Port of Melbourne Superannuation Fund

Annual Report

For the year ended 30 June 2017

This forms part 3 of 3 of your periodic information. The other parts are your Personal Annual Benefit Statement (part 1) and your Transaction and fee disclosure statement (part 2).

Look inside to see:

➤ how your Fund is performing 2
➤ where your Fund is invested 4
➤ how your Fund works 7
➤ your 2017 super update 10
➤ what to do when you leave 13
Compare the performance of the Fund’s assets

Please note that the Fund’s investment performance as shown on this page is based on the investment performance of the non-pension assets only.

Compare your Fund’s performance

The graph shows your Fund’s annual effective rate of net earnings compared with its objective of exceeding the median investment return of similar funds over the past three years as well as increases in the cost of living (as measured by the Consumer Price Index, CPI) and net cash rates over the past five years.

Please note that this does not generally affect retirement benefits (or Fund pensioners). The net earnings of the Fund are only relevant to any pre-retirement benefits you may receive.

Please also note that past performance is not a reliable indicator of future performance.

Refer to page 3 for information on the interest rate applied to your accounts.

Retirement benefit is ‘defined’...

A benefit on retirement is based on a calculation that takes account of years of membership and salary close to retirement. A retirement benefit is not affected by how the Fund’s investments perform, provided your employer continues to make contributions in accordance with the actuarial recommendations.

| Annual effective rate of net earnings for the year ended 30 June 2017 | 9.8% p.a. |
| Compound average effective rate of net earnings | 10.1% p.a. |
| Interest rate for the year to 30 June 2017 | 10.2% p.a. |
| Inflation rate + 3% over the last 5 years (at 30 June 2017) | 5.0% p.a. |
| Net cash rate + 1% over the last 5 years | 3.3% p.a. |
| Average median return over the last 5 years* | 10.1% p.a. |
| Average median return over the last 3 years* | 7.0% p.a. |

*Source: Atchison Consultants Median Balanced Manager
† Source: Australian Bureau of Statistics
# UBS Bank Bill Index

Please note that the Fund’s investment performance as shown on this page is based on the investment performance of the non-pension assets only.
For an explanation of the reasons behind this year’s investment returns, please turn to page 5. The calculation of investment returns takes into account investment fees and taxes. See page 7 for more information about fees and costs.

**Interest rate of 10.2% p.a.‡**

A resignation benefit is partially determined by reference to member contributions which are allocated with a declared interest rate each year. This is the rate of interest applied to an account in the Fund this year. This is also the rate that will apply to any surcharge account.

The declared interest rate is determined as the arithmetic average of the Fund’s investment returns (after investment expenses and tax on investment earnings) over the past five years. This approach smooths fluctuations in investment earnings from year to year.

Check your Annual Benefit Statement for the dollar amount of interest for the year ended 30 June 2017.

‡ Please note that the declared interest rate may be positive or negative based on investment earnings over the past five years. References in this annual report to crediting interest include debiting interest where the declared rate is negative.

**Superannuation surcharge tax**

While the superannuation surcharge tax was abolished with effect from 1 July 2005, the ATO may still issue assessments in relation to previous years. Any amounts deducted by the Fund in relation to the superannuation surcharge tax payable will be reflected in the Transaction section of your Annual Benefit Statement.

---

If you have a question about your benefits in the Port of Melbourne Superannuation Fund

Call Maureen Sidonie on (02) 8864 6839 or the Super Helpline 1300 132 573.

Planning to leave?

An interim interest rate is used to update benefits for members who leave the Fund before the interest rate is declared for the year. This interim rate is reviewed as required taking into account the Fund’s investment performance. For information about the interim interest rate, contact the Super Helpline on 1300 132 573.
Where your Fund is invested

Your Fund has guidelines for investing

The money in the Fund is invested so that the trustee can provide members with their benefits on and after retirement.

The trustee has an investment policy that sets the investment strategy and objectives that determine how and where the Fund’s assets will be invested (that is, the Fund’s asset allocation). While having a strategy and objectives is required by law, this also helps ensure that your Fund maximises investment returns while maintaining an acceptable level of risk. Please note that the objectives are not a forecast or guarantee of future performance. The investment policy also covers other related matters, such as appointment of investment managers and guidelines for investments in futures and options.

The trustee regularly monitors the Fund’s performance against its objectives and strategy and changes are made where necessary.

Your Fund’s investment objectives

The Fund’s investment objectives aim to:

• achieve the best possible long-term return while avoiding excessive risks
• achieve a rate of return that is:
  – at least 3% p.a. above increases in CPI over a rolling five-year period
  – above the average return of comparable superannuation funds (as measured by an appropriate industry survey) over a rolling three-year period
  – at least 1% p.a. above net cash rates over a rolling five-year period.

Your Fund’s investment strategies

The Fund’s investment strategy is to:

• appoint investment managers to invest Fund assets according to specific guidelines
• spread Fund assets across a range of investments:
  – invest between 55% and 85% of Fund assets in ‘growth’ investments (such as shares and property) to take advantage of the higher long-term returns these assets typically provide
  – invest between 15% and 45% of Fund assets in ‘stable’ investments (such as fixed interest and cash) to try to limit the variations in returns from year to year.

Where your Fund was invested as at 30 June

The asset allocations shown below and the investment management information on the following page exclude the Fund’s Operational Risk Financial Reserve (ORFR); refer to page 9 for details of the ORFR.

2017

- Australian shares 32.8%
- Overseas shares 23.5%
- Fixed Interest 16.1%
- Property 2.8%
- Cash 10.6%
- Other Investments* 14.2%

2016

- Australian shares 32.2%
- Overseas shares 23.8%
- Fixed Interest 21.5%
- Property 4.0%
- Cash 6.8%
- Other Investments* 11.7%

* Other investments comprise alternative investments which include, but are not limited to, venture and developmental capital, private equity, leveraged and management buyouts, commodities and investment strategies that seek to deliver positive returns regardless of market conditions (such as hedge funds).
Who manages the investments

The trustee has appointed the following investment managers to invest Fund assets (both pension and non-pension) in an agreed manner consistent with the investment strategy. As at 30 June 2017 and 30 June 2016, the Fund’s assets were distributed among these investment managers and their investment products in the following percentages:

<table>
<thead>
<tr>
<th>Investment manager or product</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT Financial Group</td>
<td>42.9%</td>
<td>45.7%</td>
</tr>
<tr>
<td>– BT Institutional Retirement PST</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schroder Investment Management Australia</td>
<td>56.5%</td>
<td>54.2%</td>
</tr>
<tr>
<td>– Schroder Balanced Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Under superannuation law, the trustee must give details of any investment over 5% of the Fund’s total assets. The table above shows the proportions of total assets held in each investment in excess of 5% of total assets.

Keeping an eye on risk

The trustee does not directly use derivative instruments. External managers may use derivatives in managing pooled investment vehicles in which the trustee invests. Where this is the case, the trustee considers the associated risks and the controls in place by analysing the managers’ Derivatives Risk Statements (DRSs). Regular reporting of the managers’ compliance with their DRSs is received.

Environmental, social and ethical considerations

Decisions to invest in or realise investments are based on key financial and managerial criteria. The trustee does not separately consider social, environmental or ethical factors or labour standards to make these decisions.

What happened in investment markets during the past 12 months?

This investment market overview is provided by Mercer Investments (Australia) Limited (ABN 66 008 612 397 AFS Licence #244385) as at 30 June 2017 and is of a general nature only. It does not relate to the Fund’s specific investments, but to investment markets generally. Past performance is not a reliable indicator of future performance. When considering the performance of various assets classes you should also have regard to the different risks.

Financial Year 2016-2017 Economic & Market Review

Source: Mercer

A look at the economy and markets in 2016-17 and what’s in store for the year ahead.

Equities close out a strong FY 2017

Super funds performed strongly in FY 2017, despite starting the financial year with the aftermath of Brexit and political uncertainty during the year surrounding elections in the US and Europe.

It was the eighth year in a row of positive returns for most superannuation funds.

Outlook

Returns going forward are likely to be less than those received over the last eight years, as yields have reduced and valuations across asset classes are at high levels.
Year that was: 2016 – 2017

After the initial shock of ‘Brexit’, calm returned quickly to global markets early in July 2016. In addition to more supportive stances from a range of global central banks, economic data tended to support the consensus view of steady and broad-based, but otherwise tepid, global economic growth. Correspondingly, global deflation fears continued to recede.

In November, the impact of a new administration in Washington DC added a new layer of uncertainty, with equity markets performing strongly with renewed focus on the degree of fiscal stimulus that may flow from the new US government administration. In contrast, global bond markets weakened as growth and inflation expectations rose.

Business and consumer sentiment continued to improve into early 2017 and equity markets continued to perform strongly, with a bottoming of downwards earnings revisions in the US and a turn in the corporate profitability cycle adding a further tailwind.

Emerging markets started outperforming its developed market counterparts as concerns over geopolitical risks and a higher USD from a Trump administration faded and focus shifted to the improving developed market growth backdrop.

Global bonds then rallied gaining back some of the performance previously lost in late 2016, as the likelihood of passing the proposed changes from the Trump administration were reduced. Furthermore, price and wage pressures remained muted, with core inflation moderating in the early to mid 2017. Central banks have been attributing this to transitory effects, though this view has moderated somewhat as low inflation surprises have persisted, and markets have backed away from expected rate increases.

At the end of the financial year, markets continue to closely watch central bank actions for any signs of the pace in which monetary policy stimulus will be reduced. More generally, global financial conditions remain accommodative, credit and business investment growth continues to recover in a number of regions, renewed declines in the oil price are supporting consumer spending, and fiscal drag continues to abate.

In Australia, increases in household incomes continue to be subdued, with declining savings rates being used to increase consumption. However the last few months of the financial year saw growing signs GDP growth may be poised to gradually strengthen, with employment gains picking up and business confidence strengthening.

Some investment terms explained

**Consumer Price Index (CPI)** – is used to measure the rate of increase in inflation. In Australia, it is based on the change in prices of a selection of household goods and services.

**Asset class** – type of investment such as Australian shares, property securities or Australian fixed interest.

**Asset allocation** – the range of assets held in the various asset classes such as Australian shares, overseas shares, and property.

**Growth assets** – assets expected to grow in value over time (although their value may rise and fall in the short term), such as shares and property.

**Defensive assets** – assets held to generate an income rather than for long-term growth. They are sometimes referred to as ‘debt’ or ‘stable’ assets. Examples are fixed interest and cash.
How your Fund works

Your Fund is run by a trustee company, Diversa Trustees Limited (formerly known as The Trust Company (Superannuation) Limited) ABN 49 006 421 638 AFSL Number 235153 RSE Licence Number L0000635 according to its governing legal document, the trust deed, and superannuation laws. The trustee is an independent professional trustee company.

Directors of the trustee at 30 June 2017 were:
Garry Wayling
Murray Joseph Jones
Vincent John Parrott
Vin Plant (Chairman)
Karen Gibson

Advice about your super
While the trustee and the Fund Contact can give you information about your benefit in the Fund, neither the trustee, the Fund Contact nor your employer can provide you with any advice. If you require any advice about superannuation, you should consult a licensed or appropriately authorised financial adviser.

Your Fund has these service providers
These people provide assistance to the trustee:
Superannuation Consulting, Communication, Administrator
Mercer Outsourcing (Australia) Pty Ltd
Actuary
Mercer Consulting (Australia) Pty Ltd
Auditor
PricewaterhouseCoopers
Level 19, 2 Southbank Boulevard
Southbank Vic 3006

Investment Consulting
Atchison Consultants

Insurer
Hannover Life Re

Super Helpline
Mercer
1300 132 573

Trustee insurance protection
The trustee has professional indemnity insurance to protect the trustee and the Fund against certain (but not all) financial losses and claims which may be lodged against the trustee.

Special tax treatment
Super is one of the most effective ways to save because it is taxed at a lower rate than many other forms of income. To get this tax advantage, your Fund must operate according to a strict set of laws. To show that your Fund has followed these laws, the trustee lodges a return each year with the Australian Prudential Regulation Authority.

The trustee is unaware of any event that occurred during the year that would affect this special tax treatment.

The Fund is a regulated complying superannuation fund for the purposes of government legislation. No penalties were imposed on the trustee under the Superannuation Industry (Supervision) or Corporations legislation during the year.

Fees and other costs
The costs of running the Fund are managed carefully.
This section shows fees and other costs you may be charged prior to retirement (this information is not relevant to pensioners in the Fund). Fees and costs may be deducted from your money, from the returns on your investment, or from the Fund assets as a whole (how and when they are paid is explained in more detail below). You should also note that tax is applicable on investment earnings and superannuation benefits.
You should read all the information about fees and costs because it is important to understand their impact on your investment. The impact of fees and costs will depend on the type of benefit you receive. Management costs are effectively met by your employer through its contributions to the Fund (except in the case of investment fees deducted from Fund earnings which will be borne by you in the case of any pre-retirement benefits you may receive). Family law fees apply regardless of the type of benefit you have (where relevant to your situation). You do not pay GST on any of the fees and charges set out below.

### Main fees and costs

<table>
<thead>
<tr>
<th>Type of fee or cost</th>
<th>Amount</th>
<th>How and when paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment fee</td>
<td>0.92% p.a.*</td>
<td>Deducted from Fund earnings before the declared interest rate is determined; this is only relevant to any pre-retirement benefits you may receive.</td>
</tr>
<tr>
<td>Administration fee</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Buy-sell spread</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Switching fee</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Exit fee</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Advice fee</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Other fees and costs</td>
<td>In some cases, user pays family law fees may also apply.</td>
<td>See the section ‘Additional explanation of fees and costs’ below.</td>
</tr>
<tr>
<td>Indirect cost ratio</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

* Determined in respect of the Fund's assets, excluding the assets allocated for the existing pensioner benefits.

### Additional explanation of fees and costs

#### Family law fees

The table below shows information about family law costs that may apply to all Fund members who may become involved in a family law matter affecting their superannuation. For more information about family law and how it may affect your super benefit, contact the Fund Contact.

<table>
<thead>
<tr>
<th>Type of fee or cost</th>
<th>Amount</th>
<th>How and when paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application for information (i.e. benefit valuation) in the format specified under the Family Law Act</td>
<td>$100</td>
<td>Not paid out of the Fund. Charged by the Fund’s administrator and payable by person making the request at the time the request is made.</td>
</tr>
<tr>
<td>Splitting a benefit</td>
<td>$70</td>
<td>Shared equally by both parties and will be deducted from each party’s benefit at the time the benefit is split unless all of the benefit is going to the non member spouse (in which case the non member spouse pays all of the fee).</td>
</tr>
<tr>
<td>Flagging a benefit</td>
<td>Nil</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

### Employer and member contributions

Non-pension members pay a fixed member contribution. The remaining money required to provide your benefits (and the benefits of pension members) comes from employer contributions and investment earnings. The amount the employer provides depends on the Fund’s investment performance and financial position. An independent actuary advises the employer on the level of employer contributions...
required to ensure there is enough money to pay members’ benefits. The actuary projects likely benefit payouts, salary growth and investment returns to calculate the employer’s contribution level.

The employer has contributed to the Fund for the year ended 30 June 2017 the amount recommended by the actuary for the year.

**Operation Risk Financial Reserve**

In accordance with SIS legislation, the trustee has established and will maintain an Operational Risk Financial Reserve (ORFR) to ensure the Fund has access to adequate financial resources in the event of losses arising from an operational risk event. An operational risk event may include inadequate or failed internal processes, people and systems or an external event such as legal risk. It does not include market or investment risk, strategic risk, reputational risk or contraventions of statutory requirements.

The ORFR is invested in a separate bank account that provides interest and applicable liquidity whilst protecting the capital value of the ORFR. The ORFR will be reviewed at least annually with interim reviews carried out in certain circumstances.

The value of the ORFR over the previous three years has been as follows:
- 30 June 2015 $61,082
- 30 June 2016 $61,875
- 30 June 2017 $70,000

<table>
<thead>
<tr>
<th>ORFR Opening balance</th>
<th>$61,875</th>
</tr>
</thead>
<tbody>
<tr>
<td>plus Interest</td>
<td>$430</td>
</tr>
<tr>
<td>plus Transfer from Unallocated</td>
<td>$7,695</td>
</tr>
<tr>
<td><strong>ORFR Closing balance</strong></td>
<td><strong>$70,000</strong></td>
</tr>
</tbody>
</table>

Copies of the full audited financial statements and auditor’s report are available upon request by calling the Fund Contact on (02) 8864 6389.

**Financial summary**

This is a summary of the Fund’s audited accounts (including both pension and non-pension assets) for the year ended 30 June 2017.

<table>
<thead>
<tr>
<th>Statement of change in financial position 2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets at 30 June 2016</strong></td>
</tr>
<tr>
<td><strong>Net investment revenue</strong></td>
</tr>
<tr>
<td><strong>Employer contributions</strong></td>
</tr>
<tr>
<td><strong>Member contributions</strong></td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
</tr>
<tr>
<td><strong>less</strong></td>
</tr>
<tr>
<td><strong>Benefits paid</strong></td>
</tr>
<tr>
<td><strong>General administration expenses</strong></td>
</tr>
<tr>
<td><strong>Group life insurance premiums</strong></td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
</tr>
<tr>
<td><strong>equals</strong></td>
</tr>
<tr>
<td><strong>Net assets at 30 June 2017</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement of financial position at 30 June 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td><strong>Investments</strong></td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
</tr>
<tr>
<td><strong>less</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td><strong>Provision for income tax</strong></td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
</tr>
<tr>
<td><strong>equals</strong></td>
</tr>
<tr>
<td><strong>Net assets at 30 June 2017</strong></td>
</tr>
<tr>
<td><strong>Available to pay members’ accounts</strong></td>
</tr>
<tr>
<td><strong>Operational Risk Financial Reserve</strong></td>
</tr>
</tbody>
</table>

**Full audited statements and auditor’s report**

The general purpose financial report for the Fund has been prepared in accordance with the requirements of the Trust Deed, the accounting and disclosure requirements of AAS25 Financial Reporting by Superannuation Plans, other applicable accounting standards, the requirements of SIS and other legislative requirements.
Your 2017 super update

Source: Mercer

Recent and upcoming changes under current legislation

Changes in age pension assets test

From 1 January 2017, the age pension assets test was varied so that:

- The level of assets which can be held before they start to impact the age pension was increased, which results in an increase in the age pension for some retirees.
- The rate at which the age pension is reduced for each $1,000 of additional assets was increased from $1.50 to $3.00 per fortnight. This reduces the age pension for some retirees.

Concessional contributions limit for 2017-18

The standard concessional (before tax) contribution limit for 2017-18 is $25,000 for all ages. This is a reduction from 2016-17 when the limits were $35,000 for those aged 50 or over at 30 June 2017 and $30,000 for those younger than 50. Concessional contributions include employer and salary sacrifice contributions.

From 1 July 2019 you may be entitled to contribute more than the standard concessional contribution limit if:

- you have not fully used your annual cap on concessional contributions in the previous five years (but not counting years before 1 July 2018), and
- the combined balance of all your superannuation accounts is less than $500,000 on 30 June of the previous financial year.

Non-concessional contributions limit for 2017-18

The annual non-concessional (post tax) contribution limit for 2017-18 is:

- $100,000 if the combined balance of all your superannuation accounts as at 30 June 2017 is less than $1.6 million and you did not trigger the ‘bring forward’ rule (see below) in 2015/16 or 2016/17, or
- A special calculation if the combined balance of all your superannuation accounts as at 30 June 2017 is less than $1.6 million and you did trigger the ‘bring forward’ rule (see below) in 2015/16 or 2016/17, or
- Nil if the combined balance of all your superannuation accounts as at 30 June 2017 is $1.6 million or more.

Under the ‘bring forward’ rule, a member under age 65 at the start of a financial year (1 July) can (unless they have already done so in the prior two years) generally bring forward two years of non-concessional contributions and make non-concessional contributions of up to three times the annual limit in that year. The ‘bring-forward’ rule will be triggered if an eligible member makes non-concessional contributions of more than the annual limit (e.g. $100,000 in 2017-18), with excess non-concessional contributions then only generally arising if that member’s total non-concessional contributions in the trigger year (e.g. 2017-18) and the next two years exceed three times the annual limit applicable in the trigger year e.g. if the bring-forward ‘rule was triggered by an eligible member making non-concessional contributions of more than the annual limit of $100,000 in 2017-18, excess non-concessional contributions will then generally only arise if that member’s total non-concessional contributions over 2017-18, 2018-19 and 2019-20 exceed $300,000. However, from 1 July 2017:

- If the combined balance of all your superannuation accounts is $1.6 million or more at the prior 30 June your non-concessional contribution limit for the year is nil, even if you have not fully utilised all of your three year bring forward cap
- If the combined balance of all your superannuation accounts is $1.4 million or more (but less than $1.6 million) at the prior 30 June, special bring forward restrictions apply
- Special transitional rules apply to determining your limit in 2017-18 if you triggered the bring-forward provisions in the 2015/16 or 2016/17 financial year and did not fully utilise your bring forward limit by 30 June 2017.
**Removal of anti-detriment provision:** From 1 July 2017, the Government has removed the ‘anti-detriment’ tax deduction that was available for some superannuation death benefits. This provision allowed eligible death benefits to be augmented to offset the contributions tax introduced in 1988.

**Transition-to-retirement pensions:** From 1 July 2017, the tax exemption on earnings from assets supporting Transition to Retirement Income Streams only applies where the pensioner has reached age 65 or has satisfied another relevant condition of release. The ability for individuals to treat superannuation income stream payments as lump sums for tax purposes was also removed.

**Tax deduction for personal superannuation contributions:** From 1 July 2017, most individuals will be eligible to claim an income tax deduction for any after-tax personal contributions they make to superannuation (subject to the concessional limit). This option was previously largely restricted to the fully self-employed.

**Concessions for deferred pension products:** From 1 July 2017, the Government has extended the tax-exemption on investment earnings to deferred pension products that meet rules such as restrictions on access to capital. However treatment of these products under the age pension means tests is yet to be determined.

**Departing Australia superannuation payment tax:** From 1 July 2017, the rate of tax on ‘departing Australia superannuation payments’ increased to 65 per cent for working holiday makers.

**Proposed changes yet to be legislated**

**Super measures to assist housing affordability:** In the 2017 Federal Budget, the Government announced a package of changes to assist housing affordability, which included the following superannuation measures:

- A First Home Super Saver Scheme (FHSSS) which is proposed to allow first-home buyers to save for a deposit inside their superannuation account. Savers will be able to contribute $30,000 (up to $15,000 a year within existing caps), and be able to withdraw the contributions along with deemed earnings in order to help fund a deposit on their first
Concessional tax treatment is proposed to apply. The Government proposes to allow releases from 1 July 2018, with voluntary contributions made from 1 July 2017 to be eligible. Conditions to access super under the FHSSS include that a members must be aged 18 or more, not have used the FHSSS before, and never owned real property in Australia. The FHSSS will be administered by the ATO.

- Allowing Australians aged over 65 to make an exempt contribution to their superannuation after downsizing their family home. The aim of this measure is to help free up the stock of larger houses for young families, by allowing older Australians to sell their houses and contribute up to $300,000 of the proceeds into superannuation. Existing voluntary contribution rules and restrictions would not apply to Downsizer contributions. This measure is proposed to apply to proceeds from contracts for the sale of a main residence entered into on or after 1 July 2018. The home sold must have been held for a minimum of ten years but only needs to have been the main residence for some portion of this. Downsizer contributions must be non-concessional contributions and can be up to $300,000 for an individual or $600,000 (i.e. $300,000 each) for a couple (both parties do not need to be on the home’s title).

**Amending the Superannuation Guarantee to exclude salary sacrifice contributions:**
The Government has announced it will amend the Superannuation Guarantee (SG) legislation, effective from 1 July 2018, to:

- prevent contributions made under salary sacrifice arrangements from satisfying an employer’s SG obligations; and

- to specifically include salary or wages sacrificed to superannuation in the earnings base for calculating an employer’s SG obligations

**Superannuation complaints body:** The Government has announced it will establish of a new ‘one-stop shop’ external dispute resolution (EDR) body — the Australian Financial Complaints Authority (AFCA) — that will deal with all financial disputes, including superannuation disputes from 1 July 2018. AFCA is to replace the existing three EDR bodies in the financial system (the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT)) and will operate under an ombudsman model.

**Extension of capital gains rollover relief for fund mergers:** The Government has announced it will extend the tax relief for merging superannuation funds until 1 July 2020. Under current legislation this relief is only available up to 1 July 2017.

**Superannuation objective:** The Government proposes to enshrine in legislation a superannuation objective ‘to provide income in retirement to substitute or supplement the Age Pension’. The objective is to serve as a guide to policy-makers, regulators, industry and the community about superannuation’s fundamental purpose.

**Governance:** The Government proposes to require at least one-third independent directors (including an independent chair) on trustee boards for both public offer and non-public offer super funds.

**Choice of Fund:** The Government proposes to remove the current exemption from Choice of Fund requirements for employees covered by enterprise agreements and workplace determinations.

**Fund website information:** The Government proposes to require superannuation fund websites to show: (i) a ‘product dashboard’ with key information for their 10 largest non-MySuper investment options, from the second half of 2019 (product dashboards are already required for MySuper investment options); and (ii) details of their investment holdings, from the first half of 2020.
What to do when you leave employment

Remember to claim your benefit

If you are about to leave work and take your super, make sure you respond promptly to letters from the trustee about your benefit payment.

If you have reached age 65 and have not told the Fund how and where to pay your benefit, and you cannot be contacted for 5 years, then your benefit will be considered unclaimed money. It will then be placed with the ATO. You will then need to contact the ATO to find out how to claim your benefit.

If you are aged 64 or younger, and you do not respond to the trustee within 90 days of leaving the employer, your benefit may be transferred to an Eligible Rollover Fund (ERF). Upon transfer to the ERF, you will no longer be a member or have any rights under the Port of Melbourne Superannuation Fund.

The ERF has different investments and fees and costs to the Port of Melbourne Superannuation Fund. It does not provide insurance cover. You should seek professional financial advice about the best place to roll over your benefit when you leave employment.

The Fund uses the following ERF:

Australian Eligible Rollover Fund
Locked Bag 5429
Parramatta NSW 2124
Phone: 1800 677 424

Should you wish to know more about the ERF, please call the ERF Inquiries Officer on 1800 677 424 for a copy of their Product Disclosure Statement or email:
aerfenquiries@perpetual.com.au

Plan for your future

As a member of the Port of Melbourne Superannuation Fund, if you are about to leave employment you are entitled to one free initial consultation with Mercer Financial Advice. You can arrange a consultation by calling FreeCall 1800 633 403. Access to this service is provided to you by the Fund Administrator. Mercer Financial Advice, its employees or representatives are not agents of the trustee of the Fund. The trustee accepts no responsibility in relation to these services.

You are encouraged to talk to more than one financial adviser before making important financial decisions.

Continuing your insurance

While you are an employee and a member of the Fund you receive death and disablement insurance cover. However, if you leave your employer, you will continue to be covered for death only insurance for up to 30 days subject to any policy conditions. If you are under age 60, you are generally able to continue this death only insurance and temporary disablement insurance directly from the Fund’s insurer (not via the Fund) without providing medical evidence. The policy can be for the same amount of cover you had while in your Fund, although the premium may differ and will be payable directly by you. Usually, the Insurer will only require an Acquired Immune Deficiency Syndrome (AIDS) declaration and payment of the premium to effect your continuation option. The continuation is only available for a limited time and must be taken up within 60 days of leaving your employer. Please ask the Fund Contact for more information.
Like to know more?
As a member of the Port of Melbourne Superannuation Fund, you should already have a Member Booklet containing information about your benefits and rules governing the Fund. You also receive an Annual Benefit Statement containing important personal information about your benefits in the Fund.
Other documents relating to the Fund that are available for you to look at include:

- the trust deed
- a copy of the insurance policy
- the enquiries and complaints procedure
- the Privacy Policy
- the Investment Policy Statement
- the most recent actuary's report
- copies of the audited financial statements and the auditor's report
- copies of recent annual reports and member newsletters.

You can call your Fund Contact for a copy of these documents. You can also access a copy online at [http://diversa.com.au/trustee/PortofMelbourneSF](http://diversa.com.au/trustee/PortofMelbourneSF)

If you have a question about your benefits in the Fund, please contact your Fund Contact. Please note that neither the trustee, its directors nor the Fund Contact are able to give any personal advice relating to your own personal circumstances.

Your Fund Contact is:
Maureen Sidonie
Mercer
GPO Box 4303, Melbourne Vic 3001
Phone: (02) 8864 6839 Fax: (03) 8640 0800
Email: maureen.sidonie@mercer.com

Your Fund Contact also acts as your first contact for your Enquiries and Complaints Officer.

If you have a problem...
Most queries can be sorted out over the phone, but if we are unable to help you immediately, you may be asked to put your question in writing and we will reply within 28 days.

If you are not satisfied with the response or have a complaint, you should contact or write to your Enquiries and Complaints Officer, who will pass your complaint to the trustee. You can expect a decision within 90 days.

If you have followed the steps outlined above and are not satisfied with the outcome or have not received a response from the trustee in 90 days, you may be able to take the matter to the Superannuation Complaints Tribunal (SCT). The SCT is an independent body that aims to resolve certain types of superannuation disputes.

Any complaints must be lodged with the SCT within certain time limits. For more information about requirements and time limits, you can call the SCT on 1300 884 114.

If the SCT accepts your complaint, it will try and help you and the Fund reach a mutual agreement through conciliation. If conciliation is unsuccessful, the complaint is referred to the SCT for a determination that is binding (appeals to a Court are possible in limited circumstances).

Protecting your privacy
Your Fund holds personal information about you, such as your name, address, date of birth, salary and tax file number in order to provide your super benefits. This personal information may be disclosed as necessary to the Fund’s administrator and professional advisers, insurers, Government bodies, employers, and other parties.

The Fund has a privacy policy that sets out in more detail the way your personal information is handled. If you would like a copy of the Fund’s privacy policy, please contact the Fund’s Privacy Officer who is your Fund Contact.
The Fund is administered by us along with our service provider, Mercer Outsourcing (Australia) Pty Ltd. We collect, use and disclose personal information about you in order to manage your superannuation benefits and give you information about your super. We may also use it to supply you with information about the other products and services offered by us and our related companies. If you do not wish to receive marketing material, please contact us on 1300 132 573.

Our Privacy Policies are available by contacting the Fund’s Privacy Officer who is your Fund Contact.

If you do not provide the personal information requested, we may not be able to manage your superannuation.

We may sometimes collect information about you from third parties such as your employer, a previous super fund, your financial adviser, our related entities and publicly available sources.

We may disclose your information to various organisations in order to manage your super, including your employer, our professional advisors, insurers, our related companies which provide services or products relevant to the provision of your super, any relevant government authority that requires your personal information to be disclosed, and our other service providers used to assist with managing your super.

In managing your super your personal information will be disclosed to service providers in another country, most likely to Mercer’s processing centre in India. Our Privacy Policies list all other relevant offshore locations.

Our Privacy Policies set out in more detail how we deal with your personal information and who you can talk to if you wish to access and seek correction of the information we hold about you. It also provides detail about how you may lodge a complaint about the way we have dealt with your information and how that complaint will be handled.

If you have any other queries in relation to privacy issues, you may contact us on 1300 132 573 or write to our Privacy Officer, Port of Melbourne Superannuation Fund, GPO Box 4303, Melbourne VIC 3001.
Disclaimer
This annual report has been prepared by the trustee to meet its legislative obligations under the Corporations Act. The information contained in this annual report does not take account of the specific needs, or personal or financial circumstances of any persons. Readers should obtain specialist advice from a licensed or authorised financial adviser before making any changes to their own superannuation arrangements or investments. You should also read carefully the Fund’s Member Booklet.

The terms of your membership in the Fund are set out in the Fund’s trust deed and, should there be any inconsistency between this annual report and the Fund’s trust deed, the terms of the Fund’s trust deed prevail. While all due care has been taken in the preparation of this report, the trustee reserves its right to correct any errors and omissions.

All statements of law or matters affecting superannuation policy are up-to-date as at the date of preparation of this report. This document contains general information about investments and investment performance. Please remember that past performance is not necessarily a guide to future performance.