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Supplementary Annual Trustee Report

for defined benefit members of the Cuesuper Superannuation Defined Benefits Plan (Cuesuper CUE)

For the year ended 30 June 2013

Your *Annual Trustee Report* from NGS Super consists of two parts:

PART 1:

Annual Trustee Report to members contains an update on how your super in NGS Super has performed and provides details about general changes that have impacted on your benefits during the year ended 30 June 2013.

This report is available online at **www. ngssuper.com.au** (select Super Members > Fact sheets, Reports & PDS then select the Annual Reports tab).

PART 2:

This Supplementary Annual Trustee Report to Cuesuper members contains an update on information specific to your section of membership, including how your defined benefits are determined.

Both parts of your *Annual Trustee Report* should be read carefully and kept for future reference.

Contents

This Report has been prepared for defined benefit members of the Cuesuper Superannuation Defined Benefits Plan (Cuesuper: CUE).

Please read this report carefully as it contains information about your benefits in NGS Super.

1. Accessing your account online

You can receive up-to-date information on your benefits at **www.ngssuper.com.au/login**.

If you require a PIN or assistance with this service, please call our Customer Service Team on **1300 133 177**.

2. NGS Super – with you for life

If you resign or retire from your current employer, you will remain with NGS Super. Your benefit will transfer to the NGS Super Industry Fund which is an accumulation-style fund.

If you are retiring, you also have the option of transferring to an NGS Super **account-based pension**.

You can obtain information on either of these products by visiting **www.ngssuper.com.au** and view or download a copy of the *Product Disclosure Statement – Member Guide* and the *Product Disclosure Statement – Pension Guide*.

3. Transition to retirement pensions

A **transition to retirement pension** can provide limited access to your retirement funds while you are still working, giving you the opportunity to save tax and boost your super at the same time.

If you are a defined benefit member and you have reached your preservation age, you can transfer your Voluntary Account to our Industry Fund and start a transition to retirement pension – see the NGS Super **Accessing your super fact sheet** available at **www.ngssuper.com.au** (select Super Members > Fact sheets, Reports & PDS). Your defined benefit accounts cannot be transferred unless you receive approval from your Employer and the Trustee. Such a transfer will relinquish any future entitlement you have to a defined benefit and should be carefully considered before any such request is made.

It is recommended that you seek professional advice from a licensed financial planner before making this decision.

How does a transition to retirement pension work?

If you have reached your preservation age (generally age 55), a transition to retirement pension can allow you to take a pension even though you have not retired.

This works in exactly the same manner as an allocated pension except that:

- you cannot access any lump sum withdrawals until you retire, except under restricted conditions
- there are Government rules for the minimum and maximum annual pension payments that can be taken, and
- your payments are drawn down from any non-preserved money (unrestricted or restricted) that you have before any preserved money is used.

Starting a transition to retirement pension is not complicated. Simply read our *Product Disclosure Statement – Pension Guide* (available online at **www.ngssuper.com.au**) and complete the *application form*.

Financial advice recommendation

Before implementing a transition to retirement strategy, we recommend that you obtain financial advice from a qualified financial planner.

In the first instance, you can call our Customer Service Team on **1300 133 177** for access to our complimentary limited personal advice from one of our qualified financial planners over the telephone.

We can also arrange an appointment for a face-to-face consultation with one of our financial planners in any of our locations around Australia. An NGS Super financial planner is well-qualified to provide retirement and estate planning advice. They recommend strategies rather than products and operate on a fee for service basis only.

4. Maximum contribution limits

Non-concessional contributions include personal contributions for which members do not claim an income tax deduction. They also include any excess concessional contributions unless these are refunded – special rules determine whether they can be refunded. For the financial year 2013/14 the maximum amount that a member can contribute is generally $150,000 without incurring additional tax.

People under 65 years old may be able to make non-concessional contributions of up to three times their non-concessional contributions cap over a three-year period. This is known as the 'bring-forward' rule. The bring-forward rule means that you can contribute up to $450,000 (3 x $150,000) in non-concessional contributions in a single financial year, or any combination that adds up to $450,000 over a consecutive 3 year period. For example, a person age 60 could contribute $300,000 in the first year and the balance of $150,000 over the following two years.

It is important to remember that contributions paid in excess of these limits will attract tax of 46.5% (increasing to 47% from 1 July 2014).

Concessional contributions include employer contributions (including contributions made under a salary sacrifice arrangement) and any personal contributions claimed as a tax deduction by a substantially self-employed person. For the financial year 2013/14 the maximum limit is:

- $25,000 a year if you are under age 60
- $35,000 a year if you are age 60 and over[1].

Concessional contributions are taxed at 15%[2] when received by the Fund. It is important to note that from 1 July 2013 contributions paid in excess of these limits will attract additional tax at your marginal rate (including the Medicare levy) less the 15% contributions tax already paid. An interest charge to recognise that the tax on these excess contributions is collected later than normal income tax will also apply. This interest charge will be charged from the start of the financial year in which the excess contributions are made.

If you have contributed more than the concessional contributions limit, you can request to have the excess contributions refunded to you.

Please refer to Section 6, Notional Taxed Contributions, for details of how testing against the concessional contribution limit works for defined benefit members.

[1] The $35,000 will be extended to individuals aged 50 and over for the 2014/15 financial year.

[2] From 1 July 2012 members earning a 'combined income' of over $300,000 p.a. are subject to an increase in concessional contributions tax from 15% to 30%. The definition of 'combined income' will include concessional contributions and other items such as reportable fringe benefits. Where a member's income excluding their concessional contributions is less than $300,000 and the inclusion of their concessional contributions pushes them over the $300,000 threshold, the reduced tax concession will only apply to that part of the contributions that is in excess of the threshold. 'Concessional contributions' will include notional employer contributions for defined benefit fund members.

The detail of how this 30% tax will apply to defined benefit members has not yet been confirmed. If you are in this situation, we recommend that you seek financial advice to understand the financial implications.

The measure will not apply to excess concessional contributions as these are effectively taxed at the member's marginal tax rate.

5. Superannuation Guarantee (SG) and your benefit

Your employer must contribute a minimum of 9.25% of your ordinary time earnings (OTE) up to the Maximum Contributions Base ($192,160 for the 2013/14 year) into a complying superannuation fund.

The required SG contribution rate is scheduled to rise from 9.25% to 12% of OTE between the 2013-14 and 2019-20 financial years as shown in the following table:

Year	Rate (%)
2013-14	9.25
2014-15	9.50
2015-16	10.00
2016-17	10.50
2017-18	11.00
2018-19	11.50
2019-20	12.00

As a defined benefit member, your benefits are calculated as shown in section 12 of this report. It is important to note that your benefit must be at least equal to the SG minimum benefit, which is determined in accordance with a certificate produced by the actuary. To ensure you receive at least the SG minimum benefit when you leave NGS Super, we keep a separate record of this benefit.

6. Notional Taxed Contributions (NTC)

For defined benefit members, in order to test against the concessional contribution limit, rather than using the actual employer and salary sacrifice contributions made to your defined benefit during a given financial year, Notional Taxed Contribution (NTC) rates are used.

Your NTC is a concessional contribution, so you need to know how much it is to work out how much you can contribute before being subject to the higher tax rates.

Your NTC rate is only in respect of your defined benefit. It does not extend to any employer contributions paid to your Employer Additional Account and/or any additional voluntary contributions paid from pre-tax salary to your Voluntary Accounts – these contributions are calculated outside of the NTC formula. These additional contributions are added to the amount of the NTC to determine your *total* concessional contributions.

How your NTC is calculated

Your NTC% x your super salary at the start of the financial year

Less

1.2 x your compulsory contributions, if paid from after-tax salary, made over the financial year to fund your defined benefit.

Provided you meet certain conditions, the NTC is capped at the maximum concessional contributions limit when reporting to the ATO.

How to work out your own NTC

To use the above formula you need to know:

1. Your defined benefit membership category. This is found on your most recent *Member Statement*.
2. The NTC % applicable to your defined benefit category is: 13.2%.
3. Your member contribution rate, which depends on your category and whether you make these contributions from pre-tax or post-tax salary.
4. Your super salary as per your most recent *Member Statement*. This salary will be reduced for any periods of part-time work during the year (if any).

   The above NTC calculation may not apply to you if, during the year:

   - you ceased service
   - you took leave without pay
   - you changed benefit categories
   - you became eligible for a late retirement benefit
   - you received a benefit greater than the normal benefits provided, or
   - the benefits in the Plan are changed.

7. Examples to determine **concessional** (before-tax) contribution limits using NTCs

Example 1

Kerry is age 45. The compulsory contributions which Kerry is required to make toward her defined benefit are paid from **before-tax** salary.

Note: this example assumes there are no other concessional contributions being made by the member to another super fund.

Category of membership	CUE
NTC %	13.2%
Part time percentage	100% (full time)
Super salary at 1 July 2013	$160,000
Member Mandatory contribution rate (paid from **before-tax** salary)	5.9%
Employer Additional (Accumulation) contribution rate	1.25%

For the 2013/14 financial year, the concessional contribution limit for individuals under age 60 is $25,000. Any concessional **(before-tax)** contributions made in that period over $25,000 will be taxed at the member's marginal tax rate.

Employer Additional contributions: **1.25% x $160,000**	$2,000
Notional Taxed contributions: **13.2% x $160,000 *less* (1.2 x $0)**	$21,120

If Kerry's salary and the Employer Additional contributions remain the same during the 2013/14 financial year, then Kerry could make additional Member Voluntary **(before-tax)** contributions up to **$1,880** [$25,000 – ($2,000 + $21,120)] without incurring additional concessional contributions tax.

Because Kerry is close to the $25,000 concessional contribution limit, she has decided not to make any additional voluntary contributions. She also decides she should review her superannuation during the year to ensure that any change in her circumstances (in particular, any salary increase or super on allowances or bonuses) do not cause her to exceed her concessional (**before-tax**) contribution limit. Kerry puts some notes in her smartphone to remind herself to follow up.

Are your contact details up-to-date?

To receive updates on your super, remember to let us know if you change your address or your employer.

It's easy to update your details, simply login to your online account at www.ngssuper.com.au and change your details online. If you don't already have a PIN, you can register for one online. Alternatively, you can call our Customer Service Team and we'll do it for you.

Example 2

Chris is age 52. The compulsory contributions which Chris is required to make toward his defined benefit are paid from **after-tax** salary.

Note: this example assumes there are no other concessional contributions being made by the member to another super fund.

Category of membership	CUE
NTC %	13.2%
Part time percentage	100% (full time)
Super salary at 1 July 2013	$70,000
Member Mandatory contribution rate (paid from **after-tax** salary)	5.0%
Employer Additional (Accumulation) contribution rate	1.25%

For the 2013/14 financial year, the concessional contribution limit for individuals under age 60 is $25,000. Any concessional **(before-tax)** contributions made in that period over $25,000 will be taxed at the member's marginal tax rate.

Employer Additional contributions: **1.25% x $70,000**	$875
Notional Taxed contributions: **13.2% x $70,000** ***less*** **[1.2 x (5.0% x $70,000)]**	$5,040

If Chris' salary and the Employer Additional contributions remain the same during the 2013/14 financial year, then Chris could make additional Member Voluntary (**before-tax**) contributions up to **$19,085** [$25,000 – ($875 + $5,040)].

Chris decides to limit his additional **before-tax** voluntary contributions to a maximum of $17,000. He also decides he should review his superannuation during the year to ensure that any change in his circumstances (in particular, any salary increase) does not cause him to exceed his concessional (**before-tax**) contribution limit. Chris puts some notes in his electronic diary to remind himself to follow up.

8. How the Fund works

The benefits payable depend on which category of membership you belong and when and why you leave NGS Super. Your benefit may be based on the accumulation of contributions plus investment earnings or a defined benefit based on a multiple of your salaries near the time of leaving service or a combination of both. The multiple is determined as a percentage (depending on your category of membership) and the number of years of your contributory membership.

Benefits paid from the Fund are financed by member and employer contributions together with investment earnings achieved in the Diversified (*MySuper*)* investment option. If a defined benefit member makes any additional/voluntary contributions to the Fund, these contributions together with any rollovers into NGS Super will be credited to a separate sub-account in the member's name and are paid in addition to the defined benefit.

*At 1 July 2013, the Diversified investment option was re-named 'Diversified (*MySuper*)'.

Defined benefit members cannot choose their own investment option. This sub-account is invested in the Diversified (*MySuper*) investment option – please refer to the NGS Super **Investment fact sheet** dated 1 July 2013 for more information on the Diversified (*MySuper*) investment option.

The amount your employer contributes to the Fund will vary depending on the actuarial advice received by the Trustee. At least once every three years the Fund Actuary prepares a valuation that states how much your employer is required to contribute in order to ensure sufficient assets are available to pay benefits now and in the future.

The Fund Actuary also undertakes a short review to ensure the financial position of the Fund remains on track between full valuations.

As at 30 June 2013 the employer was contributing in line with the actuary's recommendations and the Plan was in a satisfactory financial position.

9. Statement of change in financial position

	30 June 2013 ($ amount)	30 June 2012 ($ amount)
Net assets transferred at beginning of year	12,337,413	13,023,487
Revenue		
Net investment revenue	1,602,173	(246,321)
Member contributions	47,113	57,384
Employer contributions	590,923	594,254
Rollovers and transfers in	254	118,770
Total revenue	**2,240,463**	**524,087**
Less expenditure		
Benefits paid	(1,051,531)	(906,505)
Insurance policy premiums	(8,558)	(34,764)
Contributions tax & surcharge	(103,194)	(72,227)
Administration costs	(112,703)	(196,665)
Total expenses	**(1,275,986)**	**(1,210,161)**
Net revenue after income tax	964,477	(686,074)
Net assets at end of period	**13,301,890**	**12,337,413**

This information has been prepared on a cash basis with some accruals and reallocations. That is, it does not allow for any accruals such as outstanding contributions or benefits due as at the start or end of year.

The financial information contained in this report for Cuesuper members has not been individually audited, however this information does form part of the full financial statements for NGS Super. The *Annual Trustee Report to members (Part 1)* provides details of the full financial statements for NGS Super (refer to **www.ngssuper.com.au**, then select Super Members > Fact Sheets, Reports & PDS > Annual Report).

You can request a copy of the full audited accounts and the auditor's report by contacting the NGS Super Customer Service Team.

10. Cuesuper representation – NGS Super Board

NGS Super is governed by a corporate Trustee, NGS Super Pty Limited. The Trustee is responsible for ensuring that the benefits for members of NGS Super, including members of the former Cuesuper fund are protected.

During the merger discussions with NGS Super in 2011, agreement was reached to ensure that two Cuesuper Trustee Directors (one representing Employers and one representing Members) would assume roles within the NGS Super governance structure up until 30 June 2014.

The two representatives will continue to represent your interests in NGS Super with Andrew Blyth and Tom Taylor acting as advisors to the NGS Trustee Board. Additionally, Andrew Blyth will be a voting member of the NGS Super Risk Audit Finance & Compliance Committee and Tom Taylor will be a voting member of the NGS Super Investment Committee.

11. Fees and charges that apply to your super

The fees and charges of NGS Super are set out on page 5 of the NGS Super *Member Guide* dated 1 July 2013. A copy of this *Member Guide* is available online at *Member Guide* is available online at **www. ngssuper.com.au** (select Super Members > Fact sheets, Reports & PDS). From here you can select the 'Product Disclosure Statement' tab.

12. How to calculate your benefits

Please note that the following details do not constitute a Product Disclosure Statement. For a full description of the method of calculating your benefits, you should refer to your Fund documentation, including the NGS Super *Transfer Guide* dated 1 April 2011. The *Transfer Guide* provides details of the terms and conditions of your death and disablement benefits. If you have additional insurance cover in place with NGS Super, you should refer to the documentation you received when you applied for this cover.

In brief, the benefits shown on your *Member Statement* were calculated as follows:

Contributions

You are required to make contributions of 5% from your after-tax salary or 5.9% from your pre-tax salary. These contributions are credited to your **Member Mandatory Account**. Any additional voluntary contributions you make are credited to your **Member Additional Account**.

Your employer pays contributions as required by the actuary. Contributions are allocated to other accounts as follows:

Employer Mandatory Account – 8% of your salary

Employer Additional Account – Up to age 65, from 1 July 2013 contributions paid to this account are generally 1.25% of your salary plus 9.25% of any allowances or bonuses.

No contributions are credited to your **Employer Account**.

Some useful definitions

Your **final average salary** is based on the highest average salary paid in any 36 consecutive months in the ten years immediately prior to the date you leave the service of your Employer.

Your **accrued retirement benefit multiple** is calculated using 16% for each complete year and month of **membership**.

Withdrawal benefit before age 55

Your benefit on leaving service before age 55 is equal to the greater of

a) the sum of:

- your Member Mandatory Account
- your Employer Mandatory Account
- your Employer Account

and

b) 2.3 times your Member Mandatory Account

Plus

- your Member Additional Account (if any)
- your Employer Additional Account (if any)
- your Rollover/Transfer In Account

Less

- your Surcharge Account (if any).

Notes:

If you leave due to injury or ill-health and are not eligible for a Total and Permanent Disablement benefit, subject to satisfactory medical evidence, your benefit will be subject to a minimum of:

- your accrued retirement benefit reduced by 2% for each year and complete month to age 55

Plus

- your Member Additional Account (if any)
- your Employer Additional Account (if any)
- your Rollover/Transfer In Account

Less

- your Surcharge Account (if any).

Retirement benefit from age 55–65

Your benefit on retirement between age 55 and 65 is equal to the greater of:

a) the sum of:

- your Member Mandatory Account
- your Employer Mandatory Account
- your Employer Account

and

b) your accrued defined benefit:

Plus

- your Member Additional Account (if any)
- your Employer Additional Account (if any)
- your Rollover/Transfer In Account (if any)

Less

- your Surcharge Account (if any).

Your accrued defined benefit

Your accrued defined benefit is determined as your accrued retirement benefit multiple based on your years and months of **membership**, to the date of your early retirement

Multiplied by your final average salary.

Notes:

Your defined benefit will be adjusted for any period of part-time service.

Retirement benefit after age 65

At age 65, your benefit will be calculated in the same way as it is calculated for your retirement benefit from age 55-65 (as above). After age 65, this benefit will accrue with investment returns only.

Death and Total & Permanent Disablement (TPD) benefit

Your death and TPD benefit is equal to the greater of:

a) the sum of:

- your Member Mandatory Account
- your Employer Mandatory Account
- your Employer Account
- 16% for each complete year and month of **membership** from date of death/TPD to age 65 ***Multiplied*** by your Salary at date of death/TPD

and

b) your projected defined benefit at age 65;

Plus

- your Member Additional Account (if any)
- your Employer Additional Account (if any)
- your Rollover/Transfer In Account (if any)

Less

- your Surcharge Account (if any).

Your projected defined benefit

Your projected defined benefit is determined as your accrued retirement benefit multiple based on your years and months of **membership**, to age 65

Multiplied by your final average salary assuming that your salary at the date of death/TPD remained unchanged to age 65.

Notes:

Your projected defined benefit will be adjusted for any period of part-time service.

Your Income Protection benefit

Income protection (IP) benefits replace some of your income if you are under age 65 and can't work because you are sick or have been injured.

IP cover features:

- Waiting period before payment commences: 60 days
- Payment period: Up to age 65

  Payments will cease on return to work or when a Total and Permanent Disablement benefit is paid.

If you have Income Protection, your monthly benefit will be up to 75% of your monthly pre-disability income (subject to any maximum limits that apply). The monthly benefit you receive will be based on your pre-disability income and whether you are receiving income from other sources. The insurer requires monthly progress reports while you receive payments. You may also need to provide medical evidence and undergo any examinations that the insurer requires.

Member contributions to your Cuesuper account cease while this benefit is being paid.

How to contact us

Visit our website **www.ngssuper.com.au** or contact our Customer Service Team or your local Client Relationship Manager at any time. We're here to help you.

NGS Super Customer Service Team

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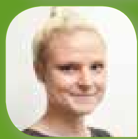
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