



Life insurance through superannuation

Annual Report

1 July 2013 to 30 June 2014
Issued December 2014

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About OnePath

Helping you shape and protect your future

OnePath is ANZ's specialist brand for wealth, insurance and advice solutions. The OnePath name has helped Australians grow and protect their wealth for over 130 years, previously as Mercantile Mutual and more recently as ING Australia.

ANZ is committed to building lasting partnerships with our customers, shareholders and communities in 33 countries - including Australia and New Zealand - throughout Asia and the Pacific, and in the Middle East, Europe and America. We provide a range of banking and financial products and services to around eight million customers and employ 47,000 people worldwide.

There is a comprehensive range of OnePath wealth and insurance products available through financial advisers or direct to customers, making it easier for you to find the solution that best suits your needs.

At ANZ we value and appreciate our customers, our staff and the communities we operate in. We are committed to acting with the highest standards and to meeting our corporate responsibilities. We also encourage and support staff involvement in volunteering and charitable activities supporting the wider community.

ANZ actively participates in forums looking at regulatory and industry change. We also regularly review and conduct research to ensure we are attuned to changing customer and market needs.

OnePath MasterFund

The OnePath MasterFund ABN 53 789 980 697, RSE R1001525, SFN 292 916 944 (the Fund) is a public offer superannuation fund that has a range of products offering investment and insurance.

Fund Membership

This Annual Report applies to members of the Fund who hold the following products: OneCare Super, World of Protection Leading Life, Occidental Pacesetter, Occidental TDD Pacesetter, Occidental Trendsetter, Occidental TDD Trendsetter, Merc Term Life, Yearly Renewable Term, Regal Decreasing Term, Hi-Flex Term, Regal Pacesetter, Regal Level Term, Decreasing Term, Double Indemnity, Essential Life, Essential 2 Term Life, Term Life Insurance, Family Protection, Mortgage Protection, Level Term, Linear Decreasing Term, and Parabola Decreasing Term.

Members are provided with insurance cover through their product. OnePath Custodians Pty Limited (ABN 12 008 508 496, AFSL 238346, RSE L0000673) (OnePath Custodians or Trustee), the trustee of the Fund, acquires an insurance policy issued by OnePath Life Limited (ABN 33 009 657 176, AFSL 238341) (OnePath Life) on the member's behalf and is the owner of the insurance policy.

Trustee

OnePath Custodians is the Trustee of the Fund and issuer of this Annual Report.

Your membership in the Fund provides insurance benefits only by way of an insurance policy issued to the Trustee by OnePath Life.

The Trustee also issues another Annual Report for the Fund, tailored for members of other superannuation products within the Fund.

The Trustee has indemnity insurance cover in respect of its trusteeship of the Fund.

Trust Deed

The Fund is governed by a Trust Deed, a copy of which is available upon request by contacting Customer Services on 133 667.

Auditor

KPMG is the auditor of the Fund, reviewing whether certain requirements of the superannuation laws are met. If you would like a copy of the audited financial reports and auditor's reports, please contact Customer Services on 133 667 or visit onepath.com.au

About this Annual Report

In this Annual Report, the terms 'we', 'us' and 'our' refer to OnePath Custodians. The information in this document is current as at 30 June 2014, but may be subject to change. Updated information will be available free of charge by contacting Customer Services on 133 667.

The information contained in this document is of a general nature and does not take into account your personal needs, financial circumstances or objectives. Before acting on this information, you should consider the appropriateness of the information, having regard to your needs, financial circumstances and objective.

You should read the relevant Product Disclosure Statement (PDS) available at onepath.com.au or the policy documents issued to you and consider if the particular product is right for you before making a decision to acquire or continue to hold the product.

Trustee's investment objectives and strategies

Through a superannuation arrangement, your membership may provide insurance cover in the event of your death, total and permanent disablement, total or partial disablement or terminal illness (as applicable to your policy).

The premiums for the insurance policy are paid by the contributions that you, your spouse, or your employer make to the Fund. It is important that you continue to make contributions to fund the insurance premiums. If you do not pay the premiums, the policy held on your behalf will be cancelled and the insurance will cease.

Unlike some superannuation products, the product you hold is not an investment product and so the Fund's investment objectives, investment strategy and policy on the use of derivatives do not apply. The amount of your contributions will be equal to the premium paid by the Trustee to OnePath Life and you will not have an accumulation balance as part of your interest in the OnePath MasterFund.

Reserves

The Trust Deed of the Fund allows it to maintain reserves. Currently, the Fund maintains a reserve that includes permanent tax differences which have not been allocated to members.

Monies held by the Fund as a reserve are invested by the Trustee in an interest bearing bank account.

The reserve balance is as follows:

	2014 \$'000	2013 \$'000	2012 \$'000
Amount at the start of the year	5,515	3,722	2,122
Transfers to reserves and interest earned	7,368	1,793	1,600
Amount at the end of the year	12,884	5,515	3,722

Prior to FY2013, the reserve balance was held outside of the OnePath MasterFund.

Under APRA Prudential Standard SPS 114: **Operational Risk Financial Requirement** an Operational Risk Financial Requirement (ORFR) target amount is required to be held.

The financial resources held to meet the ORFR target amount can be held either as:

- a. an operational risk reserve within the fund;
- b. operational risk trustee capital held by the RSE licensee; or
- c. a combination of both.

In accordance with APRA Prudential Requirements the Trustee has three years from 1 July 2013 to accumulate the financial resources to meet the Operational Risk Financial Requirement target amount.

There is no Operational Risk Financial Requirement held by the Fund itself at the reporting date.

Allocation of fees

All fees and charges are included in the premium paid under the life insurance policy held on your behalf.

Information about your membership

Each year we send you information about the benefits provided by your membership. Prior to the renewal date of the policy held on your behalf, we send you a notice confirming the amount of your insurance cover as well as the premiums payable for the coming year. You should retain this notice as an up-to-date record of your member benefits. We will also send you an annual statement of benefits as at 30 June each year.

If during the last financial year your super plan provided an Income Protection benefit in the event of you being totally or partially disabled, and you successfully made a claim, the plan's insurer will issue you with a summary of payments made and any tax deducted. That summary should be read in conjunction with your annual statement and other communications.

If you have any questions about this Annual Report or require further information about your policy, please speak to your financial adviser or call Customer Services on 133 667.

Confirming transactions

You can request confirmation of your transactions and any other information about your insurance in the following ways:

- Call Customer Services on 133 667 and have your query answered over the phone or ask for written confirmation of your recent transactions to be sent to you.
- Email us at customer.risk@onepath.com.au

Incorrect tax file numbers

Each year, the Australian Taxation Office (ATO) will notify us of any incorrect tax file numbers (TFNs) that we have recorded on our system. If your TFN is incorrect, we will endeavour to contact you or your employer for the correct TFN.

You are not obligated to provide your TFN and declining to quote your TFN is not an offence. However, if we are unable to obtain a correct TFN for you:

- your incorrect TFN will be removed from our system
- we will be required to refund any member contributions received
- any insurance cover linked to your superannuation may be cancelled, as there may be insufficient funds to meet premium obligations.

You may also receive notification from the ATO, advising that we hold an incorrect TFN for you and what the tax consequences of this may be.

Change of personal details

It is important that we always have your current details on record so that we can keep you informed about your superannuation and pay any benefits directly to you.

Please notify Customer Services on 133 667 if you have moved or wish to change your beneficiary details.

If two items of written communication sent to your last known address are returned to us as unclaimed mail, we may classify you as a lost member.

Abridged financial information

OnePath MasterFund*

STATEMENT OF NET ASSETS AS AT JUNE 2014

	2014 \$ millions	2013 \$ millions
Assets		
Cash and cash equivalents	1	6
Investments		
Units in unlisted unit trusts	–	165
Life insurance policies	32,282	28,950
Total investments	32,282	29,115
Receivables		
Contributions receivable	51	86
Fee rebates receivable	21	15
Distributions receivable	–	10
Other receivables	15	6
Total receivables	87	117
Total assets	32,370	29,238
Less:		
Liabilities		
Payables		
Benefits payable	32	47
Administration fees and expenses payable	27	26
Insurance premiums payable	15	7
Limited recourse loan	1	1
Other payables	19	–
Total payables	94	81
Tax liabilities		
Current tax liability	42	21
Total liabilities (excluding net assets available to pay benefits)	136	102
Net assets available to pay benefits	32,234	29,136
Represented by:		
Liability for accrued benefits		
Allocated to members' accounts	32,221	29,130
Unallocated amounts	13	6
Total	32,234	29,136

*For all products offered in the OnePath Masterfund.

OnePath MasterFund*

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$ millions	2013 \$ millions
Revenue		
Investment revenue		
Distributions	1	11
Movements in net market value of investments	2,953	3,336
Total investment revenue	2,954	3,347
Contributions		
Employer contributions	1,615	1,595
Member contributions	728	673
Transfers from other funds	2,443	1,740
Other contributions	17	12
Total contributions revenue	4,803	4,020
Other revenue		
Fee rebates	74	84
Proceeds from insurance claims	95	91
Other	11	12
Total other revenue	180	187
Total revenue	7,937	7,554
Benefits expense	4,218	3,859
Other expenses		
Administration fees	75	75
Adviser service fees	78	65
Insurance premiums	261	244
Total other expenses	414	384
Total expenses	4,632	4,243
Benefits accrued as a result of operations before income tax	3,305	3,311
Income tax expense/(benefit) attributable to benefits accrued as a result of operations	207	216
Benefits accrued as a result of operations	3,098	3,095

*For all products offered in the OnePath Masterfund.

If you would like a copy of the audited financial statements and auditor's report, please visit onepath.com.au

Contributing to your superannuation

The rules surrounding contributions to superannuation can be quite complex. We suggest you speak to your financial adviser for clarification on who can contribute and the types of contributions accepted by the Fund.

Generally, your account is unable to accept rollovers from external superannuation funds. As a result, premiums must be paid through contributions or by transfer from a specified list of OnePath superannuation products (please refer to the PDS for further details). If you are not eligible to make new contributions, you will not be able to maintain your insurance through the Fund, but you may have an option to replace it with a non-superannuation policy. Your financial adviser can explain the options available to you.

Who can make contributions

Under current superannuation laws, a regulated superannuation fund may accept contributions from members as follows. Please ensure that any contributions made to the Fund are made in accordance with these rules.

Generally, there are caps that limit the amount of superannuation contributions you can make in a financial year. If you exceed these caps, there may be taxation consequences.

Under 65

If you are under 65 years of age, you, your spouse, employer or a third party may make contributions into your superannuation account.

At least 65 but under 70

If you are at least 65 years of age but under 70, you, your spouse, employer or a third party may make contributions into your superannuation account provided that you've met the 'Work Test'[#].

If you haven't met the 'Work Test', then a contribution can only be accepted if it is a mandated employer contribution[†].

At least 70 but under 75 (or contribution is received on or before the 28th day after the end of the month in which you turn age 75)

If you are at least 70 years of age but under 75, you and your employer may make contributions into your superannuation account provided that you've met the 'Work Test'.

If you haven't met the 'Work Test', then a contribution can only be accepted if it is a mandated employer contribution[†].

75 and over (and the contribution is not received on or before the 28th day after the end of the month in which you turn age 75)

If you are 75 years of age and over, only mandated employer contributions[†] can be made.

To find out more, please speak to your financial adviser or call Customer Services on 133 667.

Superannuation surcharge

The Federal Government abolished the superannuation surcharge payable on an individual's surchargeable contributions and relevant termination payments made from 1 July 2005. The following reflects how the surcharge applies to contributions received prior to 1 July 2005. Please consult your financial adviser for further information.

Current members

Where your membership is active we receive a surcharge assessment from the ATO for contributions you have made to the Fund for your life insurance policy premium, the surcharge is paid by the Fund.

Former members

If your membership is no longer in force when we receive the surcharge assessment from the ATO, the surcharge will not be paid by the Fund. We are required to inform the ATO, who will then forward the surcharge assessment to you for payment. The ATO will send you a copy of the surcharge assessment so that you can check that the figures they have used in calculating the surcharge are correct.

[#] 'Work Test' means you've been gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year (1 July to 30 June).

* 'Gainfully employed' means being employed or self-employed for gain or reward in any business, trade profession, vocation, calling, occupation or employment.

[†] A 'mandated employer contribution' is one by, or on behalf of, an employer which:

- reduces the employer's potential liability for the Superannuation Guarantee charge
- is a payment of a shortfall component
- is a contribution to satisfy the employer's obligation under an agreement certified, or an award made, on or after 1 July 1986 by an industrial authority.

Federal Budget update

Several important changes have been proposed and passed by the Government. Below is an update of the changes.

Taxation changes

Temporary Budget Repair Levy applied to high-income earners

The top marginal tax rate for individual taxpayers has increased by 2% to 47% (or 49% including Medicare levy) for three years since 1 July 2014.

The increased top marginal tax rate will apply if you earn in excess of \$180,000 per annum. In other words, if you earn \$200,000 per year, only \$20,000 is taxed at the higher rate.

Social Security changes

Increase of Age Pension age

It has been proposed that the Age Pension qualifying age will continue to rise by six months every two years from the qualifying age of 67 (from 1 July 2023), gradually reaching a qualifying age of 70 by 1 July 2035.

Individuals born before July 1958 will not be affected by this change. Department of Veterans' Affairs service pension age is also not impacted.

It is also proposed that:

- from 1 September 2017, indexation of Pension payments will be based on the Consumer Price Index; and
- deeming thresholds used in the pension income test to be reduced to \$30,000 for singles and \$50,000 for couples from 20 September 2017.

It has been legislated that:

- eligibility thresholds for Pensions and Pension-related payments will be maintained for three years from 1 July 2017.

Deeming rules for Account Based Pensions

It has been legislated that from 1 January 2015, the social security deeming rules applying to financial investments will also apply to certain Account Based Pensions (including transition to retirement pensions) for the purposes of the social security income test. 'Grandfathering rules' will apply for Account Based Pensions started before 1 January 2015 that are held by existing income support recipients as at 1 January 2015. These income streams will be assessed under the existing rules, that is, the annual payment less the social security deductible amount.

Commonwealth Senior Health Card (CSHC) Program

The Government has proposed that CSHC holders will no longer receive the Seniors Supplement.

It has been legislated that:

- From 20 September 2014, the qualifying income limits for the CSHC will be indexed to the Consumer Price Index (CPI).
- From 1 January 2015, income from superannuation account based income streams will be included in the definition of income for the CSHC. Existing superannuation account based income streams held by CSHC holders before 1 January 2015 will be assessed under the existing rules.

Superannuation changes

Pausing the Superannuation Guarantee increase for 6 years

From 1 July 2014, the superannuation guarantee (SG) will increase to 9.5% and will remain at this rate up to and including the 2020/21 financial year. The SG rate will then increase by 0.5% each year until it reaches 12% in the 2025/26 financial year.

For employees, these changes may allow you to effectively manage your contribution caps for the 2014/15 financial year. For employers, it gives you added certainty on the level of SG contributions you may need to make from 1 July 2014.

Preservation Age increase

In response to the recommendation in the National Commission of Audit report for a phased increase to the superannuation preservation age, the Government has stated that this measure will be considered by the Financial Systems Inquiry and the Tax White Paper process.

Abolition of the low income super contribution (LISC) for low income earners from 1 July 2017

A Government contribution of up to \$500 (non-indexed) is payable for persons with adjusted taxable income of up to \$37,000 (non-indexed) (conditions apply). This contribution effectively offsets the tax (up to \$500) on concessional contributions.

It has been legislated that the low income super contribution will cease to apply to concessional contributions made in the 2017/18 and later financial years. The low income super contribution effectively returns any tax paid (up to \$500) on concessional contributions made in the a financial year for a low income earner (an individual with an adjusted taxable income of \$37,000 or less in an income year).

Excess non-concessional contributions tax

It is proposed that superannuation members will now be able to withdraw any non-concessional superannuation contributions (and related earnings) made after 1 July 2013 that breach the non-concessional contributions cap.

If this option is chosen, excess contributions tax will not be payable and any associated earnings will be taxed at the individual's marginal tax rate.

This change will help anyone who breaches the non-concessional contribution caps from 1 July 2013. Excess non-concessional contributions left in the Fund will be taxed at the top marginal rate plus the Medicare levy.

Legislated superannuation contributions caps and thresholds

Contribution caps

You can grow your super by making additional contributions.

To help you save for your retirement, the Government allows you to make additional contributions into your super.

While additional contributions can be a great way to boost your super, it's important to know the limits (or caps) that apply to before-tax and after-tax contributions and to keep an eye on your payments, as exceeding the caps may have tax consequences.

Exceeding the Contributions caps

Concessional contributions

Excess concessional contributions from 1 July 2013 will be included in an individual's assessable income and taxed at their marginal tax rate. An individual will be entitled to a tax offset equal to 15% of their excess concessional contributions. An interest charge also applies to accounts for the deferral of tax. Individuals can elect to withdraw up to 85% of their excess concessional contributions from their superannuation accounts. Depending upon the amount withdrawn there may be an impact on the non-concessional contributions cap.

Non-concessional contributions

Excess non-concessional contributions may be taxed at 46.5% for 2013/14 and 49%* from 2014/15

* This includes the Temporary Budget Repair Levy that is scheduled to cease on 30 June 2017.

Other information

Eligible Rollover Fund

OnePath Custodians, as trustee of the OnePath MasterFund, has chosen the Australian Eligible Rollover Fund (AERF) as the Fund to which member benefits will be transferred in certain circumstances. For example, member benefits may be transferred where:

- there is a premium refund and you have not met a condition of release and do not elect to transfer your benefits to another eligible superannuation fund;
- we lose contact with you.

The details of the Trustee's nominated Eligible Rollover Fund are:

Australian Eligible Rollover Fund
Jacques Martin Administration and Consulting Pty Limited
Locked Bag 5429
Parramatta NSW 2124
Phone 1800 677 424

We will notify you if the Eligible Rollover Fund changes in the future.

Before transferring your superannuation benefits to the AERF, the Trustee will attempt to communicate the proposed transfer to you and provide you with an option to nominate another fund.

Once you are transferred to the AERF, you may contact the AERF to claim your benefits or nominate another fund.

If your benefits are transferred to the AERF:

- you will cease to be a member of the OnePath MasterFund and become a member of the AERF and member investment choice will not be available

- your account will be invested according to the investment strategy of the AERF
- the AERF may not accept any ongoing contributions from you or your employer
- the AERF may not offer insurance benefits. Any insurance cover you had as part of your interest in the OnePath MasterFund will cease.

You should read the AERF PDS or speak to your financial planner before making any decision.

Customer concerns

We pride ourselves on our customer service and will endeavor to solve your concerns quickly and fairly. If you have an enquiry or complaint regarding your benefit, you should either phone us on 133 665 or email us at customer@onepath.com.au

Alternatively you can write to:

The Complaints Resolution Manager

Integra Super
OnePath Custodians Pty Limited
GPO Box 5306
Sydney NSW 2001

Email yourfeedback@onepath.com.au

Further help options

If you are not satisfied with the outcome of your complaint, you can contact one of the below services which offer a free dispute resolution service external to OnePath.

Please note that before they can investigate your complaint, they generally require you to have first provided us with the opportunity to address the complaint.

Superannuation Complaints Tribunal (SCT)

For superannuation related complaints

The SCT is a statutory body that deals with complaints about the decisions and conduct of superannuation providers, including trustees of super funds, relating to members, but not in relation to decisions and conduct relating to the management of a fund as a whole.

Write to:
Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

Phone 1300 884 114
Fax 03 8635 5588

Email info@sct.gov.au
Website www.sct.gov.au

If your complaint is outside the jurisdiction of the SCT, you may have the right to take your complaint to the Financial Ombudsman Service (FOS).

Financial Ombudsman Service (FOS)

For complaints that do not relate to superannuation

FOS is an external dispute resolution scheme that was established to provide free advice and assistance to consumers to help them in resolving complaints relating to members of the financial services industry, including life insurance companies, superannuation providers, financial planners, investment managers, general insurance companies and their agents.

Write to:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Phone 1300 780 808

Fax +61 3 9613 6399

Email info@fos.org.au

Website fos.org.au

Contact details

Organisation	Contact
Trustee	
OnePath Custodians Pty Limited	GPO Box 4148 Sydney NSW 2001 Phone 133 667
Insurer/Administrator	
OnePath Life Limited	GPO Box 4148 Sydney NSW 2001 Phone 133 667
Auditor	
KPMG	PO Box H67 Australia Square Sydney NSW 1213 Phone 02 9335 7000

Customer Services

Phone 133 667

Fax 02 9262 5319

Email customer.risk@onepath.com.au

Postal address

OnePath Custodians Pty Limited

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