



# FIRST SUPER ANNUAL REPORT 2016/17

THE INDUSTRY FUND FOR  
EMPLOYEES IN THE TIMBER,  
PULP & PAPER AND FURNITURE  
& JOINERY INDUSTRIES.

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You can obtain a hard copy or register to receive a hard copy by calling  
1300 360 988 or emailing [mail@firstsuper.com.au](mailto:mail@firstsuper.com.au).

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## CO-CHAIRS' MESSAGE

### Dear Members

**Welcome to the 2016/17 Annual Report of First Super. We want to thank you for your continued support and loyalty to us. We encourage you to read this Annual Report as it gives details of your investment returns and many of the initiatives we have put into place.**

The Board is pleased to present members and stakeholders with First Super's annual report for the 2016/17 financial year. The report includes details about First Super's above target investment returns and developments within the fund during the last financial year.

Strong investment returns and a number of fund initiatives demonstrates First Super continues to put members first. However, the Funds' ability to continue to do so is under sustained threat.

### INVESTMENT PERFORMANCE

Your Fund declared strong returns again for the 2016/17 financial year. First Super's MySuper option, in which the majority of members are invested, returned 11.5% for accumulation members and 11.79% for pension members, for the year ending 30 June 2017.

These returns represent double the 5.43% annual return target, building upon previous years' strong returns. Accumulation members in our MySuper option have received an annualised return of 10.23% for each of the last five years. Contained in the Investment Performance section of this report are details of the investment performance of each investment option.

As in previous years, the Board has conducted its annual review of investment strategy for all options. It resolved to make no change to investment strategy, continuing the more defensive positioning of the MySuper option relative to other funds' MySuper option.

The outlook for investment returns in the medium term remains lower. Despite the Board's concerns, investment markets were not as volatile as expected. This is not to say we cannot expect volatility this year and potentially lower than targeted returns.

First Super's Investment Committee reviews investment performance quarterly, reporting to First Super's Board on whether any change in investment managers and strategy is required.

If there are changes of significance to investment strategy, your Board will inform you of those changes and the likely impact upon you.

### GOVERNMENT POLICY

The Board is concerned a series of government initiatives threatens the viability of industry funds, and thus your Fund's ability to continue to deliver higher investment returns than the retail for-profit sector. According to monthly SuperRatings data, industry super funds have outperformed bank-owned super funds on average by more than 2 per cent over 10 years. Over the last five years your fund has returned MySuper members 10.23% per

**The Fund has achieved above target investment returns again this year.**

year. By contrast bank owned funds only returned 7.57%, a 2.66% under performance each year.

Industry Super Australia's member information campaign starkly highlights the potential consequences of superannuation changes – that only banks and their shareholders will benefit from these changes. Members of industry funds will not.

The Productivity Commission, a Commonwealth government agency, is reviewing how superannuation funds become default funds. On any reasonable view the outcome of this review will be to make it easier for bank-owned funds to become default funds. This means many workers will end up in bank-owned funds that have consistently delivered lower returns than funds where all profits return to members.

The Government proposes to change how your fund is run by imposing more independent directors on the Fund's board. The Government argues there is a problem that needs fixing. Though the problem is not clear. Looking at the retail banks, boards dominated by independent directors have presided over scandal after scandal and excessive executive pay packets.

The Board believes the mix of member and employer nominated directors and independent directors works. It has delivered to members superior returns with modest costs. It will continue to defend your right to be a member of a superannuation fund that puts your interests first.

## SHAREHOLDER ENGAGEMENT

First Super's Board has put considerable effort into improving communication and consultation with its seven shareholders. In addition to the annual general meeting, three meetings were held with shareholders last financial year. At these meetings, the Fund's strategy and business plan was discussed and views sought on these important matters and also how the Fund should approach introducing director terms.

First Super will soon introduce a program of member annual general meetings where the Fund will travel to the areas in which our members live and work to provide a report on the Fund and provide you the member with an opportunity to ask questions. The Fund will also hold an on-line annual general meeting for those members who can't attend because the annual general meeting's location or time is not convenient for them.

## GOVERNANCE

First Super's Board continued with its renewal program. Janet Gilbert joined the Board in March 2017 replacing Martin Lewis. Janet has been appointed for a four-year term. Janet is a solicitor with considerable industry experience and knowledge gained in the Timber

Trade Industry Association.

Bob Smith, an independent director, resigned effective 30 June 2017 and was replaced in September 2017 by Tim Chatfield. Tim comes to the Board with experience establishing and managing community organisations. He is currently chair of Aboriginal Housing Victoria.

Finally, David Kirner, an employee nominated director gave notice of his intention to resign, which he did in August 2017. Scott McDine was appointed to replace David. Scott is a former National Secretary of the Australian Workers' Union and formerly a director of Australian Super and Cbus.

## CONCLUSION

The Board expresses its thanks to the Trustee office staff and service providers for continuing to collectively put members first.

This is seen in investment returns and the improved member and employer satisfaction levels.

Finally, thanks for being a First Super member. We appreciate the trust you and your family have put in us..



**Lisa Marty**  
Co-Chair, First Super



**Michael O'Connor**  
Co-Chair, First Super







# CEO'S MESSAGE

The 2016/17 financial year has been a busy year for your Fund with significant progress made to implement business plan initiatives. Most importantly, the Fund has again generated above target investment returns. We are entrusted with your retirement savings, we invest those savings prudently and when you are ready to retire, you get back more than you invested.

Positive investment returns over the last number of years have meant that First Super has met that promise to you.

The following section on the Fund's investments and returns will explain how your investment returns and retirement savings were generated.

## KEY FUND INITIATIVES IN 2016/17

During the 2016/17 year, the Fund and its Administrator, Superannuation Benefits Administration, invested in a significant enhancement to Fund administration process, client management systems and the online member transactional environment.

The enhancement will improve member and employer communication and allow our Member Services Team to provide better member service. We also expect the enhancements will allow the Fund's administration cost to be contained.

The Fund also embarked upon a major procurement exercise during the year, calling for public tenders for the provision of member and employer services.

First Super provides a service where Coordinators are available to visit members and employers to deal with the complexity of superannuation through advice and service, which enables members and employers to deal with the complexity of superannuation through advice and assistance.

The Fund awarded the contract for member and employers services to the Construction, Forestry, Mining and Energy Union the (CFMEU). The procurement process was supervised by a probity auditor to ensure potential conflicts of interest were managed and most importantly, members receive value for money for these services.

One aspect of the Fund's investment process that received considerable attention was the treatment of workers, contractors and franchisees by companies in which the Fund is invested. The overriding concern by the Fund is the sustainability of investment returns. We invest on your behalf for the long run. We do not want to see the companies we invest in cut corners and then subsequently be held to account. This only leads to long term losses after misleading short term gains.

During the year the Fund suspended additional investments in its private equity programme because of these concerns. You may have seen media reports about Aerocare, and its treatment of workers, and the process it went through in negotiating an enterprise agreement. First Super is indirectly invested in Aerocare and sought explanations from the Fund's manager about these reports. A recent decision of Fair Work Australia validates the Fund's concerns about Aerocare's management's approach to industrial relations and the impact upon Aerocare's sustainability.

Similarly, the Fund met with Domino's Pizza to discuss concerns about its franchise model and the impact upon the staff employed by Domino's franchisees.

## STAFF

During the year we had a number of key staff leave. Peter Scott, our Financial Adviser, who was known to many members and their families retired in December 2016. Peter's broad shoulders were appreciated by many members and their families, when he

assisted them with their insurance claims, setting them up for retirement and during redundancies. We wish Peter well and know his retirement is a gain for cricket and umpiring, and his extended family.

David Galloway, our Operations and Governance Manager, also retired at the end of the financial year. David's job was not an easy one, ensuring the Fund was well positioned to meet the rising tide of compliance and regulatory change. David did the work of many, and that has been appreciated by the Board and myself.

As both the Co-Chairs and I have noted in previous reports, we are well served by our out-sourced service providers. We depend upon them for many of our critical activities and they do this well.

On behalf of both my colleagues in the Trustee office and myself, our thanks to BNP Paribas Securities Services, the CFMEU, Frontier Advisors, MetLife and Superannuation Benefits Administration.




**Bill Watson**  
CEO, First Super

# FY2016/17 HIGHLIGHTS

Below is an overview of how First Super performed during FY2016/17.

## STATISTICS

 **64,000**  
members

 **\$2.7bn**  
funds under management

 **33,996**  
phone calls from members

 **11,166**  
emails from members

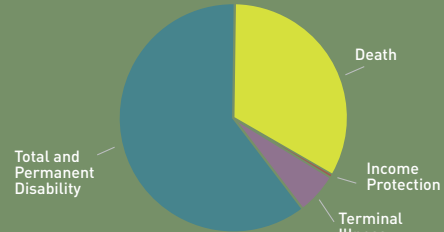
 **56,000**  **Up 1.7%**  
website visits

 **99,000**  **Up 4.3%**  
website sessions

## INSURED BENEFITS

Providing prompt response to member claims

**\$18.8m** paid in claims



## SUPPORT

Providing active support to members

**1685**  
seminars,  
site /  
off-site  
visits 

**7550**  
member  
meetings 

## ADVICE

Providing a range of financial advice services



**85.7%**

increase in members  
accessing personal  
advice

# FIRST SUPER IS YOUR INDUSTRY FUND



First Super is an industry super fund, supporting over 64,000 members who trust us to manage more than \$2.7 billion of their hard-earned savings, as at June 2017. We offer superannuation, insurance and Allocated Pension Products including Transition to Retirement. As an industry super fund our profits are returned to you, our members and not to shareholders.

As the industry fund for all employees in the timber, pulp & paper and furniture & joinery industries, we are committed to providing our members with the benefits that enhance their long term financial position, well-being and security.

## QUALITY SERVICE AND ADVICE

We are committed to providing our members with high quality, personalised service and advice. Our Member Services Team is available to help you manage your super and inform you of your options. The Member Services Team can also help you arrange for a First Super local Coordinator, or Business Development Manager to visit your workplace. They are available to provide you with the information you require to better understand your super and our services.

We also offer members access to licenced Financial Planners who can help you plan for your retirement.

Call our Member Services Team on **1300 360 988** to book a free initial consultation with a Financial Planner, or to book an appointment with a local Coordinator or Business Development Manager.

## INVESTMENT OPTIONS TO SUIT YOUR NEEDS

Your super can be a safe, low-cost and tax-effective way of saving for retirement.

At First Super we offer members five investment options with a varying mix of growth and defensive investments. You can invest your savings in one option or invest in a combination of options; the choice is yours. You can also change your investment options at any time, providing you have at least \$1,000 in your account.

### DID YOU KNOW?

Small differences in both investment performance and fees can have a substantial impact on your long-term returns.

# IMPORTANT INFORMATION FOR ACCUMULATION MEMBERS

## FLEXIBLE INSURANCE OPTIONS AT COMPETITIVE RATES

First Super provides you with flexible, comprehensive insurance options at competitive insurance rates. We understand how important it is that you and your family are protected if the unexpected were to happen.

### TYPES OF COVER

#### Death

Death cover provides a lump sum payment in the event of your death, or on diagnosis of a terminal illness. Amongst other things, it can help pay for your debts, funeral costs, or to help your family pay ongoing bills.

#### Total and Permanent Disability

TPD cover provides a lump sum payment if you become totally and permanently disabled. Amongst other things, it can be used for your ongoing bills (such as mortgages and living expenses) and for your medical expenses.

#### Income Protection

Income Protection cover provides you with an ongoing payment of up to 85% of your income (depending on your level of cover) if you are unable to work for a long period because you are sick or injured. This way, you don't have to think about the bills, you only need to focus on getting better.

### HOW MUCH DOES IT COST?

Premiums for your insurance cover are paid out of your super account. Premiums depend on factors including age, gender and the level of risk in your occupation. You can find out how much insurance you currently have, and how much it costs, by checking your annual super statement or by calling First Super on **1300 360 988**.

You can also apply to increase your cover up to \$2 million. Please see the Product Disclosure Statement (PDS) for information on default insurance and for the terms and conditions that apply to insurance.

### PLANNING FOR RETIREMENT

If you are nearing your Preservation Age (the age at which you can access your super) and starting to think about retirement, First Super's Allocated Pension products allow you to stay with us through your working life and beyond. An Allocated Pension lets you convert your superannuation into regular income in retirement. You can choose the number of payments you wish to receive and their frequency, which can be fortnightly, monthly, quarterly, half-yearly or yearly.

You can also draw down lump sums when it suits you. The minimum lump sum withdrawal is \$1,000 – a lump sum withdrawal cannot occur until you have received at least one regular income payment. This is a legal requirement that cannot be waived.

If you have reached your Preservation Age and are still working, a First Super Transition to Retirement Allocated Pension can provide you with the flexibility to reduce your working hours and top up your income by drawing on your super. It can also be used to boost your super before you retire. As such, a Transition to Retirement Allocated Pension can be a powerful tax planning tool for wage and salary earners.

If you are over the preservation age and looking to retire permanently from the workforce, a First Super Allocated Pension can provide you with a regular income during retirement. You can even draw down lump sum amounts. To help you plan for your retirement, call our Member Services Team on **1300 360 988** to discuss your options or make an appointment to see a financial planner.

#### Preservation Age

Because the Government wants to encourage everyone to save for retirement, it provides tax savings for money invested in super. Since the purpose of super is to help you build up retirement savings, you generally cannot withdraw your money from super until you retire permanently from the workforce and after you have reached your preservation age.

Your preservation age depends on when you were born. If you were born before 1 July 1960, your preservation age is 55. Once you are 60 and retired, your money can be taken out of super tax free as a pension or lump sum.

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
From 1 July 1964	60

## DID YOU KNOW?

### As an industry fund, we offer low fees.

Nearly half of working Australians have multiple super accounts. We can help you rollover your super accounts – at no cost! Complete a Transfer your Super form and we'll do the rest!



# INVESTMENT PERFORMANCE

Last financial year was another year where members received returns above the investment return target.

Despite uncertainty in investment markets as we entered the 2016/17 financial year, returns to First Super members were above investment targets and our expectations. Members invested in First Super's default balanced option - the MySuper option - received an 11.5% return. For those members with a greater appetite for risk, returns were even better with 13.61% returned for the Growth option and 15.98% for the Shares Plus option. Returns for the less risky Conservative Balanced option were 8.86% with the Cash option returning 2.26%.

Five year returns were just as impressive, with returns as follows:

Member investment option	Rate of return(%)
Balanced	11.50
Shares Plus	15.98
Growth	13.61
Conservative Balanced	8.86
Cash	2.26

It was pleasing to see First Super being identified as a top super fund by Stockspot on The Today television show.

The unexpected outcome of the Brexit vote in June 2016 was cause for pessimism as we entered 2016/17. Uncertainty about the impact upon the European Union, the UK and international trade led to falls in listed equity markets. The FTSE recovered but increases in share prices were offset by the fall in the pound. This has remained the case throughout 2016/17 particularly following substantial swing to UK labour at the June snap election.

If things couldn't get any more unexpected, the election of President Trump in November 2016 proved the case. President Trump's election has seen US stock markets and markets for other assets reach highs that were not expected. These returns contributed to very strong international equity market returns.

Meanwhile, China continued its transition in an orderly, planned fashion from infrastructure investment and manufacturing services. Despite threats of trade wars from the US, international trade continued to flow. As China grows its domestic markets it becomes less dependent on export markets.

There was no end to record low interest rates globally. Central banks throughout the OECD including Australia's Reserve Bank have remained reluctant to 'pull the trigger' on interest rate hikes. Inflation remained benign even though governments and central banks would have preferred to see a pick-up in inflation. Low wage growth continues to retard economic growth.

In Australia, inflation and interest rates remained low fuelling most domestic housing markets. Australian share markets posted double digit returns, albeit more modest than global markets.

Within First Super's investment portfolio standout asset classes were infrastructure, real property and private equity. Infrastructure returned almost 14%, property just over 13% and private equity almost 18%. Within these asset classes there were standout managers including the industry fund-owned IFM Investors and ISPT and the privately owned private equity manager, Stafford.

At a manager level First Super's listed equity manager, Allan Gray Australian Equity Fund, outperformed its benchmark by 50%. Its peer international equity manager fund, Orbis Group equity fund, also outperformed its benchmark, although this out performance was more modest.

First Super continued to take an active approach to managing environment, social and governance investment factor risk (ESG). First Super voted against listed company remuneration reports where either company executives or boards received remuneration increases above increases in average weekly ordinary time earnings for the comparable period. Regrettably company boards are not listening to shareholders. Boards continue to excessively remunerate executives and themselves. It is First Super's view that excessive executive remuneration deprives shareholders of their fair share of company profits.

During the year First Super's board became increasingly concerned about the management and governance of companies within its private equity portfolio. Whilst private equity returns have been strong, concerns about the sustainability of private equity business model increased. This was in light of reports of poor labour management practices within one company in the portfolio and an apparent industry wide problem in the hospitality and fast food sector not paying staff in accordance with the relevant award. Strong profits one year in any business can be eroded by subsequent repayment of underpaid wages and superannuation. The investment risk attached to operating in grey zones is not acceptable to First Super. Directors resolved to place the private equity program on hold until a more acceptable way of investing can be determined.

As in previous years, First Super conducted its annual review of investment options, asset sectors, allocations between sectors and managers within those sectors. First Super elected to terminate the mandate of one international equity fund and has commenced a search for a replacement manager. After receiving advice from its asset consultant and considering investment risk, the Fund elected to make no changes to investment options or asset allocation. If First Super makes any substantial change to investment strategy or asset allocation, it will inform you.

Further in this annual report are details of all managers the Fund invests in on your behalf. Our website [firstsuper.com.au](http://firstsuper.com.au) is updated monthly providing you with details of the investment performance for the previous month.

**11.50%** The Balanced option's return for the year 2016/17

**With First Super, you control how your super is invested. You can choose an investment mix that suits your risk profile and investment timeframe.**

## CREDITING MEMBER ACCOUNTS

Your super account earns investment income at the Fund's declared crediting rate\*.

The crediting rate used will depend on the investment option(s) you have selected. Each month First Super will declare a crediting rate return for each investment option based on earnings and estimated fees and tax.

After the end of the financial year (30 June) or when you leave the Fund, First Super will adjust your account based on the accumulated weekly performance of each investment option after deducting tax and fees and allowing for reserves.

At the end of the financial year, the amount applied to your account is based on your average daily account balance and the related weekly performance for your investment option.

You should take into account that investment returns can fluctuate up or down and may be negative in some years. The actual returns are based on the performance of the underlying investments and First Super does not guarantee or promise any specific rate of return.

\* Crediting rates and interim earning rates may be positive or negative. If the crediting rate is positive your account grows. If the rate is negative, your account balance is reduced.

### Interim crediting rates

First Super also determines interim crediting rates of earnings that apply when members are paid a benefit during the year.

These interim rates are calculated based on the declared weekly crediting rates to the date of exit or withdrawal plus the estimated investment crediting rate for any part week up to the date of exit or withdrawal. If you leave the Fund, an interim crediting rate is applied to your entire account balance.

Below are the crediting rates for the financial year ending 30 June 2017 and prior periods.

Superannuation							
Investment Option	1 year % p.a.	2 year % p.a.	3 year % p.a.	5 year % p.a.	10 year % p.a.	Return since inception	Inception date
Balanced	11.50	8.32	8.69	10.23	4.67	8.40	1 Jul 1988 <sup>^</sup>
Shares Plus	15.98	10.27	10.84	13.56	4.57	5.98	1 Mar 2001
Growth	13.61	9.17	9.64	11.94	n/a	11.15	14 Oct 2011
Conservative Balanced	8.86	6.76	6.96	8.24	n/a	5.80	1 Jul 2008
Cash	2.26	2.37	2.46	2.71	3.45	4.27	1 Mar 2001

<sup>^</sup>The composition of the Balanced option was fundamentally different prior to 1 July 1988.

Pension							
Investment Option	1 year % p.a.	2 year % p.a.	3 year % p.a.	5 year % p.a.	10 year % p.a.	Return since inception	Inception date
Balanced	11.79	8.72	9.25	11.21	5.39	7.59	18 Mar 2005
Shares Plus	16.69	10.77	11.43	14.66	5.30	8.10	1 Jul 2005
Growth	15.00	10.16	10.74	n/a	n/a	11.12	10 Aug 2013
Conservative Balanced	9.81	7.52	7.73	9.23	n/a	6.54	1 Jul 2008
Cash	2.64	2.75	2.85	3.15	4.05	4.09	1 Jul 2005

Note: 'N/A' indicates there were no similar investment options available 10 years ago. Rates are not guaranteed and may not be the same as those allocated to your account for reasons including the date you joined and the timing of contributions. Past performance is not a reliable indicator of future performance.

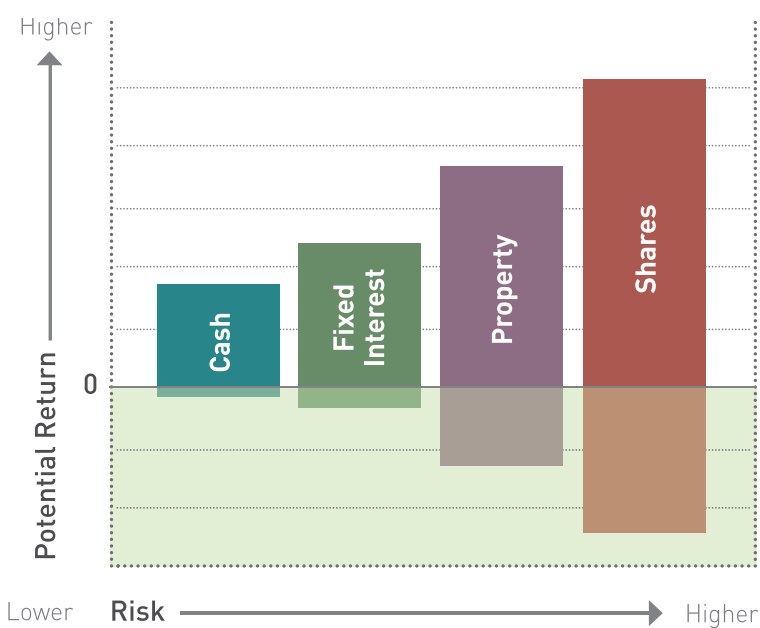




## THE RISK/RETURN PROFILE OF THE MAIN ASSET CLASSES

This graph illustrates the relationship between higher returns and greater risk. It does not reflect the actual returns or risks.

### THE LINK BETWEEN RISK AND RETURN



Generally, investment in high risk assets will produce higher returns over the long term, with a greater chance of a negative return over the short term.

Each of the four main asset classes – shares, property, fixed interest and cash – has different levels of risk and different potential for returns.

# YOUR INVESTMENT CHOICE

First Super lets you choose how your super is invested. Members can choose to invest in any one or a combination of the following five investment options:

First Super members can choose to invest in any one or a combination of the following options:

- 1 Shares Plus
- 2 Growth
- 3 Balanced
- 4 Conservative Balanced
- 5 Cash

You can mix your investment in any percentage split across the five investment options or you can choose to invest in just one option. The choice is yours.

## MAKING AN INVESTMENT CHOICE

Before making an investment choice you should consider your personal situation and understand the relationship between risk and return. This is essential to making an informed investment decision.

You can change your investment mix at any time, provided you have an account balance of at least \$1,000.

First Super provides all members with access to low cost financial planning services\*.

They work on a fee for service basis so you know what it is going to cost you up front. Your initial consultation is free.

Call **1300 360 988** for more information or to arrange for a Financial Planner to contact you.

\* Financial planning is provided by Industry Fund Services Ltd (IFS) (ABN 54 007 016 195 AFSL 232514)

## INVESTMENT OPTIONS

For more information, read the Investing your super booklet available at Forms and Resources section of [firstsuper.com.au](http://firstsuper.com.au).

## USE OF DERIVATIVES

First Super allows some of its investment managers to use derivative instruments to help manage risk and for other defensive purposes. The managers must use derivatives within strict parameters.

Derivative instruments are not used for speculative investing. The Trustee Derivative Charge Ratio did not exceed 5%.

## SOCIALLY RESPONSIBLE INVESTING

Labour standards and environmental, social or ethical considerations may be taken into account in the selection, retention or realisation of investments.





## Investment options

### SHARES PLUS

#### Objectives

- > Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 4.0% per annum over rolling ten-year periods
- > Confine the chance of the rate credited to members falling below zero in any financial year to less than one in five
- > Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings High Growth (91-100) Option Survey over rolling five-year periods.

#### Investor profile

This investment option is likely to appeal to members with a long term view of their super savings and/or who are prepared to accept higher risk in the search for higher returns.

#### Risk profile

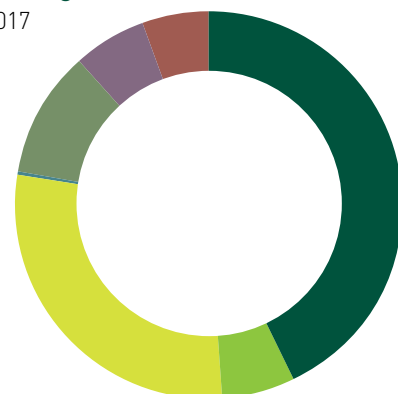
The Shares Plus option is likely to provide a high degree of volatility and fluctuations in returns and is at the high end of the risk/return range. The risk may increase by the nature of overseas investments, which means that this option is subject to the considerable extra risk of currency fluctuations and international events. It is likely to outperform the other investment options offered over the long term.

#### Standard risk

4.2 YEARS | RISK BAND: 6 | RISK LABEL: HIGH

#### Asset allocation and ranges

Actual % as at 30 June 2017



Asset Class	Actual	Range
● Australian Listed Equities	42.2%	30-60%
● Australian Unlisted Equities	5.4%	0-20%
● International Listed Equities	31.1%	0-40%
● International Unlisted Equities	0.4%	0-5%
● Australian Unlisted Property	10.2%	0-20%
● Australian Unlisted Infrastructure	5.5%	0-10%
● International Unlisted Infrastructure	5.2%	0-10%

### GROWTH

#### Objectives

- > Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 3.75% per annum over rolling ten-year periods
- > Confine the chance of the rate credited to members falling below zero in any financial year to less than one in six
- > Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Default Option Survey over rolling five-year periods.

#### Investor profile

This option is likely to appeal to members who are prepared to accept higher investment risk in the search for higher returns, but also wish to reduce the risk of very large investment losses by diversifying into some defensive assets.

#### Risk profile

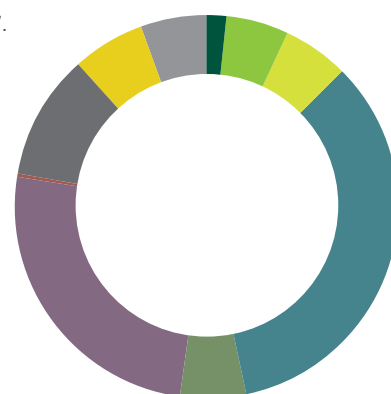
The Growth option is likely to provide a high degree of volatility and fluctuations in returns. It has a lower investment risk/return profile than the Shares Plus option because it has a higher exposure to defensive assets. Over the long term it is likely to outperform the other investment options except for Shares Plus.

#### Standard risk

3.5 YEARS | RISK BAND: 5 | RISK LABEL: MEDIUM - HIGH

#### Asset allocation and ranges

Actual % as at 30 June 2017.



Asset Class	Actual	Range
● Cash	1.8%	0-20%
● Australian Fixed Income	5.9%	0-20%
● International Fixed Income	5.9%	0-20%
● Australian Listed Equities	33.4%	25-45%
● Australian Unlisted Equities	5.4%	0-25%
● International Listed Equities	26.3%	0-45%
● International Unlisted Equities	0.4%	0-10%
● Australian Unlisted Property	10.2%	0-20%
● Australian Unlisted Infrastructure	5.4%	0-10%
● International Unlisted Infrastructure	5.3%	0-10%

## BALANCED

### Objectives

- > Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 3.5% per annum over rolling ten-year periods
- > Confine the chance of the rate credited to members falling below zero in any financial year to less than one in nine
- > Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Default Option Survey over rolling five-year periods.

### Investor profile

This investment option is likely to appeal to members seeking mid to long term growth of their super along with diversification across asset classes.

### Risk profile

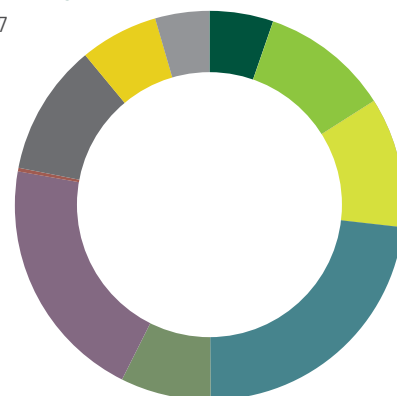
Designed to provide good growth over the mid to long term while reducing risk through diversification. Likely to slightly underperform against the First Super Shares Plus and Growth options over the long term.

### Standard risk

2.3 YEARS RISK BAND: 4 RISK LABEL: MEDIUM

### Asset allocation and ranges

Actual % as at 30 June 2017



Asset Class	Actual	Range
Cash	5.3%	0-15%
Australian Fixed Income	10.7%	0-40%
International Fixed Income	10.8%	0-40%
Australian Listed Equities	23.1%	15-40%
Australian Unlisted Equities	7.5%	0-25%
International Listed Equities	20.4%	5-40%
International Unlisted Equities	0.3%	0-5%
Australian Unlisted Property	10.9%	0-20%
Australian Unlisted Infrastructure	6.5%	0-10%
International Unlisted Infrastructure	4.5%	0-10%

## CONSERVATIVE BALANCED

### Objectives

- > Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by increases in the Consumer Price Index, by at least 3.0% per annum over rolling ten-year periods
- > Confine the chance of the rate credited to members falling below zero in any financial year to less than one in fifteen
- > Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Conservative Balanced (41 – 59) Option Survey over rolling five-year periods.

### Investor profile

Members investing for the short to medium term who want a more secure option with less chance of fluctuations than the Shares Plus, Growth or Balanced options and/or members looking for lower risk options for their super savings.

### Risk profile

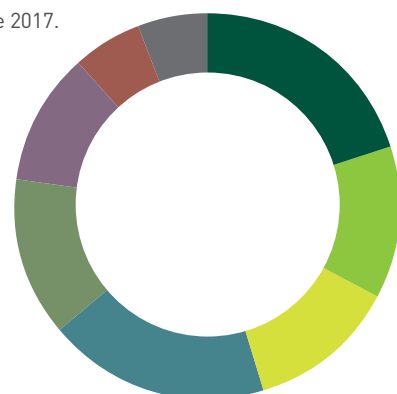
Designed to provide more stable returns than the Shares Plus, Growth or Balanced options. It is at the lower end of the risk/return range and is likely to underperform against the Shares Plus, Growth or Balanced options over the medium to long term.

### Standard risk

1.2 YEARS RISK BAND: 3 RISK LABEL: LOW - MEDIUM

### Asset allocation and ranges

Actual % as at 30 June 2017.



Asset Class	Actual	Range
Cash	20.8%	5-25%
Australian Fixed Income	13.0%	5-45%
International Fixed Income	12.9%	5-45%
Australian Listed Equities	18.1%	10-30%
International Listed Equities	13.3%	5-20%
Australian Unlisted Property	10.7%	0-20%
Australian Unlisted Infrastructure	5.7%	0-10%
International Unlisted Infrastructure	5.5%	0-20%



# CASH

## Objectives

- > Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by increases in the Consumer Price Index, by at least 1.0% per annum over rolling five-year periods
- > Confine the chance of the rate credited to members falling below zero in any financial year being negligible
- > Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Cash Option Survey over rolling five-year periods.

## Investor profile

Members investing for the short term and/or those who want a secure option with a low chance of investment fluctuations. This may be suitable for members intending to realise or reorganise their investments in the near future who want to avoid the possibility of a loss over that period.

## Risk profile

Designed to provide very stable returns at the lowest end of the risk/return range. However, it is likely to underperform all other investment options offered over all but the shortest periods.

## Standard risk

0.0 years | **RISK BAND: 1** | **RISK LABEL: VERY LOW**

## Asset allocation and ranges

Actual % as at 30 June 2017



Asset Class	Actual	Range
● Cash	100%	100%







## INVESTMENTS HELD BY THE FUND



Listed below are the investment funds employed by First Super and the direct investments made for the financial year ending 30 June 2017.

	30 June 2017 (\$)
<b>Australian Equities</b>	
Eley Griffiths Aust Equity Small Companies Mandate	55,254,953
IFM Enhanced Index Aust Equity Mandate*	222,037,039
Allan Gray Australian Equity Fund*	159,730,104
Perpetual Aust Equity Mandate*	185,593,500
<b>Total Australian Equities</b>	<b>622,615,596</b>
<b>Australian Infrastructure</b>	
IFM Aust Infrastructure Fund	114,570,403
PW Hastings UTA	55,621,800
<b>Total Australian Infrastructure</b>	<b>170,192,203</b>
<b>Australian Private Equity</b>	
First Trust Portfolio	116,167,815
Frontier Pty Ltd	305,000
ME Bank Ltd	31,030,427
Industry Super Holdings	17,239,779
ROC Partners Trust 3	3,166,022
ROC Partners Trust IV	11,340,721
PW Quay Australia 3 Fund	2,563,268
PW Quay Australia 4 Fund	1,410,645
Super Benefits Administration Pty Ltd	1,518,748
<b>Total Australian Private Equity</b>	<b>184,742,425</b>
<b>Cash &amp; Capital Guaranteed</b>	
IFM Specialised Cash Fund	6,055,901
Short Term Cash Account* (Term deposits)	170,800,057
Cash	60,581,332
<b>Total Cash</b>	<b>237,437,290</b>
<b>Fixed Interest</b>	
IFM Specialised Credit Fund	97,072,780
Blackrock Indexed Aust Bond Fund	120,579,463
Blackrock Overseas Bond Index	53,258,272
IFM Credit Opportunities Mandate	7,573,387
PIMCO Global Bond Fund	75,436,295
PIMCO Target Return Fund*	147,500,232
ME Super Loans Trust	2,293,258
Westbourne Yield Fund No 1	28,700
Westbourne Infrastructure Debt Fund No 2	40,356,560
<b>Total Fixed Interest</b>	<b>544,098,947</b>

	30 June 2017 (\$)
<b>International Equities (Unhedged)</b>	
BGI Unhedged World Ex Aust Equities Index*	139,876,937
Capital Int Global Equities Unhedged*	152,058,577
Orbis Global Equity Fund*	157,565,121
<b>Total International Equities (Unhedged)</b>	<b>449,500,635</b>
<b>International Equities (Hedged)</b>	
Blackrock Hedged World Equities Index	92,635,161
<b>Total International Equities (Hedged)</b>	<b>92,635,161</b>
<b>International Infrastructure</b>	
IFM International Infrastructure	119,367,165
<b>Total International Infrastructure</b>	<b>119,367,165</b>
<b>International Private Equity</b>	
IFM Intl Private Equity 1	971,740
Wilshire Pooled Superannuation Trust	5,868,760
<b>Total International Private Equity</b>	<b>6,840,500</b>
<b>Property</b>	
ISPT Core Fund*	179,619,576
ISPT DOF 1	251,588
PW Fortius Active Property	255,761
PW Franklin International Real Estate 2	1,558,154
QIC Property Fund	102,683,691
<b>Total Property</b>	<b>284,368,770</b>

### Total Investments

# \$2,711,798,692

\* These assets represent 5% or more of the Fund.



# TAKING CARE OF FIRST SUPER



## THE TRUSTEE

The Trustee of First Super is a company, First Super Pty Ltd (ABN 42 053 498 472, AFSL 223988, RSEL L0003049).

The Trustee is responsible for managing over \$2.7 billion in funds under management and overseeing its investments on behalf of over 64,000 members, in accordance with the Trust Deed and relevant legislation. The Trustee holds professional indemnity insurance. At the date this report was issued, the Trustee has not incurred any penalties under Section 38A of the Superannuation Industry (Supervision) Act 1993

## THE TRUSTEE BOARD

The First Super Trustee Board is comprised of five member representatives, five employer representatives and two independent directors. Directors are appointed to the Board following consideration of a nominee's suitability and qualifications. Member representatives are nominated to the Board by the CFMEU (Forestry and Furnishing Products Division) while employer representatives are nominated by employers or employer associations. Two independent directors were jointly appointed by the other members of the Trustee board. The Co-Chair persons are elected every three years by the Board. The Board generally meets four times a year and undertakes an annual review of its performance. Every second year an independent external review of the Board (and its committees) is commissioned.

# \$190,575,965

**The value of contributions made to First Super member accounts for the 2016-17 financial year.**

## BOARD COMMITTEES

The First Super Trustee Board has established committees to deal with issues and to make recommendations to the Board. Each committee generally meets four times a year, with additional meetings scheduled as required. The Directors of First Super and their committee representation as at 30 June 2017 were as follows:

Member representative	Committee representation
<b>Michael O'Connor (Co-Chair)</b> Member since 2008	Administration and Marketing Investment (Chair) Nominations Remuneration
<b>Denise Campbell-Burns</b> Member since 2014	Administration and Marketing Audit and Compliance
<b>David Kirner</b> Member 2010 - 2017	Audit and Compliance Investment (July - Sept 2016) Administration and Marketing (Jan - Sept 2017)
<b>Alex Millar</b> Member since 2008	Investment Remuneration
<b>Frank Vari</b> Member since 2008	Administration and Marketing (July - Dec 2016) Investment (Jan 2017 -) Nominations

Employer representative	Committee representation
<b>Allan Stewart</b> Member since 2008	Administration and Marketing Investment Nominations Remuneration
<b>Martin Lewis</b> Member 2008 - 2017	Audit and Compliance Investment Nominations
<b>Lisa Marty (Co-Chair)</b> Member since 2012	Administration and Marketing (Chair)
<b>Mike Radda</b> Member since 2008	Investment
<b>Julie George</b> Member since 2015	Administration and Marketing Audit and Compliance Remuneration
<b>Janet Gilbert</b> Member since 2017	Administration and Marketing

Independent director	Committee representation
<b>Bob Smith</b> Member 2008 - 2017	Audit and Compliance (Chair) Nominations Remuneration
<b>Candy Broad</b> Member since 2015	Audit and Compliance Investment Remuneration (Chair) Nomination (Chair)

## SERVICE PROVIDERS

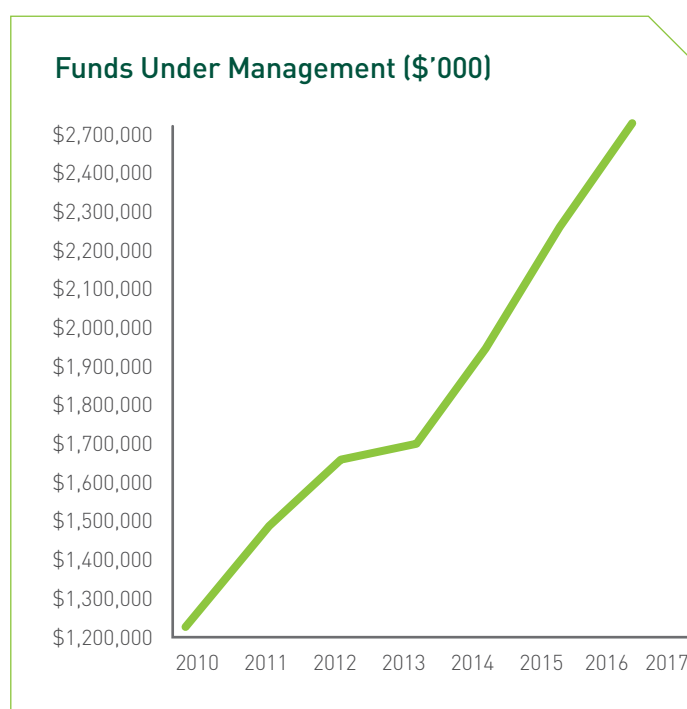
First Super work with a range of independent advisors and service providers to assist with running First Super on a day-to-day basis. Each advisor and service provider is appointed following a due diligence process. Advisors and service providers may change from time to time. As of 30 June 2017, First Super used the following advisors and service providers:

<b>Actuary</b>	Mercer (Australia) Pty Ltd
<b>Administrator</b>	Super Benefits Administration Pty Ltd*
<b>External Auditor</b>	PricewaterhouseCoopers
<b>Internal Auditor</b>	KPMG
<b>Insurer</b>	MetLife Insurance Limited
<b>Insurance Advisor</b>	IFS Insurance Solutions Pty Ltd
<b>Asset Consultant</b>	Frontier Advisors Pty Ltd*
<b>Legal Advisor</b>	Madgwicks
<b>Master Custodian</b>	BNP Paribas Securities Service
<b>Tax Adviser</b>	Ernst & Young
<b>Financial Planning</b>	Industry Fund Services Pty Ltd
<b>Coordinators</b>	CFMEU FFPD

\*First Super holds shares in this service provider as an investment.

## FIRST SUPER COORDINATORS

First Super's Coordinators are available to help you over the phone or visit you at your workplace to discuss the financial planning services available to you. For more information about First Super's local Coordinators call **1300 360 988**.



# DIRECTORS' REMUNERATION REPORT



The Directors of First Super Pty Ltd are paid for the work they do as Directors. In some cases, payment is made to the Director's employer to compensate for time spent by the Director managing the business of the Fund and the Trustee.

The fees paid to Directors are set and examined regularly by the Remuneration Committee. Independent advice may be sought from time to time to ensure Board remuneration is in line with the market. Based on information available, the Remuneration Committee is satisfied that the level of remuneration paid to First Super Directors is reasonable.

## DIRECTOR'S FEES

The fees paid to Directors are paid in respect of:

**Board meetings** Covering preparation for and attendance at Board meetings. Payment includes an allowance for travel and accommodation for interstate Directors.

**Committee and subcommittee meetings** Covering preparation and attendance at committee and meetings. Payment includes an allowance for travel and accommodation for interstate Directors.

**Workshop and training courses** Covering Director participation in all approved workshop and training courses and relevant incurred expenses.

**Conferences** Covering Director participation in approved conferences and relevant incurred expenses for travel and accommodation for interstate Directors.

**Extra Duties** On occasion the Board may require Directors to take on extra duties. An additional fee may be paid to the Director at the Board's discretion.

## Interstate Travel

Directors travelling interstate for Governance meetings and Representation duties will be paid Interstate Allowance Rate of \$1,000 for only one meeting on the first day and no additional Interstate Allowance Rate for any other meetings held on the same or successive days. However, those directors shall be reimbursed for accommodation, meals and incidentals at the prevailing ATO reasonable travel rate applying to the location at which the meeting is held for second and subsequent days.

## PROFESSIONAL DEVELOPMENT

On accepting a chair on the Board, all Directors are required to participate in a thorough induction program leading up to and following their appointment. All Directors maintain their skills and competencies by meeting the required professional development each year. Professional development may include participation in industry programs, seminars and conferences, relevant presentations at Board and committee meetings and other approved workshop and training courses.

## HOSPITALITY AND GIFTS

First Super Directors and Senior Management may on occasion accept hospitality and gifts within the constraints of the Hospitality & Gifts policy. All hospitality and gifts that are accepted are recorded in the Hospitality & Gifts Register. The Register is provided to the Audit and Compliance committee at each meeting and is published on the First Super website.



## BOARD FEES

The Directors' fees for the year ended 30 June 2017 are as follows:

Role/Activity		Fees and Allowances
<b>Co-Chairs</b>		\$1,500 per calendar month or part thereof
<b>Co-Chairs and Directors</b>	Board Meetings and Strategic Planning Day(s)	\$3,000 / meeting
	Committee Meetings, ad-hoc Committee and Sub-committee meetings and AGM	\$1,500 / meeting
<b>Associate Directors</b>	Board Meetings and Strategic Planning Day(s)	\$2,500 / meeting
	Committee Meetings, ad-hoc Committee and Sub-committee meetings and AGM	\$1,125 / meeting
<b>Workshops / training courses (Co-Chairs, Directors and Associate Directors)</b>		\$1,500 / day
<b>Domestic conferences (Co-Chairs and Directors)</b>		\$1,500 / day (No Interstate Allowance Rate)
<b>International Conferences &amp; Workshops (Co-Chairs and Directors)</b>		\$1,100 / day plus reimbursement of travel, accommodation and incidental costs as deemed appropriate by the Chair of the Remuneration Committee on advice from the CEO; or in respect of the Committee Chair, as deemed appropriate by the Co-Chairs of the Fund on advice from the CEO; with details of proposed or incurred costs reported to the next Board meeting.
<b>Representational Committees</b>	AIST Chairs forums APRA consultations	\$2,250 / meeting (plus \$1,000 for Interstate Allowance Rate where applicable)
<b>Industry not for profit committees (Co-Chairs and Directors)</b> where no fee or honoraria paid by organisation to Director and where the Director is required to represent the Fund		\$1,100 / day (plus \$1,000 for Interstate Allowance Rate where applicable)
<b>Teleconferences</b>		Fees not applicable

## 2016-17 ATTENDANCE AND REMUNERATION

Listed below are Directors' meeting attendance and remuneration (including GST where applicable) for the year ending 30 June 2017.

Director	Committee	Board (5 held)	Total PD HRs	Fees paid	Fees Paid to
Denise Campbell-Burns	8/8	5/5	21.5	\$36,578	CFMEU - FFPD
Candy Broad	11/12	5/5	49.5	\$47,053	Candy Broad
Julie George	5/5	8/8	22.5	\$64,083	Busi Culture
Janet Gilbert	1/1	1/1	53	\$29,428	Crescor Pty Ltd
David Kirner	5/6	3/5	7	\$28,600	CFMEU - FFPD
Martin Lewis	3/3	1/1	2	\$12,650	Kylken Pty Ltd
Lisa Marty	11/11	5/5	63.5	\$85,228	Lisa Marty
Alex Millar	5/5	5/5	23.5	\$31,628	CFMEU - FFPD
Michael O'Connor	12/12	5/5	34.5	\$79,669	CFMEU - FFPD
Mike Radda	3/4	4/5	42.5	\$15,128	Sterad Pty Ltd
Bob Smith	7/8	5/5	20.5	\$67,111	Robert Patrick Smith
Allan Stewart	8/10	4/5	50.5	\$82,045	Allan Stewart and Associates Pty Ltd
Frank Vari	5/6	4/5	25	\$23,100	CFMEU - FFPD
				<b>\$602,301</b>	

Fees paid to interstate Directors include payment for travel and accommodation.

The total salary package of First Super's CEO for the year ending 30 June 2017 was \$361,538.

# FINANCIAL INFORMATION

The following is an abridged version of First Super's Financial Statements for the financial year ending 30 June 2017. A copy of the audited Financial Statements is now available to download at [firstsuper.com.au](http://firstsuper.com.au).

Statement of financial position	30 June 2017 (\$)	30 June 2016 (\$) restated*
<b>Assets</b>		
Investments#	2,711,798,692	2,442,975,352
Other Assets	9,076,875	8,072,967
<b>Total Assets</b>	<b>2,720,875,567</b>	<b>2,431,048,319</b>
<b>Liabilities</b>		
Tax payable	39,389,884	23,074,404
Other assets	6,007,754	8,822,017
<b>Total liabilities</b>	<b>45,397,638</b>	31,896,421
Net assets available for members benefits	2,675,477,929	2,375,498,411
Members benefits	2,651,978,239	2,375,498,411
<b>Net assets</b>	<b>23,499,690</b>	<b>23,653,487</b>
<b>Equity - Reserves</b>		
Operational risk reserves	7,157,540	6,572,185
Other reserves	16,342,150	17,081,302
<b>Total reserves</b>	<b>23,499,690</b>	<b>23,653,487</b>

## Income statement for the year ended 30 June 2017

Revenue	2017 (\$)	2016 (\$) restated*
<b>Revenue</b>		
Investment income	291,226,052	130,370,424
Other income	1,635,620	2,176,236
<b>Total revenue</b>	<b>292,861,672</b>	<b>132,546,660</b>
<b>Expenses</b>		
Investment expenses	6,049,846	7,039,157
Administration expenses	8,985,804	9,278,919
<b>Total expenses</b>	<b>15,035,650</b>	<b>16,318,076</b>
<b>Operating results</b>	<b>277,826,022</b>	<b>116,228,584</b>
Less net benefits allocated to members	(262,318,703)	(110,096,708)
<b>Operating result before tax</b>	<b>15,507,319</b>	<b>6,131,876</b>
Income tax (expense)/benefit	(15,109,088)	1,159,733
<b>Operating result after income tax</b>	<b>398,231</b>	<b>7,291,609</b>
<b>Equity - Reserves</b>		
Operation risk reserve	7,157,540	6,572,185
Other reserve	16,342,150	17,081,302
<b>Total reserves</b>	<b>23,499,690</b>	<b>23,653,487</b>

\* The financial position and results of operators of the Fund were affected by the adoption of the accounting standard AASB 1056 *Superannuation Entities (AASB 1056)*. This applied to annual reporting periods from 1 July 2016 as a result of the change from AAS 25 *Financial Reporting by Superannuation Plans (AAS 25)*. The fund has restated amounts previously reported under AAS 25 for the year ended 30 June 2016.

# The measurement of investments pursuant to AASB 1056 has changed from "net market value" to "fair value", resulting in the write back of disposal costs.

# SUPERANNUATION UPDATE

4,887

Number of new members for 2016-17.

Schedule for increasing the Super Guarantee rate

Period	Super guarantee (%)
1 July 2016 – 30 June 2017	9.5
1 July 2017 – 30 June 2018	9.5
1 July 2018 – 30 June 2019	9.5
1 July 2019 – 30 June 2020	9.5
1 July 2020 – 30 June 2021	9.5
1 July 2021 – 30 June 2022	10
1 July 2022 – 30 June 2023	10.5
1 July 2023 – 30 June 2024	11
1 July 2025 – 30 June 2026 and onwards	12

## CONTRIBUTION LIMITS<sup>^</sup> FOR THE 2016/17 FINANCIAL YEAR:

<p><b>Concessional Contributions (Before-tax contributions)</b></p> <p>Including employer, salary sacrifice and personal contributions for which a tax deduction is claimed.</p>	<p>\$25,000 for all ages</p>
<p><b>Non-Concessional Contributions (After-tax contributions)</b></p> <p>Including personal contributions made from after-tax pay and spouse contributions.</p>	<p>\$100,000*</p> <p>People aged under 65 years may be able to make non-concessional contributions of up to three times their non-concessional contributions cap for the year, over a three-year period. This is known as the 'bring-forward' option.</p> <p>The bring-forward cap is three times the non-concessional contributions cap of the first year.</p> <p>If you brought forward your contributions in 2016-17 financial year, it would be <math>3 \times \\$100,000 = \\$300,000</math>.</p>

### Want to know more?

For the latest information on changes that affect superannuation, go to the Australian Taxation Office website at [www.ato.gov.au](http://www.ato.gov.au)

<sup>^</sup> These limits are reviewed each financial year and we will inform you of any changes to these limits, as proposed by the government.

\* Individuals over age 65 and satisfying the 'work test' can make non-concessional contributions of up to \$100,000 per year.





## WHAT HAPPENS IF YOU EXCEED THE CONTRIBUTION LIMIT?

### Concessional Contributions:

For contributions made after 1 July 2013 onwards, if the concessional contributions cap is exceeded, any excess concessional contributions will be included in the member's assessable income for the corresponding year and taxed at their marginal tax rate. In addition, the member will also be liable for the excess concessional contributions (ECC) charge.

An ECC will increase the member's tax liability on the excess contributions. This charge is applied to recognise that the tax on excess concessional contributions is collected later than normal income tax.

To reduce the tax liability, the tax office will apply a 15% tax offset to account for the contributions tax that has already been paid by your super fund.

You may elect to withdraw up to 85% of the excess concessional contributions from your super fund to help pay the income tax assessment resulting from excess concessional contributions.

### Non-Concessional Contributions:

The new procedure allows a choice for individuals to release from super an amount equal to their super contributions in excess of the non-concessional contributions cap (cap) plus 85% of an associated earnings amount, with the full earnings amount included in the individual's assessable income and taxed at the individual's marginal tax rate. The individual will be entitled to a non-refundable tax offset equal to 15% of the associated earnings amount.

Excess non-concessional contributions tax is imposed at the top marginal tax rate on excess contributions not released from your super fund.

## GOVERNMENT CO-CONTRIBUTION THRESHOLD INCREASE

The income threshold for eligibility for a Government co-contribution increased to \$51,813 (up from \$51,021) for the 2017/18 financial year. This is the income level at which the co-contribution cuts out. If an individual earns less than this amount and makes a contribution to super from their after-tax pay, the Government may contribute up to \$500 to their super tax free.

## AGE PENSION QUALIFYING AGE

Period within which a person was born	Pension age
1 Jan 1949 - 30 June 1952	65 years
From 1 July 1952 to 31 December 1953	65 years and 6 months
From 1 January 1954 to 30 June 1955	66 years
From 1 July 1955 to 31 December 1956	66 years and 6 months
From 1 January 1957 onwards	67 years

## NEW AGE PENSION ASSET TEST LIMITS

From 20 September 2017, the Asset Test Limits for the Age Pension were changed to:

Levels For:	Full Pension (Assets Below)	Part Pension (Assets Below)
Single - Homeowner	\$253,750	\$552,000
Single - Non Homeowner	\$456,750	\$755,000
Couple - Homeowners	\$380,500	\$830,000
Couple - Non Homeowner	\$583,500	\$1,033,000

Pensioners will be subject to a new taper rate of \$3 for every \$1,000 above the new assets test free areas.

Income support recipients who lose their payment entitlement on 1 January 2017 as a result of the changes will be automatically issued with a Commonwealth Seniors Health Card. They will be exempt from the usual income test requirements for these cards indefinitely.

Source: Dept. of Human Services - valid from 20 September 2017 to 31 December 2017

## SIGNIFICANT EVENTS NOTICE

### Fees and cost disclosure

The Australian Securities and Investments Commission (ASIC) announced changes to the way fees are disclosed to improve transparency in the way fees and costs are disclosed in investments. We endorse regulatory changes to increase transparency and this is reflected in the Fees and Costs Section of the First Super *Plan for Retirement* and *Start Retirement* Product Disclosure Statement dated 28 September 2017. The Trustee has not increased the fees and costs it charges to your account. The main effect of the ASIC changes is that certain costs paid by the Fund must be shown as though they were fees charged to you.

See the Pension Product Disclosure Statement on the Forms and Resources section of [firstsuper.com.au](http://firstsuper.com.au).

# Benefits paid by the First Super Allocated Pension Division

## First Super offers two allocated pensions:

- Allocated Pension
- Transition to Retirement Allocated Pension.

An Allocated Pension lets you convert your super into regular income in retirement.

### THE ALLOCATED PENSION

An Allocated Pension lets you convert your super into regular income in retirement. You can choose the number of payments you wish to receive and their frequency, which can be fortnightly, monthly, quarterly, half-yearly or yearly.

You can also draw down lump sums when it suits you. The minimum lump sum withdrawal is \$1,000 – and a lump sum withdrawal cannot occur until you have received at least one regular income payment. This is a legal requirement that cannot be waived. The government has made rules about the amount you can draw down in a year, and these are summarised below under the heading 'Government Limits on Payments'.

### THE TRANSITION TO RETIREMENT ALLOCATED PENSION

The Transition to Retirement Allocated Pension can give you a tax-effective income stream while you're still working, but there are restrictions on the amount you can withdraw. These are explained below. If you have reached your preservation age, a Transition to Retirement Pension can help you ease your way into retirement without sacrificing your standard of living.

Depending on your circumstances, it may help you to:

- > **Reduce your working hours**  
If you want to cut back your hours of work, you can replace any income lost by drawing regular payments from your Transition to Retirement Pension.
- > **Increase your retirement savings**  
By making extra contributions to your super account via a salary sacrifice arrangement, you may increase your retirement savings.
- > **Pay less tax**  
If you have reached your preservation and are under 60 years of age, your Allocated Pension payments will be subject to tax. However, some of your payments may be tax free and you'll receive a 15% tax offset on any taxable proportion. Once you reach age 60, all of your Transition to Retirement Pension payments will become tax free (based on current tax arrangements).

When you permanently retire, your Transition to Retirement Pension will convert to an Allocated Pension – but if you decide before then that you want to stop your Transition to Retirement Pension you can roll the balance of your account back into your First Super super account. Call us on **1300 360 988** or visit **firstsuper.com.au** to download a copy of the First Super Allocated Pension PDS.

### GOVERNMENT LIMITS ON PAYMENTS

Minimum annual payment:

For both Allocated Pensions accounts, at least one payment of a minimum amount must be made at least once a year. The minimum amount is a percentage of account balance by the age shown below.

Age	Annual percentage of account balance
55–64	4
65–74	5
75–84	6
85–94	10
95+	14

Contact us on **1300 360 988** for more information.

### Maximum payment:

For the Transition to Retirement Pension, the maximum that can be withdrawn in any year equals 10% of your account balance at the start of each year. This means that if you have \$100,000 in your account, you can withdraw a maximum of \$10,000 over the year. There is no limit on the maximum withdrawal amount for Allocated Pensioners.

# GENERAL INFORMATION

## FUND RESERVES

The Trustee maintains a reserve for administration and operational purposes, such as paying costs and receiving investment income. The value of the reserve is generally between 0.1% and 0.9% of Fund assets and is invested in the Balanced investment option.

Year ending 30 June	Reserve balance (\$)
2017	13,664,730
2016	11,713,491
2015	10,372,114

From 1 July 2013 First Super established a separate Operational Risk Financial Reserve (ORFR) to address potential losses arising from operational risks as required under superannuation legislation. There are specific guidelines and processes surrounding the operation and utilisation of this reserve which are contained within First Super's Operational Risk Requirement Policy. The ORFR was funded by a transfer of funds from the administration reserve after the annual audit was completed for the 2013 financial year. Though initially invested in cash and fixed interest securities, the ORFR may be partially invested in the other assets, including listed shares and other liquid securities, at a future time. The value of the ORFR at 30 June 2017 was \$7,157,540.

Year ending 30 June	ORFR (\$)
2017	7,157,540
2016	6,572,185
2015	6,276,559

## TRUSTEE INSURANCE

The Trustee holds indemnity insurance providing cover to protect the Fund, its directors and officers from the costs and liabilities that may arise from legal action.

## TRANSFER OF ACCOUNTS

First Super may transfer your account to AUSfund, an eligible rollover fund into which lost super fund members or members with small inactive accounts are transferred. If your account is transferred to AUSfund you will no longer be a member of First Super and any insurance cover you had with First Super will cease. AUSfund does not offer insured benefits. To contact AUSfund, call 1300 361 798 or write to Locked Bag 5132 Parramatta NSW 2124 or visit their website: [www.ausfund.com.au](http://www.ausfund.com.au)

It is a legal requirement that First Super must transfer lost super account balances under \$6,000, or those that are unidentified or have been inactive for more than 12 months to the Australian Taxation Office (ATO). To find out more, visit, [www.ato.gov.au](http://www.ato.gov.au)

Temporary residents permanently leaving Australia

If a former temporary resident employee has left Australia and their visa has expired or been cancelled, First Super is required to pay their benefit to the ATO if it has not been claimed from First Super within 6 months of departure. Once transferred, the ATO will need to be contacted to make any claim. First Super relies on the Australian Securities & Investment Commission's relief from notifying or supplying an exit statement to a non-resident in these circumstances.

## SUPERANNUATION SURCHARGE

The superannuation surcharge payable by high income earners on contributions and termination payments made on or after 1 July 2005 has been abolished. However, the ATO continues to send assessments relating to prior years. Should First Super receive such an assessment, we will deduct the charge directly from your account.

## COMPLAINTS

The Trustee has established a procedure to deal fairly with member complaints. All complaints will be handled in a courteous and confidential manner and will be properly considered and dealt with within 90 days. If you believe you have a complaint, please write to:

### Superannuation Complaints Officer

PO Box 666  
Carlton South VIC 3053

## Trust Deed

**The Trust Deed contains the rules of First Super. No changes were made to the Trust Deed for the financial year ending 30 June 2017.**

You can contact AUSfund at:

**AUSfund Administration**  
Locked Bag 5132  
Parramatta NSW 2124  
T: 1300 361 795  
E: [admin@ausfund.net.au](mailto:admin@ausfund.net.au)  
W: [ausfund.com.au](http://ausfund.com.au)

You can contact the ATO by calling 13 10 20 or by visiting [ato.gov.au](http://ato.gov.au).





The Trustee may contact you during its investigation of your complaint. Once the investigation is complete, you will receive a written reply from the Trustee explaining the outcome of their investigation. If you are not satisfied with the outcome, you may choose to escalate your complaint to the Superannuation Complaints Tribunal (SCT). Established by the Government, the SCT is an independent tribunal charged with reviewing certain decisions made by Trustees. The SCT will seek to resolve your complaint through conciliation. If conciliation is unsuccessful, the SCT will make a final, binding judgement.

You can contact the SCT at:

**Superannuation Complaints Tribunal**

Locked Bag 3060  
 Melbourne VIC 3001  
 T: 1300 884 114  
 E: info@sct.gov.au  
 W: sct.gov.au

If your complaint is outside the jurisdiction of the SCT, we suggest contacting the Financial Ombudsman Service (FOS) at:

**Financial Ombudsman Service**

GPO Box 3  
 Melbourne VIC 3001  
 T: 1800 367 287  
 W: fos.org.au

**PRIVACY**

First Super takes the utmost care with your personal information and collects only information that is necessary for your membership. If we share your information with other organisations, we ensure it is only for the purpose of administering your account or as authorised by you. A copy of our Privacy Policy is available on request. If you believe that a breach of your privacy may have occurred in relation to your First Super membership, write to:

**First Super Privacy Officer**

PO Box 666  
 Carlton South VIC 3053

**Privacy and compliance:**

During the year there were no breaches of the Privacy Act 1988 as determined by the Privacy Commissioner, and there were no losses of member or employer data. First Super has not been subject to any significant finds or other sanctions for failure to comply with laws or regulations.

**DID YOU KNOW?**

First Super has always placed a very high priority on the protection of your privacy and the security and use of personal information you provide us. New Australian Privacy Principles, effective 12 March 2014, now impose even higher obligations on First Super, further ensuring your privacy and the security of your personal information.



This report was prepared by First Super Pty Ltd (ABN 42 053 498 472, AFSL 223988, RSEL L0003049), Trustee of First Super Superannuation fund (ABN 56 286 625 181, RSER 1067385). The material in this report is a summary only. The rules of the Fund are located in the Trust Deed and relevant law. In the event of inconsistency between this report and the rules, the rules of the Fund prevail. This report was prepared without taking into account your objectives, financial situation or needs. You should consider the appropriateness of the material in light of your own objectives, financial situation or needs before making any decisions. You can obtain a copy of the Product Disclosure Statement by contacting us. Facts and figures appearing in this report were accurate at November 2017 but may change without notice.

## Contact us

If you require more information or assistance with your First Super account, please contact our Member Services Team.

<b>In person</b>	Level 3, 200 Arden St North Melbourne VIC 3051	<b>Phone</b>	1300 360 988
		<b>Fax</b>	1300 362 899
<b>Mail</b>	PO Box 666 South Carlton VIC 3053	<b>Email</b>	mail@firstsuper.com.au
		<b>Website</b>	firstsuper.com.au