after the ATO has processed your tax return for the financial year. You can find out more about the Government Co-contribution from the ATO website (www.ato.gov.au).

Can you change your mind and get a refund for your contributions?

Unfortunately not. Once you have made contributions to super (including personal, spouse and employer contributions), they must stay in super until you retire after your preservation age (currently between the ages of 55 and 60 – see the 'Accessing your super' section in this addendum for more information). You can, however, choose to transfer to another super fund at any time.

⁴ Total income for co-contribution purposes is assessable income plus salary sacrifice superannuation contributions and fringe benefits.

More about risks

All investments carry risk. There are risks involved in investing in super and pensions as well as specific risks that may arise with your chosen investment option(s).

Risks when investing in super and pensions

- Your investment may not be sufficiently diversified if you do not spread your selection of investment option(s) across different asset classes, sectors, managers and styles.
- In the case of an investment in an illiquid investment, your ability to make a lump sum withdrawal from that investment may be delayed, reduced or unavailable until sufficient assets from that investment can be redeemed to fund the withdrawal. Similarly, depending upon the amount of pension required, pension payments may be delayed, reduced or unavailable until sufficient assets from that illiquid investment can be redeemed to fund the pension payment.
- System failures may cause a delay in the processing of transactions to your account (or with investment managers).
- There may be a delay in purchasing or redeeming your investments if we do not receive a properly completed and authorised instruction from you.
- Delays may occur where minimum investment or withdrawal limits are imposed by investment managers.
- Economic conditions, interest rates and inflation may cause adverse investment returns.
- Changes can occur in super, taxation or other law that may adversely affect your investment (such as, they may affect your ability to access your investment). These changes may also affect the operation of your super or pension product or of any investment option(s) into which you invest.
- The Trustee could be replaced or the Fund could be wound up. There is also a risk that we will not carry out our duties as Trustee properly. To minimise this risk we have implemented a number of risk management strategies and corporate governance policies and procedures to assist us to meet our obligations. As Trustee we are always required to act in the best interests of members.
- You may not receive the level of income for the whole of the period that you want as annual pension payments are not guaranteed (payments are based on the value of your pension account, which reflects the ongoing fluctuating value of your investment portfolio and payments will cease when your member account is exhausted).
- Pension payments are subject to Commonwealth Government retirement income payment rules that control the amount of income that must be received from each member account irrespective of investment returns.
- Where you have selected the TTR pension option, access to your capital is restricted under Commonwealth Government regulations until you satisfy a condition of release.
- Where you have a term allocated pension, access to your capital is restricted to the limited circumstances available under super law.

Risks that may affect your investment options

| Type of risk | Explanation |
|-----------------------------------|--|
| Market risk | Investment returns are influenced by the performance of the market overall. Unexpected conditions (such as economic, technological or political developments) can have a negative impact on the returns of all investments within a particular market. |
| Company or security-specific risk | Within each asset class, company or security-specific risk refers to the many risks that can affect the value of a specific security (or share). |
| Currency risk | Investments in international markets can be exposed to changes in exchange rates. If foreign currencies fall in value relative to the Australian dollar, they have an adverse impact on investment returns from investments denominated in those currencies. |
| Liquidity risk | Liquidity risk is the risk that a particular investment will not be able to be converted into cash or disposed of at market value. |
| Derivatives and gearing risk | Underlying managed funds may use derivatives and gearing (borrowing). The value of derivatives is linked to the value of the underlying assets and can be highly volatile. Gains and losses from derivative and geared transactions can be substantial. |
| Credit risk | Credit risk is the risk that a party to a contract will fail to perform its contractual obligations resulting in a financial loss. |
| Investment manager risk | Each managed fund investment option has one or more investment managers to manage the investments. There is a risk that an investment manager may not perform to our expectations, meet its stated objectives or under-perform as compared to other investment managers. |

Risks associated with insurance within the Super Division

If you intend to apply for insurance cover there are a number of insurance risks you should be aware of. These include the risk that the insurance cover will cease if your account balance is insufficient to meet the cost of premiums and the risk that the level of insurance cover is not adequate in the event of your death, injury or illness. There is also a risk that the Insurer could refuse to pay the insured benefit if you do not comply with your duty of disclosure.

You should read **AustChoice addendum 3: Insurance through AustChoice** to make sure you understand all of the limitations and exclusions that could apply.

Accessing your super

The Commonwealth Government requires you to meet certain conditions before you can withdraw your super as a cash lump sum or you can commence an income stream.

General conditions for withdrawing the various components of your super.

| Components | When can you withdraw your super in cash? |
|-------------------------------------|---|
| Unrestricted non-preserved benefits | At any time |
| Restricted non-preserved benefits | Generally when you: <ul style="list-style-type: none"> • terminate employment with an employer who has contributed to your super account • retire on or after reaching your preservation age • reach age 65. |
| Preserved benefits | Generally when you: <ul style="list-style-type: none"> • retire on or after reaching your preservation age • reach age 65. |
| All components | Can be transferred to another super fund or super account at any time. |

Important note

Contributions (other than part or all of some transfers) made by you or on your behalf to a super fund and any investment income earned on those contributions are preserved benefits.

Restricted non-preserved and preserved benefits

Both restricted non-preserved and preserved benefits become unrestricted non-preserved amounts when one of the following conditions of release is satisfied:

- You permanently retire from the workforce on or after reaching your preservation age.
- You leave employment after age 60.
- You reach age 65.
- You become permanently incapacitated or terminally ill.

Once you have met one of the above conditions, your entire benefit is unrestricted non-preserved and you can withdraw your benefit as a lump sum or income stream at any time.

To request a full or partial lump sum withdrawal from your account please complete a Withdrawal form available from our website or from our **client services team** on **1800 333 900**.

The tax consequences associated with making withdrawals are described in the 'Taxation information' section in this addendum.

Other conditions of release may be available in limited circumstances. Generally, these include where you:

- become temporarily disabled (if you have income replacement insurance, your insured benefit will become payable)
- are a temporary resident departing Australia permanently
- suffer severe financial hardship
- qualify on compassionate grounds
- provide the Fund with a Release Authority from the ATO, which allows a member to withdraw an amount to pay tax on excess contributions (the ATO may also provide the Fund with a Release Authority to pay the assessed tax directly).

Under super law, there are strict qualifying criteria that must be met in each of these circumstances and not all of these circumstances allow a total withdrawal from your account. In addition, restrictions can apply to the form of payment.

If you transfer a Directed Termination Payment, this will also be preserved in your member account until you meet a condition of release.

Retirement definition

For a person who has reached their preservation age, retirement occurs when an arrangement under which you were gainfully employed has ceased and you never intend to become gainfully employed again for more than 10 hours per week.

For a person aged 60 or over, retirement can also occur when an arrangement under which you were gainfully employed has come to an end.

At age 65, you can be paid your benefit even though you have not left work.

Preservation age

In general, you cannot access your super until you retire after reaching at least age 55.

| Date of birth | Preservation age |
|----------------------------|------------------|
| Before 1 July 1960 | 55 |
| 1 July 1960 – 30 June 1961 | 56 |
| 1 July 1961 – 30 June 1962 | 57 |
| 1 July 1962 – 30 June 1963 | 58 |
| 1 July 1963 – 30 June 1964 | 59 |
| After 30 June 1964 | 60 |

Can you transfer your benefit?

You can transfer your benefit to another complying super fund that is willing to accept it, at any time.

Can you commence an income stream with your benefit?

You can generally commence an income stream with your benefit if:

- you have unrestricted non-preserved benefits
- you have satisfied a condition of release
- you have reached your preservation age and are purchasing a TTR pension with the preserved and restricted non-preserved components of your benefit.

Special rules for temporary residents

If you are a temporary resident of Australia, you can generally access any Australian super benefits you may have in the following circumstances:

- If you satisfied a condition of release before 1 April 2009 under the rules that applied at that time.
- If you leave Australia.
- If your temporary visa has been cancelled or expired.
- If you suffer temporary or permanent incapacity.
- In the event of your death, where the super benefits would be paid to your beneficiary/ies.

If you do not take your super benefit with you upon departure from Australia as a departing Australia superannuation payment (DASP) within six months, we must pay the super benefits to the Australian Taxation Office (ATO) when notified by the ATO, and you can later claim the amount of the benefits back from the ATO. Where benefits are transferred to the ATO in this manner, the Trustee is no longer required to issue you with an exit statement in respect of the super benefit at the time of, or after, the benefit is transferred. If you would like more information about how to claim your super benefits from the ATO as a temporary resident, please visit the ATO website (www.ato.gov.au).

Dependant nominations

You can nominate one or more of your dependants and/or your legal personal representative to receive your benefit in the event of your death and allocate your benefit between them in any proportion.

Any dependant you nominate must be an eligible dependant as defined by super law. A full list of eligible dependants appears below. You need to be aware that if you have an interdependency relationship with someone who you wish to nominate, the Trustee must receive a statutory declaration which sets out the nature of your interdependency relationship before any benefit can be paid to that person.

If you nominate your legal personal representative, your benefit will form part of your estate and be distributed in accordance with your will. If you die without a will and Letters of Administration are not obtained, your nomination will be deemed to be invalid.

Eligible dependants

For super purposes, your dependant(s) are:

- your current spouse
- your children of any age (including ex-nuptial children, adopted children, step-children and your spouse's children)
- any person who is partially or wholly financially dependent on you at the date of your death
- any person with whom you have an interdependency relationship at the date of your death.

What is an interdependency relationship?

An interdependency relationship may exist between two people if they live together in a close personal relationship and one or each of them provides the other with financial and domestic support, and personal care.

For a full definition see the 'Key words explained' section of this addendum.

Types of nomination

When you apply to become a member of the Super Division, you are able to make a Binding Nomination to inform us how you would like us to pay your Death Benefit.

To provide greater certainty as to who will receive your benefit in the event of your death within the Pension Division, there are two estate planning options (only one option can be selected):

- Reversionary Pensioner option.
- Binding Nomination.

The most appropriate nomination will depend on your personal circumstances. As there may be taxation and other implications to consider, we recommend that you seek professional advice before making your nomination.

Reversionary Pensioner option

If you nominate a Reversionary Pensioner, in the event of your death, we must continue to pay the remaining balance of your member account (if any) to your nominated Reversionary Pensioner. The pension will automatically continue to be paid until the account balance is exhausted or for the remaining term (in the case of a term allocated pension), whichever occurs first.

If the term of your pension is based on your spouse's age (such as in the case of a term allocated pension), the pension must revert to your spouse on death and cannot be commuted until after the death of your spouse. On the other hand if the term of your pension is based on your age, your Reversionary Pensioner may choose to take a lump sum, rather than continue to receive the pension payments upon your death.

The Reversionary Pensioner of a standard account-based pension may also choose to make a lump sum withdrawal, rather than continue to receive the pension payments upon your death.

If you wish to nominate your child as your Reversionary Pensioner, you can only nominate:

- a child who is less than 18 years of age
- a child who is over the age of 18 years and under 25 years who is financially dependent on you at the date of nomination
- a child who is permanently disabled.

A pension that is paid to a Reversionary Pensioner who is a child will automatically terminate on the child's 25th birthday and the remaining balance of the pension account (if any) will be paid to the child as a lump sum unless the child is permanently disabled. Similarly, if the nominated child has ceased to be entitled to receive a pension (if the child turns age 18 or, in the case of a financially dependent child over 18, ceases to be financially dependent or turns 25), the benefit will be paid to the nominated child as a lump sum on your death.

Your nomination cannot be changed once your pension commences. If the Reversionary Pensioner can no longer receive a death benefit (for example, if your nominee pre-deceases you), you cannot nominate a new Reversionary Pensioner. However, you can make a binding nomination in favour of another dependant(s).

The nomination of a Reversionary Pensioner must be made before your pension commences.

Important note

If a pension does revert to a Reversionary Pensioner, the Reversionary Pensioner may nominate for their dependant(s) and/or legal personal representative to receive any remaining benefit as a lump sum in the event of their death.

Binding Nomination

If you have a valid Binding Nomination in effect at the date of your death, we **must** pay your benefit to the dependant(s) and/or legal personal representative that you have nominated in the proportions that you have set out in your nomination. A valid Binding Nomination remains in effect for **three years** from the date it was first signed, last amended or confirmed.

The following conditions must be met to ensure that a Binding Nomination is valid:

- The nomination must be in favour of one or more of your dependant(s) and/or your legal personal representative.
- Each nominated dependant must be an eligible dependant at the date of nomination and at the date of your death.
- The allocation of your benefit must be clearly set out.
- The total benefit must be allocated (the percentage nominated must add up to 100 per cent), otherwise the entire nomination will be invalid.
- The nomination must be signed and dated by you in the presence of two witnesses both of whom are over 18 years of age and are not nominated to receive the benefit.
- The nomination must contain a declaration signed and dated by each witness stating that the notice was signed and dated by you in their presence.

Important note

If your Binding Nomination fails to meet any one of the stated conditions, the entire nomination will be deemed to be invalid.

If any of the information provided in your Binding Nomination is unclear, we will contact you to confirm the details. An unclear Binding Nomination may be invalid.

To make a Binding Nomination, please complete a Binding Death Nomination of Beneficiaries form (Form C) which is available from our website or one located in a current forms booklet for this product.

Details of your current Binding Nomination will appear on your annual statement along with its expiry date.

You must confirm your nomination before it expires in order for it to remain valid. You can do this by giving us a written notice, signed and dated by you, to that effect before it expires. It is your responsibility to ensure that your Binding Nomination is confirmed before it expires.

Your Binding Nomination can be amended or revoked at any time by advising us. In order to revoke your Binding Nomination, you must give us a written notice, signed and dated by you in the presence of two witnesses both of whom are over the age of 18 years and not nominated to receive the benefit. Alternatively, you may revoke your nomination by completing a Binding Nomination form which is available from our website. You can amend your nomination at any time by making a new Binding Nomination and providing it to us.

No nomination

If you do not nominate a Reversionary Pensioner or make a Binding Nomination, in the event of your death, the Trust Deed has certain rules we need to follow.

- We have to pay your benefit to your legal personal representative, unless your estate is insolvent.
- If your estate is insolvent, your benefit must be paid to such of your dependant(s) and in such proportions as we consider appropriate. If you have no dependants, we must pay your benefit to the legal personal representative of your insolvent estate.
- If there is no legal personal representative of your estate, we must pay your benefit to such of your dependant(s) and in such proportions as we consider appropriate.
- If you have no dependants and no legal personal representative, we must pay your benefit to any other person(s) as permitted by law.

Remember, everything we do when it comes to paying out your benefit upon death is heavily governed by super law and our Fund rules. So make sure you think about your nomination very carefully.

Payment options available

If you have selected the Reversionary Pensioner option, in the event of your death, your benefit will be paid as an income stream to your nominated Reversionary Pensioner. Otherwise, your benefit will normally be paid as a lump sum. However, under a Binding Nomination, we have discretion as to the form of payment to be made to your dependant(s).

In most situations, we can pay the Death Benefit as a lump sum or as an income stream; but if the benefit is paid to your legal personal representative it must be paid as a lump sum.

An income stream cannot be paid to a child of yours aged 18 or over unless they are:

- under age 25 and financially dependent on you immediately prior to your death; or
- permanently disabled.

As part of your nomination, you can indicate how you would prefer the benefit to be paid to your nominated dependant.

Important note

When we receive evidence of your death, we have discretion to sell your investment options and put your money into the RMP Cash Management Fund until the Death Benefit is paid. We would normally exercise this discretion unless advised otherwise

Receiving a pension on the death of a member

- If you receive a pension as a Reversionary Pensioner, the remaining balance of the deceased member's pension account will be transferred into your name. The deceased member's existing investment strategy and nominated level of annual pension income will also be transferred and remain unchanged unless alternative instructions are received from you.
- If you receive your pension following the death of a member but not as a Reversionary Pensioner, a new pension account will be established in your name, and the remaining balance of the deceased member's pension account will be transferred into your pension account. A new Investment Authority will be required, and the level of annual pension income payable from your pension will be calculated at this time.

In the case of a Reversionary Pensioner who is a child of the deceased member, the benefit will only be paid as a pension if the child:

- is under the age of 18
- is over the age of 18 but less than age 25 and is financially dependent on the member when he/she died
- is permanently disabled.

If a reversionary pension is paid to a child, the pension must be commuted to a lump sum on the child's 25th birthday unless the child is permanently disabled.

Taxation information

Super is one of the most tax-effective ways to invest. On the way in, pre-tax contributions made by you (if you are self employed or not working) or your employer (which include salary sacrifice contributions) are taxed at the special super rate of 15 per cent. When you take your money out after age 60 – you do not get taxed at all.

This section provides you with some general information about the tax and social security implications of investing in super, including:

- what tax concessions apply to contributions
- what tax applies to withdrawals
- how will earnings be taxed in AustChoice Super
- tax treatment of investments if you take benefits as a pension.

Seek financial advice

The laws relating to super, including tax laws, are complex and subject to change from time to time. We recommend that you obtain professional advice on the tax consequences before investing.

Tax treatment of your investment income

The great advantage of super is that you can grow your investments in a low tax environment and take your retirement benefits tax-free once you turn age 60.

The maximum rate of tax applied to earnings, which is the interest and investment income from your investment options, is 15 per cent. Capital gains are effectively taxed at the concessional rate of 10 per cent if the asset has been held for longer than 12 months.

Once you convert your accumulated super into an income stream through an account-based pension, the news gets even better. No tax is payable on your investment earnings (interest, income distributions or realised capital gains). Plus, as your pension investments are held within a tax exempt environment, no CGT applies if you choose to switch your direct investments or redeem any investments to provide for pension payments or cash lump sums.

Tax treatment of investment income within super accumulation

The Fund generally pays tax on distributions and capital gains at a maximum rate of 15%. The actual tax is often less than 15% because tax is paid on 'Taxable Income'. Taxable Income is assessable income less tax deductible expenses (such as the cost of your insurance cover).

In relation to investment options invested in separate investment pools within the MPST, tax is levied on the MPST (rather than the super fund) at the concessional rate of 15% on investment earnings.

The following table describes the general treatment of investment income derived from the investments held in the super accumulation phase outside the MPST.

| Investment income | General rate of tax |
|-----------------------------------|---------------------|
| Interest and income distributions | 15% |
| Realised capital gains | |
| • held for 12 months or less | 15% |
| • held for longer than 12 months | 10%* |

* The tax rate for super funds is 15 per cent, however capital gains on assets held for more than 12 months are discounted by 33 per cent, resulting in an effective rate of 10 per cent.

The rate of tax is applied to income after allowing for 'Tax Deductible Expenses' (such as management costs and insurance premiums charged to your account). The actual tax paid may be further reduced by franking credits received by your account. A franking credit is a tax credit available to the Fund for the tax that has already been paid by the issuing company on dividends received on shares in the investment option.

Tax on capital gains

Directly held investments

Realised capital gains can arise:

- from distributions of net capital gains from your investment option(s)
- if you choose to redeem your investment option(s) to effect a switch to another investment option or to make a withdrawal from your super account.

If you incur a capital loss after redeeming your investment option(s), it can be used to reduce any capital gains that other investments in the Fund may have earned over the year. At the time when the Fund prepares its income tax return, if you have excess capital losses, these may be applied against other members' capital gains (at the rate of 10 to 15 per cent) and we may credit the cash benefit to your cash account.

Investments in the MPST

As tax is levied on the MPST, unit prices for the investments held through the MPST reflect the tax position including all realised and unrealised capital gains. Therefore, if you redeem an investment no separate CGT is levied, as it has already been allowed for in the unit price.

Tax treatment of investment income once you commence a pension

The following table describes the treatment of investment income derived from investment options held in a pension.

| Investment income | General rate of tax |
|-----------------------------------|---------------------|
| Interest and income distributions | Nil |
| Realised capital gains | Nil |

Tax refunds credited to your pension account

Your pension account may be entitled to a tax refund due to franking credits. A franking credit is a tax credit available to the Fund for the tax that has already been paid by the issuing company on dividends received by a managed fund.

Tax concessions for contributions to super

There are tax concessions available when you or your employer contributes money to super.

Contributions to super

Tax deductions for contributions to super

Some contributions to super are tax deductible. These contributions (sometimes called before-tax contributions) are:

1. Employer contributions

These include:

- salary sacrifice contributions
- voluntary employer contributions
- compulsory employer contributions such as contributions under the Superannuation Guarantee.

2. Personal contributions

These are contributions you make if you are:

- self employed
- substantially self employed (less than 10 per cent of your assessable income plus reportable fringe benefits and reportable employer super contributions⁵ during the financial year relates to your work as an employee)
- not employed during the financial year and aged 18 to 64.

How do you claim a personal tax deduction for your contributions to super?

If you would like to claim a tax deduction for your personal contributions, you must notify us of your intention no later than when you submit your income tax return or at the end of the next financial year after you have made the contribution (whichever is the earliest).

We will provide you with the notification form (called a 'Tax Deduction Notice') after the end of the relevant financial year or alternatively, you can download a copy from our website.

You will not be able to claim a personal tax deduction for your contributions if you take any of the following actions before we acknowledge receipt of the form:

- You decide to leave the Fund.
- You make a partial withdrawal from the Fund and some of your contributions are deemed to be paid out of the Fund.
- You decide to transfer your benefits to a pension within the Fund.
- You choose to split the contributions with your spouse.

Are tax deductions available for super contributions made after age 65?

You can claim a tax deduction for your personal contributions and your employer can claim a tax deduction for salary sacrifice and voluntary employer contributions made up until 28 days after the month you turn age 75. However, these contributions cannot be made to super after you turn age 65, unless you have met the work test during the financial year. Under the work test, you need to work in paid employment or be self employed for at least 40 hours during a 30 day consecutive period during the financial year.

⁵ These are generally salary sacrifice contributions.

Tax deductions are also available on compulsory employer contributions regardless of your age. However, once you reach age 70, your employer is no longer required to make Superannuation Guarantee contributions for you. So from age 70, the only compulsory employer contributions are those required under an industrial award, determination or agreement certified or made by an industrial authority.

Are any tax offsets available for super contributions?

If you have a spouse (including a same-sex partner) who makes contributions to your super account, these contributions are not tax deductible, but your spouse may be eligible for a tax offset.

Contributions to commence your pension

You can commence your pension with any or all of the following:

- A personal contribution.
- A spouse contribution.
- One or more transfers of super benefits from other super funds, ADFs or superannuation annuities.
- A Directed Termination Payment.
- One or more transfers from another IOOF super or pension product.

If you want to claim a tax deduction for your personal contributions to commence your pension, you will need to inform us prior to your pension commencing by ticking 'Yes' in section 8 of the application form (Form B) and include a completed ATO *Notice of intent to claim or vary a deduction for personal super contributions*, available from the ATO website (www.ato.gov.au). If you are transferring into the Pension Division from another IOOF super account and wish to claim a tax deduction for personal contributions you made to that account, you must provide the above ATO Notice to the trustee before you transfer your super benefits to a pension. Otherwise you may not be able to claim a tax deduction for those personal contributions.⁶

If your spouse makes a contribution to purchase your pension, this contribution is not tax deductible but may be eligible for a tax offset. General eligibility conditions apply to claiming this tax offset. Non tax deductible personal contributions and spouse contributions are all treated as non-concessional contributions. Tax deductible personal contributions are treated as concessional contributions.

⁶ Tax deductible personal contributions are included in concessional contributions and subject to a separate annual cap. For more details please see the product disclosure statement for your super account.

⁷ Amounts in excess of \$1.155M are subject to tax at the rate of 46.5%.

Tax on transfers to your pension account

Contributions tax (at a maximum rate of 15 per cent) is payable by IIML (and deducted from your pension account) and forwarded to the ATO on the following amounts paid into your account:

- Personal contributions covered by a completed ATO *Notice of intent to claim or vary a deduction for personal super contributions*.
- The taxable component of a Directed Termination Payment.
- The first \$1,155,000⁷ of a transfer of the 'untaxed element' from an unfunded public sector scheme.

The actual amount of contributions tax paid to the ATO may be reduced by allowable tax deductible expenses (such as contribution fees).

Are there any caps on the amount of concessional contributions to super?

The Commonwealth Government sets an annual cap on tax concessions attributed to super contributions. For most people, this cap is \$25,000 per individual for the 2010/11 financial year and applies to all concessional contributions (employer and deductible personal contributions). For future tax years, this cap will be indexed in \$5,000 increments in line with movements in Average Weekly Ordinary Time Earnings.

A higher annual cap of \$50,000 applies if you are aged 50 or older during the year. This higher cap only applies until 30 June 2012 and is not indexed.

The Commonwealth Government announced in the 2010 Federal Budget that from 1 July 2012, the \$25,000 limit (as indexed) will apply to all individuals regardless of age. However, members aged 50 and over will still be able to make up to \$50,000 in annual, concessional contributions if their superannuation balance is below \$500,000.

Contributions that exceed the caps are taxed at 45 per cent (plus the 1.5 per cent Medicare Levy, less the 15 per cent tax already paid by the Fund on these contributions). The ATO will assess you personally for the balance of the tax owed (31.5 per cent of the excess contribution). However, you can obtain a Release Authority from the ATO to make a special withdrawal from the Fund to pay this tax if you choose.

Are there any caps on the amount of non-concessional contributions to super?

You can make up to \$150,000 of non-concessional contributions each year. Also, until you reach age 65, you can choose to bring forward up to two years' entitlements and contribute up to \$450,000 of non-concessional contributions in any three year period. The non-concessional cap is calculated as six times the concessional contributions cap and will therefore increase in line with the concessional contributions cap.

Non-concessional contributions included in this cap are:

- personal contributions that are not tax deductible
- spouse contributions
- payments from overseas super schemes that are not taxable in the Fund.

Excess concessional contributions are also counted in the non-concessional contributions cap.

The following contributions are **not** included in this cap:

- Transfers from other super funds or schemes.
- Directed Termination Payments.
- Personal injury compensation payments contributed to super in respect of a person who is permanently disabled within 90 days of receipt of the payment.
- Proceeds from the sale of certain small business assets contributed to super up to a lifetime limit of \$1,155,000 (for the 2010/11 financial year). This limit (known as the 'CGT Cap') is indexed annually.

If you are making personal contributions and wish to claim an exemption from the non-concessional contributions cap because the contributions arise from injury compensation payments or from the sale of a small business, you must apply to us before or at the time you make the contribution.

Non-concessional contributions that exceed the cap are taxed at 45 per cent plus the Medicare Levy. The ATO will assess you personally for this tax, and issue you with a Release Authority. You must present this Release Authority to the Fund within 21 days in order to make a special withdrawal to pay this tax.

Tax on contributions paid by the Fund

We have to pay contributions tax (at a maximum rate of 15 per cent) which is deducted from your account. This contributions tax is then forwarded to the ATO as a result of the following amounts paid into your account:

- Employer contributions (including salary sacrifice employer contributions and contributions under the Superannuation Guarantee).
- Superannuation Guarantee shortfall components.
- Tax deductible personal contributions.
- The taxable component of a Directed Termination Payment.
- The first \$1,155,000⁸ of a transfer of the 'untaxed element' from an unfunded public sector scheme.
- The taxable part of a payment made from an overseas super scheme. (Note: If you make a payment from an overseas super scheme more than six months after you become an Australian tax resident, the growth on the benefit since you became a resident is taxable. You can either pay this tax personally or you can elect for the Fund to pay the tax).

The actual amount of contributions tax paid to the ATO may be reduced by allowable 'Tax Deductible Expenses' (such as management costs and insurance premiums charged to your super account).

No contributions tax is payable on:

- personal contributions that are not tax deductible
- spouse contributions
- transfers from other super funds
- transfers between super products within the Fund.

What are the tax implications if you transfer to another product within the Fund?

You cannot transfer PST investment options to another product within the Fund. However, if your direct investment options are transferred to another product within the Fund, there is no realisation of capital gains and therefore no tax applies.

⁸ Amounts in excess of this amount are subject to tax at the rate of 46.5 per cent.

When is tax deducted from your member account?

Important note

We deduct contributions tax and tax on investment income from your account upon receipt of the contributions and investment income. If you intend to claim a tax deduction on your personal contributions, tax will be deducted when we receive your completed ATO *Notice of intent to claim or vary a deduction for personal super contributions*, available from the ATO website (www.ato.gov.au).

Important note

We pay the contributions tax and tax on investment income; and therefore investment income is **not** declared as taxable income in your personal income tax return each year.

Tax on pension payments and withdrawals

Benefits paid at age 60 or more

Lump sum withdrawals are tax-free and if you transfer to a pension product within the Fund, pension payments are also tax-free.

Benefits paid before turning age 60

Benefits paid from your member account before turning age 60 are split into a tax-free component and a taxable component on a proportional basis. You can only make withdrawals on this proportionate basis. The tax-free component is the sum of all tax-free components held in your account divided by the account balance converted to a percentage. For withdrawals from your super account, the percentage of tax-free component is calculated at each withdrawal. When you commence a pension, the percentage of tax-free component is calculated on commencement and will then apply to all pension payments and lump sum withdrawals (including lump sum commutations and transfers) made from the account thereafter.

The sum of the tax-free components includes any personal or spouse contributions, and the tax-free components of amounts transferred into the member account from other super accounts.

If you are transferring from another super account within the Fund, the tax-free component in this account may include the following:

- Any tax-free component held in the super account on 30 June 2007 or transferred into the account after that date.
- Any non-concessional contributions made to the super account from 1 July 2007.

The tax treatment of benefits received prior to age 60 is as follows:

| Component | Pension payment | Lump sum withdrawal from pension or super accumulation |
|-----------|---|---|
| Tax-free | Tax exempt and not included in assessable income. | Tax exempt and not included in assessable income. |
| Taxable | Included in assessable income. 15% tax offset applies if received after reaching preservation age (currently age 55) or if totally and permanently disabled. | Under preservation age (currently age 55): <ul style="list-style-type: none"> • 20% (plus Medicare Levy). Preservation age to age 59: <ul style="list-style-type: none"> • Up to \$160,000* threshold: 0% • Excess over threshold: 15% (plus Medicare Levy). |

* Threshold increases annually with movements in Average Weekly Ordinary Time Earnings rounded down to the nearest \$5,000.

Tax is not payable when you transfer your benefit to another super fund or to another product within the Fund. If you choose to transfer to another pension product within the Fund, the taxable component will be included as assessable income but will attract a 15 per cent tax offset if you have reached preservation age.

Transfers to other super funds/products

If you transfer your super benefits to another super fund or to another product within the Fund, we will deduct any contributions tax and tax on investment income from your super account prior to transfer.

Tax treatment of Disability Benefits

The taxation of a lump sum withdrawal received upon total and permanent disablement (TPD) is generally similar to tax on withdrawals. However, the tax-free component will be increased to include the proportion of the benefit that relates to the period from the date you left your employment due to TPD until the date you reach age 65.

Also, if you choose to transfer your benefits to a pension within the Fund, you may be entitled to a 15 per cent tax offset on the taxable component of the pension (even if you are under preservation age).

Any income payments you receive as a result of an income replacement claim will be included in your normal assessable income and taxed at your marginal rate (plus the Medicare Levy).

Tax treatment of Death Benefits during super accumulation phase

The tax on a lump sum payment made in the event of your death will depend on who receives the benefit.

The payment will be tax-free if it is made to your death benefits dependants (either directly or through your estate). For tax purposes, a death benefits dependant includes:

- your spouse
- your children under age 18 (including a natural child, stepchild, adopted child or child of your spouse)
- a person who is partially or wholly financially dependent on you at the date of death
- a person with whom you have an interdependency relationship at the date of death.

Lump sum benefits paid to a dependant who is not a death benefits dependant are taxed on a similar basis to lump sum benefits paid to those under age 60. However, the \$160,000 threshold does not apply and the tax rate on the taxable component will be 15 per cent (plus the Medicare Levy) on the taxed element and 30 per cent (plus the Medicare Levy) on the untaxed element. These rates apply regardless of whether the recipient is under or over the preservation age.

If your nominated death benefits dependant elects to take the Death Benefit as a pension instead of a lump sum, the pension will be tax-free if either you or the beneficiary is aged 60 or more. If both you and the beneficiary are under age 60, the pension is taxable. However, a 15 per cent tax offset applies even if the beneficiary is under preservation age. When the beneficiary turns age 60 the pension becomes tax-free. Death Benefit pensions paid to children (under age 18 or under age 25 and financially dependent or permanently disabled) must be converted to a tax-free lump sum benefit once the child turns age 25 unless the child is permanently disabled.

Tax treatment of Death Benefits paid during pension phase

The tax payable depends on whether the benefit is paid as a pension or a lump sum.

Death benefit pensions

These are either reversionary pensions or new pensions paid to a nominated beneficiary on the death of the original pensioner. A Death Benefit pension is tax-free if either the deceased pensioner or the beneficiary is aged 60 or over. Death Benefit pensions paid where both the deceased pensioner and the beneficiary are under age 60 are taxed on the same basis as pensions paid to members under age 60. However, the 15 per cent offset applies even if the beneficiary is under preservation age. When the beneficiary turns age 60 the pension becomes tax-free.

Death Benefit pensions paid to dependant children must be commuted to a tax-free lump sum benefit once the child turns age 25 (unless the child is disabled). For other beneficiaries, if a Death Benefit pension is commuted to a lump sum within six months from the original pensioner's death or three months of probate/ letters of administration (whichever is the later), the lump sum is treated as a lump sum Death Benefit and taxed as below. If the Death Benefit pension is commuted after this period, the lump sum is no longer treated as a Death Benefit and will be taxed as a normal super payment received by the beneficiary.

Lump sum death benefits

If the payment is made directly to your death benefits dependant(s) it will be tax-free. For tax purposes, a death benefits dependant includes:

- your spouse
- your children under age 18 (including a natural child, step child, adopted child or child of your spouse)
- a person who is partially or wholly financially dependent on you at the time of your death
- a person with whom you have an interdependency relationship at the time of death.

The tax-free component of a lump sum Death Benefit is calculated as the same proportion as that which applied to the original pension (or would have applied if the original pensioner had been under age 60).

If the benefit is paid to your legal personal representative and is to be distributed to your death benefits dependant(s), the benefit will still be received tax-free by the death benefits dependant(s). However, if the ultimate beneficiaries of your estate are non-dependants, the taxable component of the Death Benefit will be taxed as set out in the previous paragraph.

Compensation for tax paid on contributions (anti-detriment payment)

An additional amount (the tax saving amount) may be included in the lump sum Death Benefit paid to your spouse or your children. This increased amount is compensation for contributions tax paid while your benefit accrued in the Fund. The Fund pays the additional amount and receives reimbursement from the ATO via a tax deduction in the Fund's next income tax return. Any increase in the amount of the lump sum benefit paid is conditional upon the Fund being eligible for, and able to use, the tax deduction.

Special tax rates for temporary residents

Temporary residents who have departed Australia permanently can claim their Australian super as a Departing Australia Superannuation Payment. Withholding tax of 35 per cent applies to the taxable component of these payments.

Centrelink/Department of Veterans' Affairs information

Assets in the Super Division

Benefits held in super accounts in the Fund are exempt from assessment under the Centrelink or Department of Veterans' Affairs (DVA) means tests until you reach Age Pension age. Once you reach Age Pension age (currently age 65 for men and age 64 for women), your account balance is treated as an asset under the Centrelink/DVA assets test and is deemed to earn a set rate of income under the Centrelink/DVA income test. For more information about the Centrelink/DVA means tests, please contact your financial adviser.

Assets in the Pension Division

The Commonwealth Government applies two tests to assess if you are eligible for a Centrelink or Department of Veterans' Affairs (DVA) pension or allowance payment. The tests are the income test and the assets test. The test which gives you the lower rate of payment is the one Centrelink or DVA will use to determine your eligibility for a pension or allowance.

An investment in an allocated pension is assessed under both the Centrelink/DVA income and assets tests. The account balance is counted as an asset under the assets test. Under the income test, only part of the annual pension payment is counted as income. The excluded amount is calculated as the original investment (less any later lump sum withdrawals) divided by your life expectancy on commencement of the pension. If the pension is reversionary and the nominated beneficiary's life expectancy is longer than yours, the longer life expectancy is used.

Key words explained

If you find some of the terms used in the PDS and/or addendums difficult to understand, don't worry. This section helps explain some of the key terms that arise along the way. If you require further information or explanation of a term not covered in this section, please contact our **client services team** on **1800 333 900**.

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| Account-based pension (Also known as an allocated pension) | A pension arrangement where a person has his/her own account and regularly draws down an amount from that account within prescribed limits set by the Commonwealth Government. The pension will continue until death, commutation, or until the pension account is exhausted. |
| Approved Deposit Fund (ADF) | A concessional tax investment fund for super monies. |
| Administration Fee | The fee charged by the Trustee to cover the general administration of the Fund. |
| Alternative investments | An alternative investment is an investment product other than traditional investments such as shares, bonds, money markets, and/or cash. Alternative investments provide a pattern of returns that complement those of traditional asset classes thus providing diversification and lowering risk to a balanced portfolio. They are often designed to provide to deliver a positive return regardless of the investment environment. |
| AML/CTF Law | <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)</i> , and all sub-ordinate legislation in respect of that Act, as amended from time to time. |
| Annual statement | A statement of your member account, including a transactions summary for the period and other prescribed information. |
| Australian Financial Services Licence (AFS Licence) | A licence issued by ASIC under the <i>Corporations Act 2001</i> which among other things, permits the issuing of a financial product or the giving of financial advice. |
| Benefit | The amount of money in your member account to which you (or in the event of your death, your dependants and/or legal personal representative) are entitled to be paid in relevant circumstances. |
| Binding Nomination | A written direction to us which, if valid and in effect, binds us to pay your benefit to the dependant(s) and/or legal personal representative that you have nominated in the event of your death. |
| Business day | A day other than a Saturday, Sunday or a public holiday in Melbourne. |
| Buy/sell spread | The difference between the entry price and exit price of a managed fund investment option. This difference is an allowance for the transaction costs incurred when buying or selling units in a managed fund investment option. These amounts are not charged separately to your account but are generally included in the unit prices of each managed fund investment option. |
| Capital gains tax (CGT) | A tax applied on the increase in the value of an investment that may be payable when the investment is sold. CGT does not apply to investment options redeemed in a pension account. |
| Certified copy | A document that has been certified to be a true and complete copy of the original, by a person authorised to witness the signing of a statutory declaration under applicable Commonwealth or State legislation. |
| Concessional contributions | Employer and tax deductible personal contributions. The Government sets an annual cap on the amount of concessional contributions that can be made to your super each year. The cap on concessional contributions and the tax penalties that apply if you breach the cap are set out in the 'Taxation information' section of this addendum. |

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| Condition of release | <p>These are restrictions placed on super funds for how and when preserved benefits can be paid. A condition of release must be met before a benefit is paid. The following conditions of release have no cashing restrictions:</p> <ul style="list-style-type: none"> • Retirement. • Reaching age 65. • Reaching preservation age and permanently retired. • Death. • Permanent incapacity. • Termination of employment and the benefit is less than \$200. • Terminal illness. |
| Contribution | Represents any amount that is a concessional or non-concessional contribution, Directed Termination Payment, or transfer to your member account. |
| Cooling-off period | The period of time during which members are able to cancel their application for an account and receive a refund (if applicable), less permissible deductions. |
| Death benefits dependant | <p>When paying a Death Benefit, a dependant (for tax purposes) means:</p> <ul style="list-style-type: none"> • a spouse • children under age 18 (including a natural child, stepchild, adopted child or child of your spouse) • a person who is partially or wholly financially dependent on you at the date of death • a person with whom you have an interdependency relationship at the date of death. |
| Dependant | <p>A dependant (for super purposes) means:</p> <ul style="list-style-type: none"> • the spouse of the member • any child of the member (including a child over 18). A child includes a natural child, ex-nuptial child, stepchild, adopted child or child of your spouse • a person who is partly or wholly financially dependent on the member at the date of death • a person with whom the member has an interdependency relationship at the date of death. |
| Derivatives | Contracts that call for money to change hands at some future date, where the amount depends on, or is derived from, another security, liability or index. For example, a contract might specify that one person can buy an item from the other at today's price in six months' time, regardless of the market price at that time. |
| Directed Termination Payment | A payment into your account of a transitional Employment Termination Payment. Contributions tax (maximum rate of 15 per cent) is payable on the taxable component. You must have been entitled to the Employment Termination Payment as at 9 May 2006 under a written contract, an Australian or foreign law or a workplace agreement under the <i>Workplace Relations Act 1996</i> . From 1 July 2012, Employment Termination Payments cannot be directed into super at all. |
| Employment Termination Payment | A lump sum payment that is not a super benefit or certain other specified payment (such as unused annual leave or genuine redundancy) made from an employer to you as a result of the termination of your employment. Other than those made under transitional arrangements ceasing on 1 July 2012, an Employment Termination Payment cannot normally be transferred to a super fund. |
| Eligible Rollover Fund | An Eligible Rollover Fund (ERF) is a special type of public offer super fund that accepts member benefits from other super funds for people who may have been lost by that fund or are no longer eligible for membership of that fund. |
| Financial institution | A bank, building society or credit union. |

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| Fixed term | The fixed term for a term allocated pension is the number of years originally selected by the primary beneficiary over which the pension is to be paid. |
| Fund | I00F Portfolio Service Superannuation Fund ABN 70 815 369 818. |
| Goods and Services Tax (GST) | A tax on the supply of goods and services. |
| High yielding securities | High yielding securities are investments in non-traditional debt assets that generally earn higher interest than traditional fixed interest securities. These securities may provide higher returns as they are generally regarded as being less secure than traditional fixed interest securities. As a result, there is potential for higher volatility and lower liquidity. |
| Illiquid investments | These are investment options which may not be readily converted to cash within a 30-day time frame. This may restrict your ability to switch these investments and transfer them under the portability rules that apply to super funds. Illiquid investment options may include hedge funds, fixed interest (term deposits) and capital guaranteed investments. |
| Income stream | A series of payments provided by a pension or annuity product which is used to meet a person's income needs in retirement. |
| Interdependency relationship | An interdependency relationship may exist between two people if they live together in a close personal relationship and one or each of them provides the other with financial and domestic support, and personal care. This may include a parent or sibling with whom you live. An interdependency relationship may still exist between two people if they have a close personal relationship but do not live together because either or both of them suffer from a physical, intellectual or psychiatric disability. |
| Legal personal representative | The executor of your will or the administrator of your estate. |
| Mandated employer contributions | Superannuation Guarantee contributions (up to age 70) and employer contributions under an award or industrial agreement. |
| Non-concessional contributions | These are personal contributions and spouse contributions which are not tax deductible. The Commonwealth Government sets an annual cap on the amount of non-concessional contributions that can be made to your account. Some personal contributions, such as those attributable to the sale of small business assets up to the lifetime limit of \$1,155,000 and those derived from personal injury compensation payments may be exempt from the cap. For the cap on these contributions and tax penalties that apply if you breach the cap, see the 'Taxation information' section of this addendum. |
| PAYG | Pay As You Go withholding tax. |
| Pension product | Includes account-based pension. |
| Pensions | Pensions are provided by super funds and are established for the purpose of paying an income in retirement. |
| Permanently incapacitated | Ill-health (whether physical or mental) where we are reasonably satisfied that the member is unlikely, because of the ill-health, to engage in gainful employment for which the member is reasonably qualified by education, training or experience. |
| Pooled Superannuation Trust (PST) | A pooled superannuation trust is an investment facility set up especially for the assets of complying superannuation funds. The rules for pooled superannuation trusts are set out in the <i>Superannuation Industry Supervision Act 1993 (Commonwealth)</i> and Regulations (SIS). All investment options available to members of AustChoice Super (except for direct shares, term deposits and direct managed funds) are offered via separate investment pools within the Master Pooled Superannuation Trust (MPST). |
| Portfolio | The mix and composition of an investor's holdings among different asset classes (or if in a single asset class, between different sectors and securities). |

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| Preservation age | The age at which retired individuals can access their super. A person's preservation age will be between ages 55 and 60, depending on their date of birth. If you are currently under age 40 your preservation age is 60. |
| Preserved benefits | Generally, these benefits must be retained in the super system until you permanently retire from the workforce on or after reaching your preservation age. Preserved benefits can also be paid out on leaving employment after age 60, reaching age 65, under a transition to retirement pension, death, permanent incapacity, on severe financial hardship grounds or on compassionate grounds approved by the Australian Prudential Regulation Authority (APRA). They may also be paid out to satisfy a Release Authority from the Australian Taxation Office (ATO). |
| Reduced input tax credits (RITC) | Refers to a portion of the GST that can be claimed back from the ATO in certain circumstances. |
| Release Authority | An authority issued by the ATO specifying an amount to be released from the Fund in order to pay tax on contributions that exceed the annual caps. |
| Restricted non-preserved benefits | These benefits can be accessed on the same grounds that apply for preserved benefits. In addition, where you terminate your employment with an employer who had, at any time, contributed to the super fund on your behalf, your restricted non-preserved benefits become unrestricted non-preserved benefits. |
| Reversionary Pensioner | The person nominated by the primary beneficiary to continue the pension after the death of the primary pensioner. |
| Salary sacrifice | An arrangement with an employer for an employee to 'give up' a portion of the employee's pre-tax salary in exchange for additional contributions by the employer to the employee's super. |
| Spouse | Your married husband or wife; or a person with whom you have a relationship registered under State or Territory law; or a person with whom you live on a genuine domestic basis in a relationship as a couple. A spouse includes an opposite-sex or a same-sex de facto partner. |
| Super law | Includes the <i>Superannuation Industry (Supervision) Act 1993</i> , <i>Corporations Act 2001</i> , <i>Income Tax Assessment Act 1997</i> and associated regulations. |
| Super product | Includes Personal Super, Corporate Super and Employer Super within the Fund. |
| Super fund | A 'complying fund' (a fund whose trustee has elected that the fund be regulated by the <i>Superannuation Industry (Supervision) Act 1993</i>). |
| Switching | The movement of monies between investment options (such as managed funds and/or listed securities) and/or between the cash account and investment options. Switches between managed fund investment options are processed as a redemption of units from one managed fund and the purchase of units in another managed fund from the available investment list. Switches between listed securities involve the sale of a listed security and the purchase of another listed security. |
| Taxable component | Tax is payable on the component of your benefits that is not included in the tax-free component. |
| Tax-free component | <p>Tax is not payable on this component of your benefits. The tax-free percentage of a pension is determined on commencement of the pension and applies to all payments made thereafter (lump sum or pension).</p> <p>Tax is not payable on the following components of a lump sum:</p> <ul style="list-style-type: none"> • Any non-concessional contributions plus any Government Co-contributions made to the super account from 1 July 2007. • Tax-free components previously transferred into the super account. |

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| Term Allocated Pension (TAP) | A complying pension that is also known as a market-linked pension or growth pension and which is paid for a fixed term. Commonwealth Government regulations specify the rules for calculating the fixed term. Access to capital is not allowed except in very limited circumstances. AustChoice no longer offers new TAPs. |
| Terminally ill or terminal illness | Two medical practitioners (one of whom is a specialist in the relevant illness or injury) certify that you suffer from an illness or have incurred an injury that is likely to result in death within a period of 12 months after the date of the certificate (and the period of 12 months has not yet expired). |
| Transfer/rollover | A lump sum paid within the super environment between super funds, between super products or into an income stream. |
| Transition to retirement (TTR) pension option | A pension that enables persons who have reached their preservation age (at least age 55 depending on their date of birth) to transfer their preserved benefits, restricted non-preserved benefits and unrestricted non-preserved benefits into an income stream while continuing to work. An income stream using a TTR pension option will generally be non-commutable and have restrictions on when withdrawals can be made. |
| Trust Deed | The legal document governing the Fund and its operation. A trustee must comply with its trust deed. |
| Unrestricted non-preserved benefits | These benefits may be paid to you at any time without a change in your employment status. |
| Withdrawal | This is a payment made to you or for your benefit from your super fund after allowing for taxes, fees and charges. The payment can be made to another super fund or taken in the form of a lump sum cash payment (Commonwealth Government restrictions may apply; see the 'Accessing your super' section of this addendum for further information). Cash withdrawals from a transition to retirement pension are only permitted in certain limited circumstances. |

General information

Most of the information in this section has to do with the Trust Deed, relevant super law and business rules that govern the operation of your member account.

Differences between investing in a managed fund directly and investing through a super fund

If you are investing through a super or pension product such as AustChoice Super, there are a number of differences in the rights you might have if you had invested directly and hold the managed fund investment in your own name.

- All investments through a super or pension product are held in the name of the Trustee of the super fund or the trustee of the MPST, not in your name. This means that you will not receive communications from the underlying investment managers in relation to your managed fund investments.
- You do not have the right to call, attend or vote at meetings of investors in a managed fund because a trustee is the legal owner of the units in the managed fund.
- If you invested directly in a managed fund and not through a super or pension product, you would be able to withdraw your money without the legislative restrictions and other limitations affecting access to super benefits. However, you would not be able to transfer preserved super money into a managed fund directly; nor would you be eligible for concessional tax treatment that is available in respect of super contributions.
- If you invested directly in a managed fund, you would also only incur the fees and costs applicable to the managed fund, and not the fees and costs applicable to the super or pension product, but you might not be entitled to any wholesale discounts or rebates that a trustee can usually negotiate with an investment manager.
- The time for processing transactions may be quicker if you were a direct investor because a trustee may be required to deal with several investment managers in order to process a single investor's request.
- If you invested directly in a managed fund, you would usually have the benefit of a 14-day cooling-off period. A trustee is not entitled to any cooling-off period because it is a wholesale investor.

- If you invested directly in a managed fund, any queries or complaints would be handled by the inquiry and dispute resolution mechanisms of the managed fund. As a super investor, any queries or complaints must be handled by the relevant trustee's inquiry and dispute resolution mechanisms, even if they relate to a managed fund.

Eligible Rollover Fund

We may rollover your benefit in the Super Division to an Eligible Rollover Fund (ERF) in the event that:

- you are deemed to be a 'lost' member
- your account balance falls below \$2,000
- you decide to seek the return of your initial investment and do not notify us of a recipient super fund for the receipt of your benefits (if necessary), or the nominated super fund does not accept the rollover.

Once your benefit is rolled into the ERF, you will no longer be a member of, nor entitled to claim any benefit from the Fund.

The ERF currently selected for the Fund is the SMF Eligible Rollover Fund (SMF ERF). Being rolled over to the SMF ERF may affect you in the following ways.

- You will become a member of the SMF ERF and be subject to its governing rules. After we provide the SMF ERF with your current contact details, the SMF ERF will provide you with its current PDS, which provides details of the SMF ERF. You can also contact the SMF ERF to ask for a copy of its PDS.
- The SMF ERF will apply a different fee structure. You should refer to the SMF ERF PDS for circumstances in which fees may apply.
- The SMF ERF invests your benefit in a low-risk strategy, which may affect the rate of return credited to your account. You should evaluate whether this strategy is appropriate for your specific circumstances. Please note that the SMF ERF is subject to investment risk which means you may receive back less than your original investment when withdrawn.
- The SMF ERF does not offer insurance cover and does not accept additional contributions.

Before deciding to roll over your benefit to the SMF ERF, we will consider:

- whether you have made contributions recently
- whether you have an insured benefit and premiums deducted from your account
- if the rollover would be in your best interests and the best interests of the remaining members of the Fund.

Furthermore, before rolling over your benefit to the SMF ERF, we will attempt to communicate with you to provide you with an option to nominate another super fund.

Contact details for the SMF ERF

SMF Eligible Rollover Fund
GPO Box 529
HOBART Tas 7001
Phone: 1800 677 306

Lost members

Generally, if we have never had a correct address for you, or have had two consecutive written communications to you returned unclaimed, we will consider you to be a lost member. We will undertake a range of steps to identify your current address. If, after taking reasonable steps, we are still unable to determine your current address, we may decide to transfer your benefit to the SMF ERF.

We are required to transfer lost accounts with balances less than \$200, or which have been inactive for five years and for which there are insufficient records to identify the owner of the account, to the Australian Taxation Office as unclaimed monies.

Unclaimed benefits

Your benefit may become 'unclaimed' if:

- a pension payment has not been claimed for 5 years
- you turn 65 and have not claimed your benefit
- we have not received any contributions for you for at least two years
- we have not been able to contact you for five years despite our reasonable efforts.

We must pay unclaimed benefits to the ATO. The ATO manages the claims process for unclaimed monies, and can be telephoned on 13 10 20.

Super and the Family Law Act

Under the *Family Law Act 1975 (FLA)*, on marriage breakdown, your member account can be divided and your spouse or former spouse can receive a payment that can be:

- transferred to a new account within the Fund
- transferred to another super fund or withdrawn (subject to satisfying certain conditions).

Super entitlements can be divided either by a court order or a super agreement which must meet certain legislative requirements. Also your spouse or another person who intends to enter into a super agreement with you (such as a pre-nuptial super agreement) can request information from us.

Super and bankruptcy

Under the *Bankruptcy Act 1966*, super contributions made on or after 28 July 2006 in order to defeat creditors can be recovered by the trustee of a bankrupt member's estate. In certain circumstances a super trustee can be served with freezing orders and payment orders from the Official Receiver in respect of a bankrupt member's account. There are also circumstances in which a court can order payment of money from the account to the trustee of the bankrupt member's estate. We are required by law to comply with such orders.

The Trust Deed

The Trust Deed dated 20 June 1994 (as amended from time to time) governing the Fund, together with the relevant laws and this PDS, governs our relationship with you and sets out your rights as a member. In the event of any conflict between this PDS and the Trust Deed, the Trust Deed will apply.

When acquiring this product, you become a member of the Fund and you agree to be bound by the provisions of the Trust Deed. We may amend the Trust Deed from time to time, and will, when required by law, advise members in writing of the purpose, nature and effect of the amendment.

The Trustee may not amend the Trust Deed if the amendment would have the effect of reducing or adversely affecting the rights or claims of a member to accrued entitlements under the Fund. Such entitlements include those which have arisen prior to the amendment being made, or entitlements that have already become payable. In these circumstances, the amendment to the Trust Deed could only be made if the affected members consent in writing to the amendment, or the amendment is permitted by law or consented to by APRA. In making any amendment, the Trustee must act in the best interests of members.

You may obtain a copy of the Trust Deed free of charge by contacting our **client services team** on **1800 333 900**.

The Trustee

The Trustee of the Fund holds an AFS Licence under the *Corporations Act 2001*.

The Trustee has effected and maintains in force professional indemnity insurance. The Trustee and its directors and officers are also entitled to be indemnified out of the assets of the Fund to the extent permitted by super law.

The role of the Trustee is to operate the Fund in accordance with its Trust Deed and relevant law.

Transfers within the Fund

If you are transferring from another product within the Fund and your current investment option(s) is also available in your new product (normally only applicable to direct shares), you can transfer those investment option(s) directly into your new account. Where an existing investment option is not available in your new product, your holding in that investment option will be sold down within your existing account and the proceeds added to your cash account. Your cash account balance will then be transferred to your new account.

Calculation of your managed investment option benefits

When your contributions are received by AustChoice Super, units will be issued in accordance with the investment option(s) chosen by you. The price at which the units are issued is known as the 'application unit price'. The application unit price reflects the net value of the investment option pool, plus an allowance for any applicable transaction costs, divided by the number of units on issue at the date we invest your money.

When we report the value of your account, we do so at the price that we would sell your units, which is known as the 'redemption unit price'. The difference between the application and redemption unit prices reflects the transaction cost of redeeming the underlying assets in the relevant investment fund. This is known as the 'buy/sell spread'. Assets are valued at market prices, including accrued income. Unit prices reflect investment income and changes to the value of the assets of each investment fund, less management costs and applicable taxes.

Investing in a term deposit

Terms and conditions

Opening a term deposit

If you invest into a term deposit, we will normally lodge your funds directly with the provider within 48 hours from the date all requirements are received. If you are redeeming funds from other investments within your account to fund your purchase there may be a delay while we wait for the redemption proceeds to become available.

Investment limits

A minimum of \$20,000 per term deposit applies.

Early redemption

You may request the withdrawal of all or part of your term deposit(s) prior to the maturity date. The provider may, in its discretion approve a request for an early withdrawal.

We have the right on behalf of a member to redeem a term deposit early where the member's account has insufficient funds to meet required payments from the cash account. This may result in the term deposit interest rate being reduced.

A prepayment interest adjustment and an administration fee may apply to all early redemptions.

Maturity

At maturity, you will have the opportunity for the proceeds from the term deposit (principal and interest) to be paid in accordance with your instructions. If you do not tell us otherwise the term deposit (principal and interest) will be automatically renewed for the same investment term as before but at the interest rate that applies to that term at the day of maturity.

Your instructions must be received by us no more than three calendar days following the date of maturity if you wish to change the term or amount of your term deposit.

A communication will normally be sent to members up to three weeks prior to maturity as a reminder that the maturity is approaching.

Where can you find more details regarding the operation of your term deposit?

If you would like to find out further information not included in this section, you can contact our **client services team** on **1800 333 900** or you can access the term deposit provider's product disclosure statement via the link on our website (www.austchoice.com.au).

Investing in direct shares

You have the option to invest in various listed securities through your AustChoice Super account.

Features at a glance

| | |
|---------------------|---|
| Investment universe | The full constituent list of the S&P/ASX 300 index (plus any other securities approved from time to time by the Trustee). |
| Minimum order | \$3,000 per share parcel. |

How much of your account balance can you invest in direct shares?

The Trustee reserves the right to sell any of your listed securities if the Trustee determines it is necessary to maintain adequate liquidity in your member account or for any other reason.

What is the minimum order?

The minimum buy order is \$3,000 per security.

The minimum sell order is \$3,000 unless this would result in you retaining less than \$3,000 in the security, in which case we reserve the right to sell your holding in full.

How are orders placed and other instructions given?

Requests to buy and sell listed securities may be submitted online via AustChoice Online or by completing a Switching Instruction form or a New Member Investment Authority (Form D1 or D2) contained in a current Forms Booklet for this product.

Buy orders

Where a buy order is placed, we will validate that sufficient funds are available to settle the trade (including payment of brokerage) and to ensure that should the trade be completed, the portion of your account balance held in listed securities would not exceed the maximum allowable holdings. Once this validation has been completed, we will submit your order to our broker to put to market.

You must instruct us to purchase either a dollar value or a specified number of securities at either a specified price (known as 'at limit') or at the market price (known as 'at market'). Unless otherwise instructed we will sell managed funds as per your investment strategy based on the order attributes to ensure the trade can be settled and fees and charges paid.

Sell orders

Where a sell order is placed, we will check that sufficient securities are held on your behalf to settle the trade. Once this has been completed, we will put your order to market.

Similar to a buy order, you must instruct us to sell either a dollar value or a specified number of securities either 'at limit' or 'at market'.

Our broker

Our current broker is Bridges Financial Services.

If you have a pre-approved existing arrangement you are permitted to use an alternative broker however trades facilitated through a different broker will incur an administration fee of \$25 per trade plus whatever fee is charged by the broker.

Placement of orders to market

We normally lodge trades within 48 hours from the date all requirements are received. If you are redeeming funds from other investments within your account for these trades there may be a delay as we wait for the redemption proceeds to become available.

Whilst we and our broker will make all reasonable attempts to place your order to market as promptly as possible with due care and attention, we will not be liable for any loss to you resulting from a delay in the placement of an order to market (for any reason whatsoever) or any trade which is executed in a manner inconsistent with your instruction.

Orders will remain in the market for 30 days unless filled or cancelled at your instruction. In addition, an open order may be cancelled by the ASX where the market price moved too far away from the specified price of an 'at limit' order or where company specific events occur.

Order confirmation

When all or part of an order is filled details of the trade type, price and number of securities traded can be viewed in AustChoice Online. A history of your trades can also be viewed in AustChoice Online.

Corporate actions

What types of corporate actions will I be able to make an election?

You will generally be able to elect to participate in corporate actions which could affect the number of listed securities you hold. Examples include off market share buy backs, rights issues (renounceable and non-renounceable), entitlement offers and capital reconstructions which provide mixtures of cash and script alternatives.

What corporate actions are not available through AustChoice?

Corporate actions such as voting at Annual General and Extraordinary Meetings are not available through AustChoice. In addition, the Trustee may elect to not provide members with the ability to make an election in relation to a corporate action where the timeframe does not allow adequate time for the Trustee to lodge members' responses with the Fund's custodian or any other reason which the Trustee believes is not in their best interests, or which cannot reasonably be administered by the Trustee, or could have an adverse effect on the Fund as a whole.

How do I lodge my election for a corporate action?

When a corporate action occurs, and the Trustee determines to provide members with the opportunity to make an election with regard to the action, we will notify you in writing. You will be required to submit your election to us prior to our specified cut-off date and time. This cut-off date and time will be earlier than the cut-off date and time set by the issuer for the corporate action itself to allow adequate time for the Trustee to collate members' responses and communicate them to the Fund's custodian.

If an election is not made prior to our cut-off date and time, you will be taken to have made no election with regard to the corporate action, and the corporate action default as detailed in the relevant documentation relating to the corporate action or an alternative default as determined by the Trustee will apply.

Following receipt of your election, we may quarantine sufficient funds in your cash account or sufficient securities to ensure that your election can be executed under the terms of the corporate action.

Corporate actions may limit your ability to trade securities

Following a corporate action, complex and extensive updates may be necessary to accurately reflect the effect of the corporate action on your AustChoice account. Depending on the nature of the update required, you may not be able to sell listed securities affected by a corporate action until after we have notified you of the completion of the corporate action.

Differences between investing in listed securities directly and through AustChoice Super

| Investing in listed securities in your own name | Investing in listed securities through AustChoice Super |
|---|---|
| You are the legal and beneficial owner of the listed securities and the listed securities will be held in your name in the issuer's share registry. | The Trustee is the legal owner of the listed securities you have directed us to purchase and the securities are held in the name of the Trustee. The listed security forms part of your beneficial interest in the Fund. |
| You receive and are responsible for responding to all communications from the listed entity in relation to your security holding, including corporate action notices. | We will receive and review all communications received in relation to the security holding. All responses to these communications will be completed by us, in accordance with the terms outlined in this section. |
| You are entitled to vote and to any additional benefits associated with your holding of the listed security (such as shareholder discount cards and special offers). | You have no entitlement to vote or to any additional benefits associated with the security holding. |
| You receive a contract note for each order executed by your broker. | You do not receive a contract note for each order you place with us. The broker sends the contract note to the Trustee who is the broker's client. You can view completed trades on AustChoice Online when an order has been settled. |

General information

Transferring listed securities between divisions of AustChoice Super

Any transfer of listed securities between divisions of AustChoice Super must not result in the value of that security falling below \$3,000 in any member account.

Securities held outside the Fund

Where you hold securities outside the Fund, you may be able to transfer these securities into your member account in the Fund. The Trustee reserves the right to refuse any such request. If you are interested in transferring listed securities into your account in the Fund, please contact our client services team on 1800 333 900 for further information.

We may redeem securities on your behalf

From time to time, we may dispose of listed securities on your behalf to pay for expenses as they fall due or to ensure adequate liquid funds are available in your member account in the Fund. This will usually only occur where other investment options such as managed fund investment options and term deposits have already been exhausted.

Investing in listed securities should be for the long-term

Investing in listed securities through the Fund is for longer term investment purposes consistent with your risk profile, investment objectives, financial needs and retirement goals. It is not intended to facilitate short-term trading activities.

This addendum has been prepared and issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021 AFS Licence No. 230524. IIML is a company in the IOOF group comprising IOOF Holdings Ltd ABN 49 100 103 722 and its related bodies corporate.

General Advice warning

The information contained in this addendum:

- does not and is not intended to contain any recommendations, statements of opinion or advice
- is of a general nature only and does not take into account your individual objectives, financial situation or needs.

You should consider the appropriateness of this information having regard to your objectives, financial situation and needs and you may want to seek advice before deciding whether to acquire this product.

Important notice

AustChoice Super is issued by IIML as Trustee of the IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818. A Product Disclosure Statement for these products is available from our website (www.austchoice.com.au) or by calling us on **1800 333 900**. You should consider the Product Disclosure Statement before making an investment decision.