



Annual Report for the period starting 1 July 2018 and ending 30 June 2019

MLC Super Fund

Preparation date
2 December 2019

Issued by the Trustee
NULIS Nominees (Australia)
Limited

ABN 80 008 515 633
AFSL 236465

For MLC Super Fund
(The Fund)
ABN 70 732 426 024

**This Annual Report is relevant to:
Plum Super National Australia Bank Group Superannuation Fund A (Plan)***

*The fund information for this Plan is contained in:

- this Annual Report, and
- the Plan Annual Report, prepared on 2 December 2019 and available by logging into your account online.

You should read both documents together.

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The Trustee is part of the National Australia Bank Group of Companies. An investment with the Trustee is not a deposit with or liability of, and is not guaranteed by, National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 (NAB). References within the Annual Report to 'we', 'us' or 'our' are references to the Trustee, unless otherwise stated.

A year in review

We've experienced much change in the last 12 months. I'm proud to share with you some of the initiatives we've undertaken in that time.

We've re-designed our investment offerings and ensured we've been ready to roll out new legislative requirements such as the Protecting Your Super package quickly. There's more online support too with an update to our online Retirement Forecaster. Preparing for our separation from the National Australia Bank has also been an important piece of work and significant effort has gone in to creating the right strategy to make this a successful change when it happens later in 2020.

Thank you for investing your super with us and I trust you'll be pleased to read more about the changes we've made, below.

Investment performance

After some volatility at the end of 2018 when markets fell sharply, the shares component of members' portfolios ended the 2019 financial year strongly. After three consecutive years of substantial growth, it wasn't surprising to see market volatility re-emerge but despite the inevitable share market dips, longer-term returns remain pleasing.

To see the latest returns on your super, log in to your account online at nabgsf.com.au

New ways of interacting

Technological advance has been rapid across almost every industry, globally. It's vital that we embrace the changes so that we can better meet the needs of our customers and communicate with them in new ways. In 2019 we updated our online Retirement Forecaster to better assist your long-term planning.

Protecting your super

On 1 July 2019, the Protecting Your Superannuation legislation came into effect and we've been ready. It's designed to protect your super savings, particularly for any members who have low balances. If you're unfamiliar with these changes, you can read the details online at nabgsf.com.au

The year ahead

Our national super system is currently valued at more than \$2.8 trillion and growing. While this is encouraging, we know it's important to address any oncoming challenges head on, particularly as it's anticipated there'll be further legislative and regulatory changes in the year ahead. Whether you're at the start of your career or looking forward to retirement, we'll be ready to give you the right help and guidance to reach your financial goals.

We're looking forward to the next 12 months and thank you for your ongoing trust and support.



Peter Promnitz
Chair
NULIS Nominees (Australia) Limited

Looking out for your interests

The directors of the Trustee Board have a variety of work and life experiences which help them represent and look out for your interests.

Made up of non-executive directors, the Trustee Board is responsible for the management and performance of the Fund.

The Trustee Board has professional indemnity insurance. And the Trustee has appointed its related company, National Wealth Management Services Limited ABN 97 071 514 264, to carry out the day-to-day functions of the Fund.

Meet the Board

The directors are:

Peter Promnitz (Chair)

BSc (Mathematics and Statistics)
(University of Adelaide) FAICD, FIAA

Andrew Gale

MBA (Macquarie University), B Arts (Actuarial)
(Macquarie University), FAICD, FIAA

Peggy O'Neal

BA (Virginia), JD (Virginia)
Diploma of Superannuation Management
(Macquarie University), FAICD

Terry McCredden

B Comm (Hon) (University of Melbourne)

Trustee director movements

Peeyush Gupta retired effective 31 January 2019.

Alan Schoenheimer retired effective 26 August 2019.

Operational Risk Financial Requirement (Reserve)

The Government requires superannuation fund trustees to hold adequate financial resources (Reserve) to cover any losses that members incur

due to operational errors. The Reserve has been established in full by the Trustee's capital (via equity contributed from its ultimate shareholder, NAB). If the Reserve falls below the Trustee's targets, the Trustee proposes to fund the shortfall through its own capital, rather than seeking contributions from members. This means that the Trustee doesn't currently require members to contribute to the Reserve, but members will be notified if this changes in the future. As the Reserve is held by the Trustee, it isn't reported in the financial statements of the Fund.

The balance of the Reserve at the end of the last 3 financial years is summarised below:

- 30 June 2019: \$279M
- 30 June 2018: \$269M
- 30 June 2017: \$253M

General reserves

The Trustee has established general reserves to provide liquidity to assist in the management of the Fund for the benefit of members. The Trustee manages and replenishes these reserves in accordance with its applicable policy, with the guiding principle that the general reserves should be replenished from sources that are not easily allocated back to members, unless members have been explicitly advised.

The balance of the General reserve at the end of the last 3 financial years is summarised below:

- 30 June 2019: \$84M
- 30 June 2018: \$62M
- 30 June 2017: \$62M

For details of the balances and movement of the General reserve and other reserves, refer to the Abridged financial information - Statement of changes in reserves on page 15.

Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your account balance to an Eligible Rollover Fund if:

- you cease employment with a benefit of less than \$5,000
- your investment switching activity is deemed to be contrary to the interests of other members
- your accounts have been closed and you're eligible for a payment and we've not received any instructions from you, or
- other situations permitted under the law.

The Eligible Rollover Fund we currently use is the Australian Eligible Rollover Fund and they can be contacted on **1800 677 424**. Alternatively, you can write to them at:

C/- Jacques Martin Administration and Consulting Pty Ltd, Locked Bag 5429, Parramatta NSW 2124.

We'll advise you in writing to your last known address if we intend to transfer your account balance and will proceed if you don't respond with instructions regarding an alternative super fund.

Please note, a transfer to an Eligible Rollover Fund may have a detrimental impact to your super benefit as the Eligible Rollover Fund may have a different fee structure, different investment strategies and may not offer insurance benefits.

Transfers to the Australian Taxation Office (ATO)

The law and rules defining the transfer of unclaimed superannuation money to the ATO can be viewed at ato.gov.au

In summary, we're generally required by law to transfer your account to the ATO if any of the following occurs:

- your account balance is less than \$6,000 and either:
 - no contributions or rollovers have been made to your account for 12 months, you haven't otherwise contacted the Fund for 12

months and we have no way of contacting you, or

- you've been a member of the Fund for more than 2 years, your account was set up through your employer sponsor, and there have been no contributions or rollovers made to your account for over 5 years,
- you're over 65, contributions haven't been made to your account for over 2 years, you haven't contacted us for at least 5 years, and we haven't been able to contact you,
- the ATO informs us that you were a former temporary resident and left the country over six months ago, or
- upon your death, where no contributions have been made for at least 2 years, and after a reasonable period of time, we've tried but haven't been able to identify or contact the beneficiary of your account.

Under recent changes, we're also required to transfer your super balance to the ATO if your account remains inactive for a period of 16 months or more, and the balance is less than \$6,000. Your account is considered inactive if you haven't made any additional contributions or certain changes to it over that time including:

- had contributions or rollovers from other super funds paid into your account
- changed your investment options or strategy
- changed or elected to cancel your insurance cover (where your insurance is held within your super account), or
- made or amended a binding beneficiary nomination.

There may be other circumstances in which we need to transfer your account to the ATO.

If your account is transferred to the ATO, you can contact them on **13 10 20** to claim your benefit.

Special rules for temporary residents

If you're a temporary resident and your visa has expired and you leave Australia permanently, you may be able to claim the super you hold with us as a Departing Australia Superannuation Payment. Withholding taxes may apply to the lump-sum

Some things you should know

payment. However, if you don't make a claim within six months of your visa expiring or your departure from Australia (whichever happens last), we may be required to transfer your super to the ATO as unclaimed super. If we transfer your super to the ATO, we won't notify you or give you an exit statement. You can then claim your super from the ATO directly. Visit ato.gov.au or call the ATO on **13 10 20**.

Illiquid investments and portability

When you ask us to roll over or transfer all or part of your account balance, we're generally required to process your request within 3 business days. There may be a delay in processing your request where part of your account balance is invested in an 'illiquid investment'.

What is an illiquid investment?

An investment is considered illiquid when you're unable to access your investment within the required timeframes or, if you do, it would be at a materially lower price. This situation may arise when:

- a fund manager suspends transactions or closes their fund
- the normal redemption processing timeframe for a fund is greater than the required timeframe, or
- a listed investment is under administration, suspended or delisted.

Where we're unable to process your request within the required timeframe, we'll notify you of this and provide details of the illiquid investments.

Resolving complaints

If you have a complaint, we can usually resolve it quickly over the phone on **1300 55 7586**, or if you'd prefer to put your complaint in writing you can email us or send us a letter. We'll conduct a review and provide you a response in writing. For more information, visit nabgsf.com.au/complaints

If you're not satisfied with our resolution, or we haven't responded to you in 90 days, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA).

AFCA provides an independent financial services complaint resolution process that's free to consumers. You can contact AFCA in writing to **GPO Box 3, Melbourne, VIC 3001**, at their website (afca.org.au), by email at info@afca.org.au, or by phone on **1800 931 678** (free call).

If you have a complaint about financial advice you receive, you should follow the complaint resolution process explained in the Financial Services Guide provided by your financial adviser.

Some things you should know

Transaction cost policy

The Trustee is responsible for ensuring that the costs of buying and selling assets when members transact are shared in an equitable way. This is achieved by meeting costs as they arise:

- for an investment option as a whole by offsetting them against investment earnings. This is the approach when there is a single unit price, sometimes called no-spread unit pricing, or
- due to member transactions by offsetting them against the individual member assets. This is the approach when investment options have a buy-sell spread in the unit price.

The transaction costs borne by an investment option are identical in each approach and, generally, both methods work well.

For no-spread investment options, we allow for expected transaction costs in the valuation of assets to protect members in an investment option that is in decline.

Note: The transaction cost policy is part of the Trustee's Product Governance Framework.

Investment switching

You can change your investment options any time. We do not charge a fee for you to do this. However, buy-sell spreads may apply.

We may delay any switches or withdrawals, for example where an investment manager delays or suspends unit pricing, and where delays are caused by circumstances outside our control. We are not responsible for losses caused by these delays.

Monitoring of frequent switching

This product is not appropriate for members who wish to switch their investments frequently in the pursuit of short-term gains.

We monitor all investment options for abnormal transaction activity because this sort of activity can have adverse impacts for other members.

To maintain equity, we have the right to deal with members who frequently switch by:

- delaying, limiting, rejecting or applying special conditions to future switch requests
- permanently cancelling membership and transferring account balances to the Australian Eligible Rollover Fund
- rejecting applications to open new accounts in the Fund, and/or
- rejecting contributions and rollovers to existing accounts

How your money is invested

In this section we tell you how the Trustee invests your money

One of the Trustee's responsibilities is to make sure your investments are managed according to an agreed investment strategy and objective.

Investment strategy

The Trustee invests in suitably structured portfolios. Each investment option available has an individual investment objective and strategy.

Investment objective

Our investment objective is to provide a selection of investment options so you can invest according to your individual needs and circumstances.

Investment manager

The investment manager is MLC Asset Management Services Limited¹, a member of the NAB Group.

We may use the services of NAB Group companies where it makes good business sense to do so and will benefit our customers.

Amounts paid for these services are always negotiated on an arm's-length basis.

Asset allocation and large investments

Further information about your actual asset allocation can be found in your Annual Statement.

As at 30 June 2019, the MLC Super Fund held the following assets with a value of greater than 5% of the Fund's total assets:

- WM Pool - Australian Equities No. 2 - 8.2%²

Many different investment options and products across the MLC Super Fund invest in this underlying asset.

Derivatives

Derivatives may be used in any of the investment options.

Derivatives are contracts that have a value derived from another source such as an asset, market index or interest rate. There are many types of derivatives including swaps, options and futures. They are a common tool used to manage risk or improve returns.

Some derivatives allow investment managers to earn large returns from small movements in the underlying asset's price. However, they can lose large amounts if the price movement in the underlying asset is unfavourable.

Risks particular to derivatives include the risk that the value of a derivative may not move in line with the underlying asset, the risk that counterparties to the derivative may not be able to meet payment obligations and the risk that a particular derivative may be difficult or costly to trade.

The Trustee's derivatives policy permits the use of derivatives where consistent with an investment option's objective, risk profile, disclosure and governing documents, legislative and regulatory requirements. They may be used for:

- hedging
- efficient portfolio management, and
- investment return generation.

Further information on the Trustee's derivatives policy is available at nabgsf.com.au/derivatives-policy

1 Previously known as NAB Asset Management Services Limited prior to 1 October 2019

2 MLC Investments Limited, a related company, is the responsible entity of this investment option

How your money is invested

Understanding your investment performance

Investment options

The investment options available may change at any time and information about the current investment options is available by logging into your account online.

For detailed information about the current investment options including their objectives and investment returns, refer to the Investment Menu online.

You can access the current Investment Menu by logging into your online member account or contact us on **1300 55 7586**.

You can also find more information about your investment returns in your Annual Statement.

Closed investment options

Some investment options are closed to investment by new members. However, members who already have units in closed investment options can make additional contributions to those options. If you're invested in a closed investment option, it may not be referred to in the current Investment Menu.

More information about any closed investment options you're invested in, including investment objectives and recent performance is available at nabgsf.com.au

About your account value

For most members, when money is paid into your account, units are allocated to your account and when money is paid out, units are deducted from your account.

The value of your account is based on:

- the number of units in your chosen investment options, and
- the price of those units.

The overall value of your account will change according to the unit price and the number of units you hold.

Unit prices are calculated as at the end of each business day and robust unit pricing policies are used to do this.

The unit price will reflect the performance of the underlying assets, income earned, fees, expenses and taxes paid and payable.

The performance of the underlying assets is influenced by movements in investment markets such as local and overseas share markets, bond and property markets.

If you would like to find out more about our unit pricing philosophy, go to nabgsf.com.au/unitpricingguide

Defined Benefit Employer Plan Members

Defined Benefit accounts are valued differently. Details for your account can be found in the 'Plan Annual Report', available by logging into your account online.

Financial Report

The following abridged Fund financial information for the financial year ended 30 June 2019 is for the MLC Super Fund.

Please call us if you wish to receive a printed copy of the full audited financial statements and auditor's report.

Financial Report

MLC Super Fund Abridged Financial Information – Statement of Financial Position

As at 30 June 2019

	2019 \$m	2018 \$m
Assets		
Cash and cash equivalents	814	1,456
Outstanding settlements	13	16
Other receivables	51	144
Investments measured at fair value		
Fixed interest securities	228	210
Unlisted unit trusts	80,513	79,263
Life insurance policies	213	241
Derivative assets	14	11
Income tax receivable	168	-
Total assets	82,014	81,341
Liabilities		
Payables	188	157
Derivative liabilities	2	23
Income tax payable	-	443
Deferred tax liabilities	728	531
Total liabilities excluding member benefits	918	1,154
Net assets available for member benefits	81,096	80,187
Member benefits		
Defined contribution member liabilities	76,340	75,421
Defined benefit member liabilities	4,171	4,316
Unallocated contributions	11	7
Total member liabilities	80,522	79,744
Total net assets	574	443
Equity		
Investment reserve	24	42
Defined benefit surplus	433	161
Administration reserve	11	55
Self-insurance reserve	11	10
General reserve	84	62
Other reserves	11	113
Total equity	574	443

Financial Report

MLC Super Fund Abridged Financial Information – Income Statement

For the year ended 30 June 2019

	2019 \$m	2018 \$m
Superannuation activities		
Interest	23	28
Distribution income	2,853	2,790
Changes in investments measured at fair value	3,040	4,171
Other income	11	14
Total superannuation activities income	5,927	7,003
Administration fees	411	434
Investment expenses	217	243
Operating expenses	7	25
Total expenses	635	702
Net result from superannuation activities	5,292	6,301
Profit from operating activities	5,292	6,301
Less: Net benefits allocated to defined contribution member accounts	(4,843)	(5,712)
Less: Net change in defined benefit member liabilities	(341)	(244)
Profit before income tax	108	345
Income tax expense	104	410
Profit/(loss) after income tax	4	(65)

Financial Report

MLC Super Fund

Abridged Financial Information – Statement of changes in member benefits

For the year ended 30 June 2019

	Defined Contribution Members \$m	Defined Benefit Members \$m	Total \$m
Opening balance of member benefits as at 1 July 2018	75,421	4,316	79,737
Contributions:			
Employer	3,612	209	3,821
Member	752	4	756
Transfer from other superannuation plans	1,754	15	1,769
Transfer to other superannuation plans	(6,375)	(313)	(6,688)
Income tax on contributions	(414)	(20)	(434)
Net after tax contributions	(671)	(105)	(776)
Benefits to members/beneficiaries	(2,981)	(122)	(3,103)
Insurance premiums charged to members' accounts	(779)	(4)	(783)
Death and disability benefits credited to members' accounts	379	-	379
Reserves transferred to/(from) members' accounts	128	(255)	(127)
Benefits allocated to members' accounts comprising:	-	-	-
Net investment income	5,249	-	5,249
Administration fees	(406)	(5)	(411)
Net change in defined benefit member benefits	-	346	346
Closing balance of member benefits as at 30 June 2019	76,340	4,171	80,511
Opening balance of member benefits as at 1 July 2017	72,280	3,492	75,772
Contributions:			
Employer	3,626	240	3,866
Member	887	6	893
Transfer from other superannuation plans	1,691	651	2,342
Transfer to other superannuation plans	(4,967)	(157)	(5,124)
Income tax on contributions	(395)	(32)	(427)
Net after tax contributions	842	708	1,550
Benefits to members/beneficiaries	(2,928)	(116)	(3,044)
Insurance premiums charged to members' accounts	(751)	(6)	(757)
Death and disability benefits credited to members' accounts	360	2	362
Reserves transferred to/(from) members' accounts:	(94)	(8)	(102)
Benefits allocated to members' accounts comprising:	-	-	-
Net investment income	6,138	-	6,138
Administration fees	(426)	(8)	(434)
Net change in defined benefit member benefits	-	252	252
Closing balance of member benefits as at 30 June 2018	75,421	4,316	79,737

Financial Report

MLC Super Fund Abridged Financial Information – Statement of changes in reserves

For the year ended 30 June 2019

	Investment reserve	Defined benefit surplus	Administration reserve	Self- insurance reserve	General reserve	Other reserves	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance as at 1 July 2018	42	161	55	10	62	113	443
Net transfers to/from members' accounts	-	255	(46)	-	26	(108)	127
Profit/(loss)	(18)	17	2	1	(4)	6	4
Closing balance as at 30 June 2019	24	433	11	11	84	11	574

	Investment reserve	Defined benefit surplus	Administration reserve	Self- insurance reserve	General reserve	Other reserves	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance as at 1 July 2017	35	132	55	8	62	114	406
Net transfers to/from members' accounts	-	12	(6)	2	(7)	101	102
Profit/(loss)	7	17	6	-	7	(102)	(65)
Closing balance as at 30 June 2018	42	161	55	10	62	113	443

Financial Report

MLC Super Fund Abridged Financial Information – Statement of cash flows

For the year ended 30 June 2019

	2019 \$m	2018 \$m
Cash flows from operating activities		
Interest	23	28
Distribution income	139	167
Other income	1	65
Insurance premiums	(756)	(755)
Investment expenses	(217)	(296)
Administration and operating expenses	(327)	(476)
Income tax paid	(512)	(319)
Net cash flows from operating activities	(1,649)	(1,586)
Cash flows from investing activities		
Proceeds from sale of investments	12,484	14,101
Purchases of investments	(7,993)	(11,329)
Net cash flows from investing activities	4,491	2,772
Cash flows from financing activities		
Employers' contributions	3,825	3,874
Members' contributions	756	894
Transfer from other superannuation plans	1,769	2,132
Transfer to other superannuation plans	(6,688)	(5,056)
Benefits to members/beneficiaries	(3,091)	(3,017)
Death and disability benefits credited to members' accounts	379	363
Income tax on contributions	(434)	(427)
Net cash flows from financing activities	(3,484)	(1,237)
Net increase/(decrease) in cash and cash equivalents	(642)	(51)
Cash and cash equivalents at the beginning of the year	1,456	1,507
Cash and cash equivalents at the end of the year	814	1,456

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For more information call us from anywhere in Australia on 1300 55 7586 or contact your financial adviser.

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