

Dependants eligible for death benefits

If you have *defined benefit super* (ie. all OSF divisions except Division F), there are specific rules around the type of benefit payable from your division and who it can be paid to in the event of your death.

Depending on your division, a superannuation death benefit may be payable to any one or more of the following dependants:

- Your 'spouse', who must be (i) a person who is legally married to you, (ii) a person (whether of the same or opposite sex) with whom you are in a relationship registered under a prescribed State/Territory relationships register, or (iii) a person (whether of the same or opposite sex) who, although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple.
- Your 'child', which includes (i) your natural, adopted, ex-nuptial or step-child, (ii) the natural, adopted, ex-nuptial or step-child of your 'spouse' (as defined above), or (iii) a child born to you or your

'spouse' through artificial conception or surrogacy.

- A person with whom you have an 'interdependency relationship', which, according to super law, exists between two people where (i) they have a close personal relationship *and* they live together *and* one or each of them provides the other with financial support *and* one or each of them provides the other with domestic support and personal care, or (ii) they have a close personal relationship and either or both of them suffer from a physical, intellectual or psychiatric disability (in which case they are not required to live together, nor provide financial or domestic support to each other).
- Your legal personal representative (ie. the administrator or executor of your estate).

For more information, please refer to the Member Booklet for your division (available from the OSF intranet) or contact OSF Investor Services.

Splitting super following a relationship breakdown

Super benefits, as with other assets such as property, investments and savings, may be split from one partner to the other under a property settlement in the event of a marriage or relationship breakdown if you are:

- a married couple who separated or divorced after 28 December 2002;
- a married couple who separated or divorced before 28 December 2002 but did not finalise your property settlement prior to that date; or
- an eligible de facto couple[^] (whether of the same or opposite sex) separating on or after 1 March 2009.

[^]*Eligible de facto couples can split super benefits in all Australian states and territories except for South Australia and Western Australia. To date, these state governments have not referred their power to legislate in respect of de facto couples to the Commonwealth, as is the case in other states and territories. Married couples can still split their super benefits in these states.*

Super benefits such as accumulation accounts, defined benefits and pensions (including account-based, transition to retirement and lifetime pensions) can be split under family law provisions. Depending on the type of super benefit, there may be rules about when or how a family law split can be paid.

For general information on family law and superannuation, refer to OSF Fact Sheet 8, available from www.osfsuper.com.au or OSF Investor Services.

Super payments to temporary Australian residents

If you are or were a temporary Australian resident, there are some restrictions on how you can receive your super benefit in cash. You are entitled to a *Departing Australia Superannuation Payment (DASP)* (which will be your super benefit less any fees and taxes that apply) if *all* of the following apply:

- You are not (i) an Australian or New Zealand resident, (ii) a permanent resident of Australia, or (iii) the holder of a 405 or 410 retirement visa.
- You leave Australia.

- Your temporary visa has ceased to have effect.
- The Department of Immigration provides us with written evidence of these facts.

If you do not meet the criteria above, your super benefit can only be paid to you if you satisfy a condition of release. The availability of those conditions depends on when they are satisfied.

If you have not requested your benefits from your super fund within six months of your temporary visa expiring or leaving Australia, whichever is the later, your benefit will be transferred to the Australian Taxation Office (ATO). This means your super will no longer be held with the OSF and you will need to apply directly to the ATO to access your super. Generally no investment earnings or interest applies to your benefit from the time it is transferred to the ATO.

For more information about temporary resident benefits, please contact OSF Investor Services on 1800 023 928 (or +612 9303 6548 if outside Australia).

In looking back over the 2008/09 financial year, it is difficult to go past the global financial crisis as the key theme impacting individuals' retirement savings. Like all Australian super funds, the OSF's investments have been affected by the crisis and this has directly impacted investment returns to members, as reflected in the movement in the unit price for each investment option over the period.

If we consider the past year in two periods, declining sharemarkets during the first two-thirds of the year contributed to disappointing returns across the super industry and other investments exposed to sharemarket movements. However, a strong rebound in sharemarkets over the latter third of the year has reduced the extent of the full-year losses, enabling the OSF to produce positive returns for most investment options for the six-month period from 1 January to 30 June. You can read more about the OSF's investment performance in Table 1 below and some additional information on market performance is included on page 2.

Once again, the OSF's long-term and short-term investment performance is very strong compared to many other funds, with the OSF among the top-performing funds over the last five years. You can read more about this achievement in the article on this page.

Thank you for continuing to invest in the OSF. We hope you will take some time to read this Investment Bulletin and News Update, including the changes to super as a result of the 2009 Federal Budget and recent legislation changes.

OSF investment returns to 30 June 2009

TABLE 1: INVESTMENT RETURNS AFTER TAXES, INVESTMENT MANAGEMENT FEES, AND TRANSACTION AND OPERATIONAL COSTS.

	Average OSF net return since inception date (22 February 2001)	Average OSF net return over 5 years to 30 June 2009	OSF net return over 1 year to 30 June 2009
Mix 30	5.1% pa	5.5% pa	-1.3%
Mix 50	5.1% pa	5.7% pa	-5.0%
Mix 70	5.0% pa	5.9% pa	-8.6%
Mix 90	4.7% pa	6.1% pa	-12.2%
Cash ¹	5.0% pa	5.2% pa	5.0%

¹—This option was originally known as 'Mix 10'. On 3 November 2003 its name changed to 'Cash'. The benchmark asset mix was also changed slightly—as 'Mix 10' the option had a 10% to growth assets; as 'Cash' it is 100% invested in cash.

Top quartile returns for most members

The OSF has delivered short-term and long-term investment returns to members that generally rank in the top quartile of funds[^].

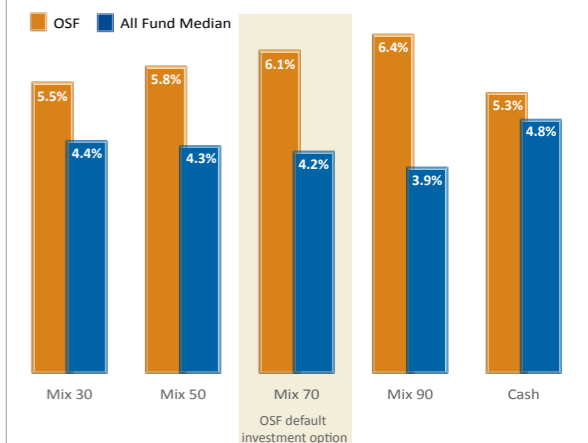
The one-year and five-year average returns to 31 May 2009 for the OSF's default investment option, Mix 70, ranked in the top 10 funds included in the survey.

Five-year average returns to 31 May 2009 for the Cash, Mix 30, Mix 50 and Mix 90 investment options were also within the top quartile of funds. Additionally, Mix 50 and Mix 90 were ranked as the best and second-best performers respectively.

OSF default option ranks in the top 10!

[^]*Source: SuperRatings Fund Crediting Rate Survey May 2009. SuperRatings is an independent Australian company that specialises in researching industry, corporate and non-public offer superannuation funds and master trust products.*

FIGURE 1: AVERAGE RETURNS OVER 5 YEARS (%PA) All returns shown are after taxes, investment management fees, and transaction and operational costs.



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It's important to remember that...

- Past investment performance is not a reliable predictor of future performance, but longer-term historical data can be useful in assessing how relevant your current year returns are to your retirement savings goals.
- The actual investment return applied to your account depends on the investment options you are invested in and the timing of any transactions on your account.

How investment markets affect your super

As a member of an OSF defined benefit division, there is a certainty with your super benefit. Your benefit is calculated using a formula that is generally based on your salary, your length of service with your employer and the rate you have been contributing to your super. Growth in your defined benefit therefore depends on growth in these factors rather than on investment returns. Investment market performance will have little impact on the amount of defined benefit super you get in retirement.

For your accumulation-style benefits, you will have either investment choice, in which case investment earnings will apply, or these benefits will be adjusted for earnings at the crediting rate based on the movement in the unit price of the OSF's balanced Mix 70 investment option. The type of earnings that apply to your benefits are outlined in your Benefit Statement. Investment choice earnings and the OSF crediting rate are both impacted by investment performance and may be positive or negative.

Note: The actual earnings that apply to your account depend on the timing of any transactions (eg. contributions, switches or withdrawals) on your account.

2008/09 Annual Report

The OSF's 2008/09 Annual Report will be available on the OSF's website from mid-November. Simply go to www.osfsuper.com.au and click on 'Document Library' to view or download a copy.

Current Commonwealth Bank Group employees can also access a copy from the OSF intranet site. From the HR Intranet, select Pay & Leave > Pay > Superannuation > OSF and follow the links to Library & Forms > Annual Reports.

If you would prefer a printed copy...

A printed copy of the 2008/09 Annual Report will not automatically be sent to members. If you would like a copy of the 2008/09 Annual Report by mail and would like to continue receiving future Annual Reports by mail, please contact us on 1800 023 928 or email osfms@colonialfirststate.com.au to request a copy free of charge.

Note: If you requested a copy of last year's Annual Report by mail, we will automatically send you a printed copy of this year's Report (and future Reports) free of charge once it is available.

Investment market update

The year ended 30 June 2009 was a very difficult year for financial markets and investors due to the extreme volatility experienced as a consequence of the global financial crisis. However, towards the later part of the year, markets began to show some signs of improvement and on the back of this we saw a reasonably large bounce back in world sharemarkets. The strong rebound was a major contributor to improved returns from the OSF's diversified 'Mix' investment options during the June quarter.

Australian sharemarket

The Australian sharemarket as measured by the S&P/ASX 300 Accumulation Index was down 20.3% over the 12 months ending 30 June 2009. However, positive sentiment returned to the market in mid-March resulting in positive returns for the last four consecutive months of the financial year.

International sharemarkets

The return from global share-markets also fell significantly in the last financial year.

The Australian dollar fell significantly against the US dollar and the Japanese yen in the first half of the financial year but has shown some recovery over the second half of the financial year. These currency movements resulted in weaker returns on hedged international investments when compared to unhedged investments for Australian investors. The MSCI World ex-Australia Index in Australian dollars (unhedged) returned -16.2% for the financial year, while the return on hedged international shares was -26.6% over the same period.

Direct Property

The direct (unlisted) property market as a whole performed poorly over the year as the poorer economic outlook has led to the expectation that vacancy rates will go up. This has resulted in falling property valuations with a current expectation that the market, as measured by the Mercer Unlisted Property Index, will return around -11.5% for the financial year.

Cash and Fixed Interest

The Australian fixed interest market delivered a solid performance over the 2008/09 financial year relative to shares, with multiple interest rate cuts favouring longer-term bonds during this period. The Australian 90 Day Bank Bill index posted a positive return of 5.5% for the financial year, providing strong defensive returns to those invested predominantly in cash. The UBSA Composite Bond Index (All Maturities) returned 10.8% for the financial year.

International fixed interest markets under-performed the Australian fixed interest market but still posted a positive return, with the Barclays Global Aggregate Index (hedged to Australian dollars) returning 9.9% for the year.

Looking forward

Public policy around the globe has been very active in addressing the financial and economic effects of the credit crunch. This has been most noticeable after the de-leveraging process accelerated in September 2008, as governments and central banks committed large amounts of money to stabilising their economies. The implications for financial markets continue to be complex and wide ranging and there is still uncertainty as to how events will unfold and how investment returns will be affected as a result of this.

In the 2009 Federal Budget, the Government announced the following changes to superannuation in the face of the global recession and in an effort to reduce the budget deficit.

Concessional contributions cap reduced to \$25,000

Concessional contributions generally include your employer's superannuation guarantee (SG) contributions and any salary sacrifice (pre-tax) contributions you make to your super. There is a cap on the amount of these contributions that can be made to your super without incurring additional tax penalties.

From 1 July 2009, a cap of \$25,000 (indexed) applies per person per financial year. If you are aged 50 or over, a transitional cap of \$50,000 (instead of \$25,000) per financial year applies until 2011/12. If you turn 50 between now and 30 June 2012, the transitional cap will apply for the financial year in which you turn 50 and subsequent financial years up to and including 2011/12.

Concessional contributions up to the cap (or transitional cap if applicable) are treated as taxable at the rate of 15%. You can make concessional contributions above the relevant cap but these excess contributions will incur an *additional 31.5% tax*, which means they will effectively be taxed at the top marginal tax rate. Excess concessional contributions also count towards the non-concessional contributions cap (see following section).

What does this mean for members?

Division F accumulation members: If your combined employer SG contributions, salary sacrifice contributions (if any) and other concessional contributions exceed the relevant cap for 2009/10, the excess contributions may be taxed at 46.5% rather than 15%.

Division F account-based or transition to retirement pensioners: If you have a transition to retirement strategy where you salary sacrifice to and receive a pension from your super, the effectiveness of this strategy may be impacted by the reduced concessional contributions cap.

Defined benefit members: If your combined Notional Taxable Contribution (NTC) (ie. the amount that represents your employer's contributions in respect of your defined benefit super interests for the purposes of this cap) and salary sacrifice contributions (if any) exceed the relevant cap for 2009/10, the excess contributions may be taxed at 46.5% rather than 15%.

Some 'grandfathering' arrangements will continue to apply to certain members with defined benefit interests as at 12 May 2009 whose NTC would otherwise exceed the reduced cap.

Please contact OSF Investor Services for more information on NTCs.

Non-concessional contributions cap remains at \$150,000

Non-concessional contributions are contributions you make to your super from your post-tax salary where no tax deduction has been claimed. The cap on non-concessional contributions will remain at \$150,000 per person for the 2009/10 financial year. This cap will be set at 6 times the concessional contributions cap and will increase accordingly.

The 'bring forward' rule still applies. If you are under age 65, you can bring forward two years of non-concessional contributions and make a larger contribution of up to \$450,000 but you will not be able to make a further contribution in the following two financial years without paying excess tax.

No tax applies to non-concessional contributions up to the cap. If you make contributions above the cap, these excess non-concessional contributions will be taxed at the highest marginal tax rate.

Note: Any excess concessional contributions (see previous section) also count towards this non-concessional contributions cap.

Temporary Co-contribution reduction

If you make non-concessional contributions to your super and your total income is less than \$61,920[^], the government may make a tax-free co-contribution to your super (eligibility conditions apply).

For every dollar of non-concessional contributions that you make to your super, the government may match your contribution at the rate shown in Table 2.

The maximum co-contribution that you can receive is based on your total income:

- If your total income is \$31,920[^] or less, you may receive up to the maximum co-contribution shown in Table 2.
- If your total income is between \$31,920 and \$61,920, the maximum entitlement shown in Table 2 is reduced for every dollar of your total income over \$31,920.

For example: If your non-concessional contributions for 2009/10 total \$1,000 and your total income is \$31,920 or less, you may receive a \$1,000 co-contribution. If your non-concessional contributions for 2009/10 total \$1,000 and your total income is between \$31,920 and \$61,920, you may receive up to \$1,000 depending on the maximum that applies to your income level. If your total income for 2009/10 is \$61,920 or more, you are not eligible for a co-contribution.

Note: For the purposes of co-contribution eligibility, 'total income' includes your assessable income plus reportable fringe benefits plus reportable employer superannuation contributions. However, your total income may be reduced by any amount for which you are entitled to a deduction as a result of carrying on a business.

For more information on the co-contribution, refer to OSF Fact Sheet 5, available from www.osfsuper.com.au or OSF Investor Services.

[^]This is the threshold for the 2009/10 financial year. The lower income threshold may be indexed annually; the higher income threshold will be equal to the lower threshold plus \$30,000.

TABLE 2

Contribution year	The government may match your total contributions at this rate...	Up to a maximum co-contribution of...
2009/10	100%	\$1,000
2010/11	100%	\$1,000
2011/12	100%	\$1,000
2012/13	125%	\$1,250
2013/14	125%	\$1,250
2014/15	150%	\$1,500