

news update

OSF Division F Pensions—July 2011



A note from Neil, our Chairman

Firstly, I'd like to thank each of you for continuing to allow the Officers' Superannuation Fund (OSF) to help you and your family with your retirement plans.

With the 2010-11 financial year having drawn to a close, I'm very pleased to reflect on our achievements over the last 12 months.

Our focus continues to be on your financial well-being

Our vision—*determined to contribute to your prosperity*—is at the heart of our planning and decision-making for the fund.

Over the last 12 months, we have refined a set of principles to help us meet this goal. Finding better ways to engage with you and provide the right tools and support to help you make decisions about your financial well-being in retirement will be one of our priorities during the year ahead.

Strong and consistent (even Award-winning!) industry performance

The OSF continues to perform very well compared with other superannuation funds in Australia. In 2011 we achieved our second consecutive SuperRatings Platinum rating for our Division F Pension (awarded to just the

top 15% of funds in Australia), as well as the highest 'Five Apples' rating from Chant West.

We also won the Rising Star 2011 award at the SuperRatings Fund of the Year awards late last year, from a field of more than 350 Australian super funds researched by SuperRatings.

Top performing investment options over 5 and 10 years

In the latest SuperRatings Crediting Rate Survey, our long-term pension investment returns remain at or near the top of the performance rankings. Four of our 5 Division F pension investment options ranked as the number 1 performer based on 5-year and 10-year average annual returns (see table below).

Returns can often rise and fall over shorter periods like 1 year, so longer-term returns like 5 and 10 years may provide a better idea of how the option is performing.

Over the 10 years to the end of May 2011, the OSF's default investment option of Mix 70 has out-performed the average pension fund by 2.5%. On an initial pension account balance of \$10,000, this would be around \$4,140 more in returns over the 10 years.

We have always been proud of the results that the OSF has delivered for members. To have the fund's performance recognised within the wider superannuation industry is a great reward for the OSF, Commonwealth Bank Group and most importantly, for you as members.

Neil Cochrane

Average annual investment return over 5 years (%pa) and 10 years (%pa) to 31 May 2011 based on non-taxable unit prices. Returns are after management fees and transaction costs (Source: SuperRatings Crediting Rate Survey May 2011)

	5-year returns			10-year returns		
	OSF	All Fund Median	Rank	OSF	All Fund Median	Rank
Mix 30	6.8	4.6	1 / 45	7.1	5.4	1 / 14
Mix 50	6.3	2.5	1 / 34	7.1	4.0	1 / 9
Mix 70	5.8	2.7	1 / 41	7.0	4.5	1 / 15
Mix 90	5.3	1.9	1 / 41	6.8	5.0	1 / 13
Cash	5.7	5.2	7 / 38	5.7	5.0	2 / 15

Note: It is important to remember that past investment performance is not a reliable indicator of future performance.

OUR VISION & PRINCIPLES

We are determined to contribute to your prosperity by:

- Proactively engaging with you to help maximise your financial well-being
- Offering a suite of competitive products and services at costs below industry average
- Focussing on long-term returns that exceed market benchmarks
- Delivering the highest level of customer service in every member interaction
- Leveraging the Commonwealth Bank Group's skills and expertise

Minimum pension drawdown relief to be phased out

Since the 2008-09 financial year, the government has reduced the minimum annual pension drawdown requirements in an effort to help account-based pensioners recoup capital losses incurred as a result of the global financial crisis.

In the 2011-12 Federal Budget, the government announced that this temporary relief will be phased out during 2011-12 and return to the standard prescribed minimums in 2012-13 (as shown in the table below).

This means that your minimum pension income for 2011-12 will be higher than the minimum income that applied for 2010-11.

You must receive at least this percentage of your account balance* in pension payments during the financial year			
If your age is*...	2010/11	2011/12	2012/13
Under 65	2%	3%	4%
65 to 74	2.5%	3.75%	5%
75 to 79	3%	4.5%	6%
80 to 84	3.5%	5.25%	7%
85 to 89	4.5%	6.75%	9%
90 to 94	5.5%	8.25%	11%
95 or over	7%	10.5%	14%

*This is according to your age and account balance as at 1 July of the relevant financial year, or your age and pro rata opening account balance if it is the first year of your pension.

In some cases, we may have changed your pension payments for 2011-12 automatically

If you received the minimum pension amount in 2010-11, your pension payments for the new financial year have been automatically amended in line with adjusted 2011-12 minimum requirements (unless you notified us otherwise). This amended pension amount will begin from your first pay period in 2011-12.

If you received any amount other than the minimum pension amount in 2010-11 (eg. a fixed dollar amount, or the maximum amount allowed if you have a transition to retirement pension), we will continue to pay you that amount providing it meets the minimum pension requirements for 2011-12 (unless you have notified us otherwise). If the amount does not meet the new requirements, we will automatically amend your pension payments accordingly from the first pay period 2011-12 to ensure that you receive the minimum pension amount in 2011-12.

Of course, you can change your pension details at any time

You can change your pension payment amount and/or frequency at any time during the year, in which case the change will generally take effect from the next available pay date after we receive and process your request. To change your pension payment details, please complete a [Pension—Change of Details or Withdrawal Form](#) available from our website or OSF Investor Services.

Interested to see how your pension might last?

If you're interested in seeing how changes to your pension amount might impact on the longevity of your account, why not run your own figures through this handy calculator.

The government recently launched its 'MoneySmart' website www.moneysmart.gov.au with a range of great tools and information to help people make smart choices about their personal finances.

With some key information handy on your benefit statement, you might want to try out the account-based pension calculator (under 'Tools & Resources' on the site) to estimate how long your pension account might last based on your current circumstances. Plus, you can see how a change in annual pension amount, investment returns or costs and fees might have an impact on the longevity of your pension account.

But MoneySmart doesn't just cover super and retirement—you can find great tips and resources for managing money, borrowing and credit, and investing.

There's even a MoneySmart App for your phone that gives instant calculations for savings, loans, mortgages, super and interest-free deals!

Remember, before finalising any decisions about your pension, you should refer to the current PDS available from [our website](#).



Lock in your beneficiaries by upgrading your nomination!

While it's not something most of us like to think about, you've worked hard for your super so it's important to make sure it ends up in the right hands if something happens to you.

For a number of years, the OSF has provided you with the option of nominating beneficiaries for your pension account in the event of your death. In April 2011, we introduced a new type of beneficiary nomination for Division F Pensions, known as a **non-lapsing death benefit nomination**, to help give you more certainty around who would receive a death benefit in the event of your death.

A non-lapsing death benefit nomination is a legal instruction to the OSF Trustee to pay the death benefit to one or more beneficiaries that you nominate, in the proportion that you nominate. A non-lapsing death benefit nomination does not have an expiry date, unlike the binding death nominations that were offered prior to April, which needed to be renewed every 3 years.

I already have a nominated beneficiary—do I need to do anything?

If you have already made a non-lapsing death benefit nomination, details of your beneficiaries will be shown on your benefit statement.

If you last nominated a beneficiary before 11 April 2011, that nomination will have been made under different rules, which means it may have an expiry period or may not be binding on the Trustee:

- If you have previously made a *binding death nomination* for your pension account, details of your beneficiaries and the expiry date of this nomination will be shown on your benefit statement. This nomination will remain in place until the end of the 3-year expiry period. The Trustee is bound to pay your death benefit in accordance with this binding death nomination unless one of the following occurs: (i) it has been replaced by a non-lapsing death benefit nomination, (ii) it has been revoked, or (iii) it is invalid. If any of

these apply, the Trustee has the discretion to pay your death benefit to any one or more of your dependants and/or your legal personal representative (whether you have nominated them as a beneficiary or not).

- If you have previously made a *preferred nomination* for your account, details of this nomination will *not* be shown on your benefit statement but this preferred nomination will remain in place unless one of the following occurs: (i) it has been replaced by a binding or non-lapsing death benefit nomination, (ii) it has been revoked, or (iii) it is invalid. You should note that, while a preferred nomination may help the Trustee decide who should receive a death benefit, the Trustee does not have to follow your nomination and has the discretion to pay your death benefit to any one or more of your dependants and/or your legal personal representative (whether you have nominated them as a beneficiary or not).

If you currently have a binding death nomination or preferred nomination, you may wish to upgrade to a non-lapsing death benefit nomination to provide more certainty around the payment of a death benefit from your pension account.

You can make a new non-lapsing death benefit nomination, or change or revoke an existing one, by completing the [Non-Lapsing Death Benefit Nomination Form available from our website](#).

For more information on the rules around making a nomination or what happens if you die without a valid non-lapsing death benefit nomination, refer to the current PDS available from our website osfsuper.com.au or from OSF Investor Services. (Note: As of 11 April, you can no longer make binding death nominations or preferred nominations.)

You should remember to review any nomination of beneficiaries from time to time as your circumstances change to ensure it continues to reflect your wishes, eg. if a marriage or de facto relationship begins or ends or if your dependants change.

Important notices

New PDS issued 1 July 2011

A *Supplementary Product Disclosure Statement (PDS) for Division F Account-Based Pension and Transition to Retirement Pension* was issued on 1 July 2011. The key changes incorporated in this Supplementary PDS are the changes to the minimum pension drawdown requirements (which you can also read about on page 2 of this News Update), the introduction of the flood levy (which you can read more about on page 4 of this *News Update*), a change of investment manager and updated management fee estimates. You can obtain a copy of the Supplementary PDS free of charge from our website osfsuper.com.au or by calling OSF Investor Services on 1800 023 928.

2010-11 Annual Report will be available online

The OSF's annual report for 2010-11 will be available to members to view or download from mid-November from our website osfsuper.com.au (under 'Document Library'). A printed report will not automatically be sent to members. However, if you would like to receive a copy of the 2010-11 report by mail (and continue receiving future reports by mail), please contact us to request a copy free of charge. 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 available. Previous annual reports are also available from [our website](#).

Legislation updates that may impact your super

A flood levy may apply to your taxable income in 2011-12

From 1 July 2011, a Temporary Flood and Cyclone Reconstruction Levy ('flood levy') generally applies if your taxable income is more than \$50,000 for the 2011-12 financial year. The flood levy is 0.5% for taxable income between \$50,000 and \$100,000, and 1% for taxable income over \$100,000. Certain superannuation lump sum and pension benefits* paid during 2011-12 may be included in your taxable income.

You should note that any flood levy payable on your super benefits may have implications on your overall tax obligations for 2011-12, depending on your personal circumstances. You may wish to consider seeking professional advice in this regard. Some general information on the flood levy is available in the current PDS available from [our website](#) or you can visit the ATO website www.ato.gov.au.

**The flood levy does not apply to: (i) people with a taxable income of \$50,000 or less for 2011-12, (ii) pension or lump sum super payments to members aged 60 and above, excluding any taxable component (untaxed element), (iii) rollover payments, (iv) death benefits paid to dependants (as defined by tax law), (v) lump sum payments due to terminal illness, (vi) Departing Australia Superannuation Payments, (vii) lump sum benefits of less than \$200, or (viii) payments to exempt persons (refer to the ATO website www.ato.gov.au for definitions of an exempt person).*

2011-12 Federal Budget

A summary of some of the key proposals relating to superannuation from the 2011-12 Federal Budget is provided below. For more information, visit the Budget 2011-12 website www.budget.gov.au. The following proposals are related mainly to contributions to super, therefore they will generally only be relevant to you if you also have a super account that continues to receive employer or personal contributions.

Please note that some of the changes outlined below have not yet been passed into legislation.

Higher concessional contributions cap for over 50s

From 1 July 2012 (when existing transitional cap arrangements end), a higher concessional contributions cap will apply to you if you are aged 50 and over and have total superannuation balances of less than \$500,000. This will allow members who are closer to retirement to contribute more to their super without incurring additional tax.

The higher concessional contributions cap will be set at the standard cap (which is \$25,000 for 2010-11 and 2011-12) plus \$25,000. When the standard cap increases due to indexation, the higher cap will increase by the same dollar amount.

A refund of excess concessional contributions may help avoid tax penalties

Commencing in the 2011-12 financial year, if you breach the concessional contributions cap by \$10,000 or less (not indexed) in a particular year, you will have the option to have the excess contributions refunded from your super account and assessed as income at your marginal tax rate, instead of incurring excess contributions tax.

This will be a once-only option for the first year in which a breach occurs and will only apply for breaches that occur in 2011-12 or later years. The Budget made no mention of relief for excess contributions tax assessments relating to earlier financial years.

The refund option will not apply to breaches of the non-concessional contribution cap; the Budget made no mention of changes to the operation of this cap.

Unchanged co-contribution income thresholds

Although normally indexed each year, the upper and lower income thresholds for super co-contribution eligibility (which were frozen at \$61,920 and \$31,920 respectively for 2010-11) will continue to be frozen at these amounts for 2011-12 and 2012-13.

Under the super co-contribution scheme, if you are eligible the government may match any after-tax contributions you make to your super, up to a maximum super co-contribution of \$1,000. More information on the super co-contribution is provided in the fact sheet available from [our website](#).

Contacting the OSF...

Forms, documents & account access

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