

# CBH SUPERANNUATION FUND

## ANNUAL REPORT TO MEMBERS

For the year ended 31 October

# 2012



Growing benefits for our members

### KEY FUND DATA

- 12.00%** - The interest rate credited to member accounts for 2012
- 3.32%** - The 5 year average annual crediting rate
- 10.76%** - The 10 year average annual crediting rate
- 0.38%** - Management Expense Ratio (adjusted total expenses / total assets)

**The super fund for CBH Group permanent/part time employees and their spouses**

## THE YEAR AT A GLANCE

The details below provide a snapshot of the major achievements of the Fund during 2012.

- *Achieved investment returns of 10.5%, credited members accounts with a 12% return for the year;*
- *Third best performing fund for rates of return to members over a 5 year period in the Australian Prudential Regulatory Authority top 200 funds;*
- *Total Fund assets increased by 9.3% to \$147.7m;*
- *Fund membership increased from 508 to 569 members;*
- *Reduced direct member fees from 1 November 2012;*
- *Introduced Spouse Accounts;*
- *Provided the ability for members to receive contributions from employers other than CBH Group; and*
- *Introduced our Fund website: [www.cbhsuper.com.au](http://www.cbhsuper.com.au)*

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## Message from the Trustee Chairman

Welcome to the CBH Superannuation Fund Annual Report for the 2012 year.

**Our Investment Returns:** In a very challenging investment environment we have produced a very positive investment result of 10.50%, enabling us to set an interest rate of 12% for crediting to all members accounts. Your superannuation fund continues to perform well above the median fund and recently achieved a ranking of third place out of the largest 200 superannuation funds in Australia for its returns over the last 5 year period.

**Our Approach:** Your Fund continues to pursue a relatively simple strategy of providing superior superannuation benefits with a strong focus on cost and investment returns. The continued success of our Fund is a result of a range of factors including:

- Your ongoing member support and feedback to the Fund;
- Our dedicated and hard working Fund Secretary and support staff;
- Our enthusiastic, experienced and professional Board of Trustees; and
- The continued support and commitment of CBH and the CBH Board of Directors.

**Our Continued Improvements:** The Trustee continues to look for opportunities to improve features and benefits of the Fund for members. Many of our initiatives have been as a result of our member surveys and we thank you for providing your views to us. The introduction of spouse accounts and the ability for members to receive contributions from employers other than the CBH Group have been well received enhancements to the Fund during the past 12 months. It was also very pleasing to be able to reduce direct member fees from 1 November 2012 as a result of bringing the administration system in-house.

During the next 12 months we will investigate improved insurance offerings for all members, fee for service financial planning, pension options, and make a final decision in relation to the introduction of a cash investment option.

**Our Challenges:** Whilst conditions seemed to have settled somewhat in Europe, China and the US, it is likely that we can continue to expect some periods of volatility across investment markets into the future. Notwithstanding this, the Fund will continue to invest in accordance with our investment objectives for the benefit of all members.

Australia has commenced some of the most significant reforms to superannuation since the introduction of the Superannuation Guarantee (SG). The “Stronger Super” reforms are intended to make the superannuation system more efficient with the aim in the long term to maximise retirement benefits for members. The Fund is well placed to meet many of the requirements of the reforms, however we will undertake a cost benefit analysis to ensure any expenditure required is in the best interest of all our members.

**Our Focus:** We remain committed to you our members, to help you achieve a successful retirement outcome.



**Terry Cunningham**  
Chairman

## INVESTMENT REPORT

### Investment Performance for the Year

The investment return, including dividend franking credits, for the year was 10.50%.

The average return for the last 5 years is 1.95% pa and the 10 year average return is 9.61% pa. The Fund's annual investment earning rates for the current and previous 4 years were:

2012	10.50%
2011	1.62%
2010	6.14%
2009	10.82%
2008	-19.32%

The pre-tax sector investment returns (including unrealised capital gains and dividend franking credits) during 2012 were as below:

Investment	Return
Listed shares	15.95%
Fixed Interest Securities	4.55%
Listed Trusts	20.48%
Unlisted Trusts	5.47%
Cash & Short Term Deposits	5.25%
Freehold Property	8.63%

### Investment Transactions

During the year the Fund reduced its share holding in CSL to take advantage of strong performance and sold all of its Sonic Healthcare and Seven West Media shares. The investments held in the Mercer pooled superannuation trusts were also redeemed. Additions were made to the holdings in AGL, Brambles, QBE Insurance and Woodside as well as a new investment in the Magellan Global Fund.

\$9.1 million of ANZ, Colonial, ING Bank, NAB, Origin Energy, Westpac and Woolworths notes were acquired. These acquisitions were funded from \$4.0 million of ANZ, and Westpac Bank hybrid notes and a Westpac Bank variable rate term deposit maturing and a draw down on cash holdings.

### The Investment Environment

The European debt crisis, US growth problems and Australia's uneven two-speed economy were among the dominate investment issues played out in 2012.

It is important to recognise that the central banks of the world are now fully behind the effort to move these economies forward. The question remaining is whether politicians will join the central banks in their efforts.

It appears these uncertainties and difficulties have to a large extent already been factored into share prices over the past few years with many investors exiting the share market completely. However, investor confidence appears to be improving with steady increases in the All Ordinaries since October 2012. This can be clearly seen in the following chart of the Australian All Ordinaries Index for the 2012 calendar year.

Global growth will continue to be under pressure particularly in the agriculture, manufacturing, retail and construction sectors but is still expected to be positive in coming years, largely driven by emerging markets. In an environment such as this, we expect the world economy to remain patchy and volatile.

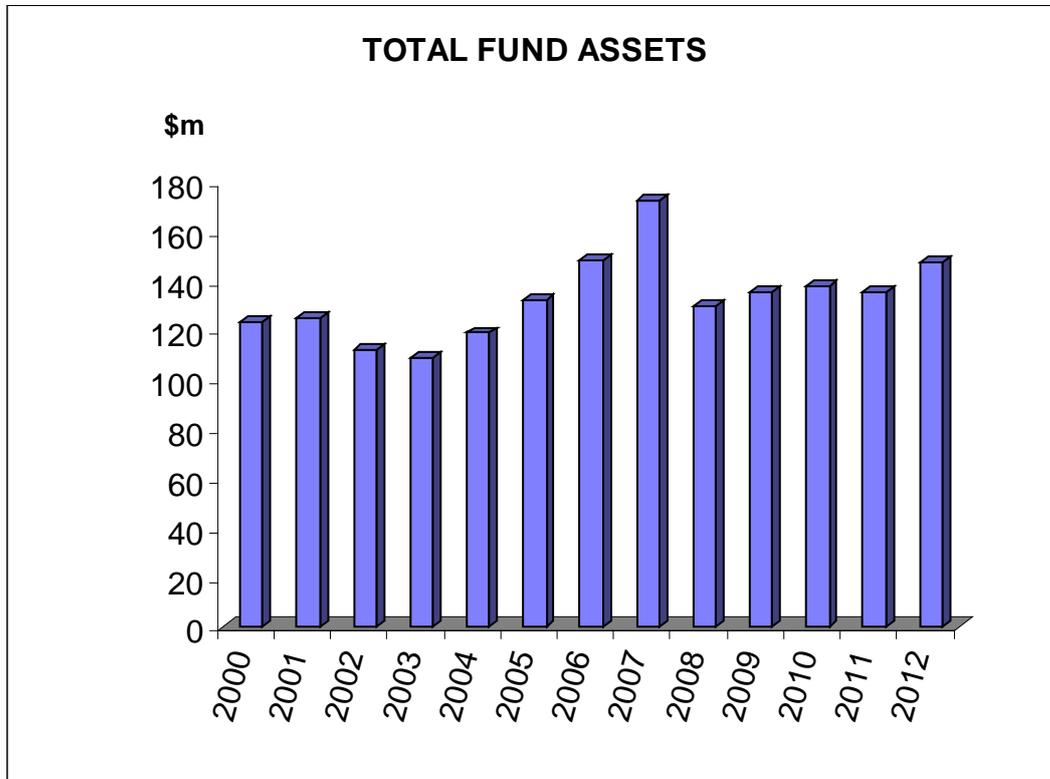
Although the Australian economy is doing better than the majority of western economies, the high Australian dollar is a major impediment for many industries. The political and industrial environment also continues to be a challenge for Australia.



**The Effect on Fund’s Investment Portfolio**

As the Fund has received significantly less contributions than it pays out in benefits due to the employer contribution holiday, strong investment earnings have been required to maintain the level of assets under management. As the contribution holiday will cease during the 2012/13 year, the Fund will receive higher cash inflows in the coming years which will help increase total Fund assets.

As a result of reasonable market performance across most sectors, the total Fund assets increased by 9.3% from \$135.2 million to \$147.7 million.



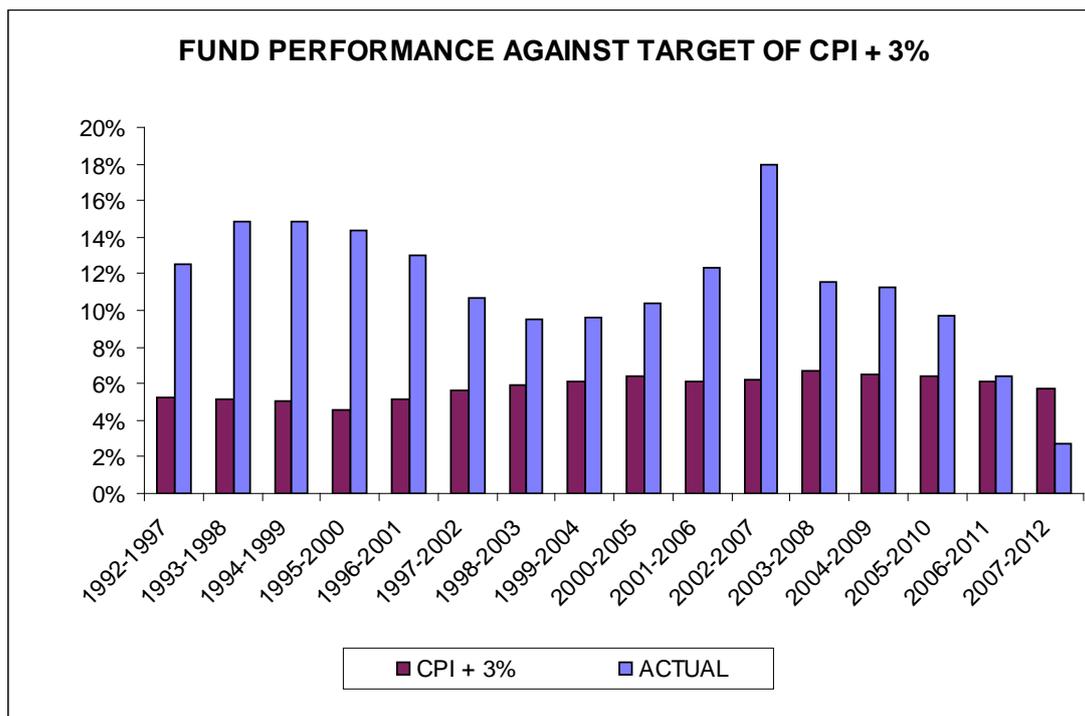
## THE TRUSTEE’S INVESTMENT APPROACH

### Investment Objectives

The primary investment goal is to deliver investment returns that are competitive with those of other superannuation funds available to the employees of the CBH Group.

The objective is to seek returns after tax and investment costs that exceed the change in the Perth Consumer Price Index by at least 3% per annum over rolling 5 year periods. The outperformance in net returns to members is achieved through our low operating cost model.

The chart below shows the Fund’s performance to investment objective in rolling 5 year periods since 1992.



### Investment Philosophy

The Trustee continues to believe that members’ interests are best served through the self-management of the investment portfolio rather than paying fees to external investment managers.

### Socially Responsible Investing

The Trustee does not specifically address labour standards, social, environmental or ethical issues when assessing investments. It believes that companies that have poor socially responsible standards are likely to also fail the fundamental investment assessment criteria.

### Investment Policy & Strategy

The main features of the Trustee’s investment policy and strategy are set out below:

- The primary goal of any investment is to obtain the maximum return to the Fund commensurate with risk management and liquidity requirements.
- To seek to minimise investment risk by appropriate portfolio diversification.
- A negative investment return over the short term is acceptable in order to gain long-term benefits that share and property investments provide.
- While there is no prohibition against the use of external investment managers, the Trustee will manage the majority of the portfolio in-house.
- The Trustee will follow a generally passive investment management policy (i.e. investments are predominately purchased with the view to being held for

the long term) based upon the strategic asset allocation ranges set out in this document.

- Listed share investments will be primarily in dividend-paying Australian stocks, with a focus towards companies paying franked dividends.
- The Fund may invest in listed Australian resource sector stocks provided that those stocks are either dividend paying or are expected to pay dividends during the period in which the Fund intends holding the stock.
- The Fund does not invest either directly in overseas shares or in derivatives, but may invest in exchange traded options.

### Member Investment Choice

At this time the Fund offers only a single pooled investment and members do not have the option of nominating any investment preferences.

### Asset Class Allocation

The following table sets out the long-term strategic asset allocation ranges within which the Fund will be expected to operate, the portfolio target allocation and the actual allocations for both this and the previous year.

The Trustee has made a conscious decision to increase exposure to overseas shares to 6% and at the time of writing this report has a 5% allocation with Magellan Global Fund.

The actual allocations will vary within the Strategic Asset Ranges for the particular asset class depending upon the investment environment and asset pricing.

Asset Class	Strategic Asset Range	Target	2012 Allocation	2011 Allocation
Australian Shares	40 - 56%	43%	46.05%	47.96%
Overseas Shares	0 - 10%	6%	2.90%	0.44%
Property - listed	1 - 5%	2%	2.58%	2.54%
Property - direct	13 - 17%	15%	13.97%	15.15%
Other growth investments	0 - 5%	1%	0.64%	0.84%
<b>Total Growth Assets</b>	<b>60 - 75%</b>	<b>67%</b>	<b>66.14%</b>	<b>66.93%</b>
Australian Fixed Interest	18 - 35%	23%	18.63%	17.43%
Cash & Liquid Assets	5 - 25%	10%	15.23%	15.64%
<b>Total Defensive Assets</b>	<b>25 - 40%</b>	<b>33%</b>	<b>33.86%</b>	<b>33.07%</b>

Should the allocation to any particular asset class exceed the relevant range by more than 2% then the Trustee will notify members and initiate corrective action to return within the range.

### What is the Fund actually invested in?

The below information is provided so that members can see what they are actually invested in through their superannuation account:

<b>INVESTMENTS HELD AT 31 OCTOBER 2012</b>		
Asset	Net Market Value	%
<b>CASH ON DEPOSIT:</b>		
Commonwealth Bank	\$3,762,442	2.57%
<b>INTEREST BEARING INVESTMENTS:</b>		
ANZ CPS	\$1,491,157	1.02%
ANZ CPS2	\$1,555,359	1.06%
ANZ NOTES	\$1,546,230	1.05%
Bankwest Term Deposits	\$16,906,135	11.53%
Commonwealth Bank Term Deposits	\$1,574,268	1.07%
Coca-Cola Amatil Floating Rate Notes	\$999,270	0.68%
Comm bank perls v (cbapa)	\$1,510,783	1.03%
CBA retail bonds (cbaha)	\$990,025	0.68%

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Colonial Finance Floating Rate Notes	\$1,006,602	0.69%
Goldman Sachs Floating Rate Notes	\$1,010,080	0.69%
HBOS Floating Rate Notes	\$1,719,920	1.17%
ING Bank Floating Rate Notes	\$1,008,423	0.69%
National Income sec's	\$387,895	0.26%
Nab subordinated notes	\$1,469,537	1.00%
Origin Energy Floating Rate Notes	\$934,693	0.64%
Rabobank Floating Rate Notes	\$2,002,020	1.37%
Ramsay Healthcare Hybrid Securities	\$1,033,993	0.71%
St George Bank Floating Rate Notes	\$1,009,380	0.69%
Suncorp-Metway Floating Rates Notes	\$264,173	0.18%
Westpac cpi plus deposit	\$2,000,000	1.36%
Westpac Bank Floating Rate Note	\$1,013,620	0.69%
Westpac tps securities	\$921,967	0.63%
Westpac sps	\$499,241	0.34%
Westpac Subordinated Notes	\$1,428,367	0.97%
Woolworths Floating Rate Notes	\$1,419,488	0.97%
<b>SHARES IN AUSTRALIAN LISTED COMPANIES:</b>		
AGL	\$928,323	0.63%
Ansell	\$1,100,199	0.75%
ANZ Banking Group	\$5,014,031	3.42%
Australian Foundation Investment Co.	\$11,716,125	7.99%
AIF	\$1,174,672	0.80%
APA	\$991,445	0.68%
BHP Billiton	\$5,609,669	3.83%
Brambles	\$1,546,045	1.05%
Coca –Cola Amatil	\$1,699,609	1.16%
Cochlear	\$1,062,511	0.72%
Commonwealth Bank	\$4,596,900	3.14%
Crown	\$967,140	0.66%
CSL	\$2,849,929	1.94%
Djerriwarrh Investments	\$1,286,296	0.88%
National Australia Bank	\$3,849,158	2.63%
Origin Energy	\$1,651,183	1.13%
QBE Insurance	\$1,001,943	0.68%
Ramsey Health Care	\$1,439,678	0.98%
RioTinto	\$1,430,546	0.98%
Telstra	\$1,312,314	0.90%
Transurban	\$1,482,152	1.01%
Wesfarmers	\$5,410,215	3.69%
Westpac Banking Group	\$5,076,490	3.46%
Woodside Petroleum	\$2,245,220	1.53%
Woolworths	\$3,823,029	2.61%
<b>OTHER TRUSTS:</b>		
Bunnings Warehouse	\$1,766,887	1.21%
Perth Clinic Investment Trust	\$704,958	0.48%
Magellan Global Fund	\$4,242,228	2.89%
<b>DIRECT FREEHOLD PROPERTY:</b>		
146-166 Colin Street, West Perth (Disability Services)	\$21,145,250	14.42%
<b>PROPORTION OF TOTAL FUND ASSETS DISCLOSED:</b>		<b>100.00%</b>

### **2013 Investment Strategy**

The Trustee does not presume to have the ability to accurately guess when the global or national economic environment will change and believes that the best way of managing investment risk is to maintain a diversified portfolio of quality stocks, bonds, property and cash.

Key features of the strategy for the coming year are:

- Australian Shares - The Australian share target allocation has been reduced from 47% to 43%.
  - Add to companies that have a strong overseas earnings/franchises or the potential to take advantage of structural international trends; and
  - Where opportunities arise add several smaller capitalisation companies that are expected to exhibit long term growth in earnings.
- Overseas Shares – The international share benchmark has been increased from 1% to 6%.
- Fixed Interest - The target allocation has been reduced from 24% to 23%.
  - Further diversification through consideration of offerings from sectors other than the financial sector; and
  - Floating rate securities will be the focus of new fixed interest commitments in the coming year.
- Listed Property - No major change is to be made to the level of exposure to this sector, however the strategic asset range has been increased to 1 - 5%.
- Direct Property - The 146-160 Colin Street, West Perth property will be retained.
- Cash – Current cash levels will continue to be maintained however the strategic asset range has been increased to 5 – 25%.

### **Investment Risk**

Based upon the portfolio construction within asset classes, the risk level of the Fund has been determined at Medium with the expected frequency of a negative return 2 – 3 times in a 20 years period.

However, negative returns may in fact be more or less frequent. The Fund historically has only incurred negative returns twice in the last 30 years, that occurring in 1992 and 2008.

## MEMBERSHIP INFORMATION

All permanent employees of Co-operative Bulk Handling Limited and subsidiary companies associated with the Fund and their spouses are eligible to become members.

Members may stay with the Fund after ceasing employment with CBH by joining the retained member class.

Total member numbers increased during the year by 58 to 566. Of these, 496 are accumulation members and 70 are retained members (up from 63 in 2011).

The number of defined benefit pensioners remained at 3. This is expected to decline further through natural attrition as the youngest pensioner is now over 84 years old.

<b>Key Fund Statistics</b>		
	<b>2012</b>	<b>2011</b>
No of Active Members	496	442
No of Retained Members	70	63
No of Pensioners (class closed)	3	3
Active Member Accounts Value	\$102,920,594	\$ 91,793,681
Retained Member Accounts Value	\$ 33,572,652	\$ 27,366,008
Net Fund Assets	\$141,598,426	\$129,370,161

## TAX FILE NUMBERS

The Trustee is required to deduct an additional tax of 31.5% from any concessional (i.e. employer) contributions received during the year if no tax file number is provided.

## HOW ARE INVESTMENT EARNINGS CREDITED TO MEMBER ACCOUNTS?

Each year the Trustee sets an **annual crediting rate** based upon the Fund's net earning rate, being the net investment earning rate less administration expenses adjusted for any expenses directly debited against a member's account. The crediting rate is used in applying interest to all applicable members' accounts.

From 1 November 2012 the Trustee has moved to a unit pricing methodology and going forward the Trustee will declare a final unit price which will be used to value member's accounts. Further details can be obtained from the Fund's website at [www.cbhsuper.com.au](http://www.cbhsuper.com.au).

***The 2012 Fund annual interest crediting rate is 12.00%.***

The interest rate credited to member accounts for the year is higher than the 10.50% investment earning rate for the same period as a result of the distribution of the self insurance reserve and the earnings from all the Fund's investment assets, including those of the actuarial surplus that supports the employer contributions holiday, are distributed to member accounts. This uplift will cease in 2013 when the contribution holiday ends.

The annual interest crediting rates applied to Fund member accounts this year, and the previous 4 years, are shown in the below table:

2012	12.00%
2011	1.78%
2010	7.01%
2009	12.38%
2008	-16.53%

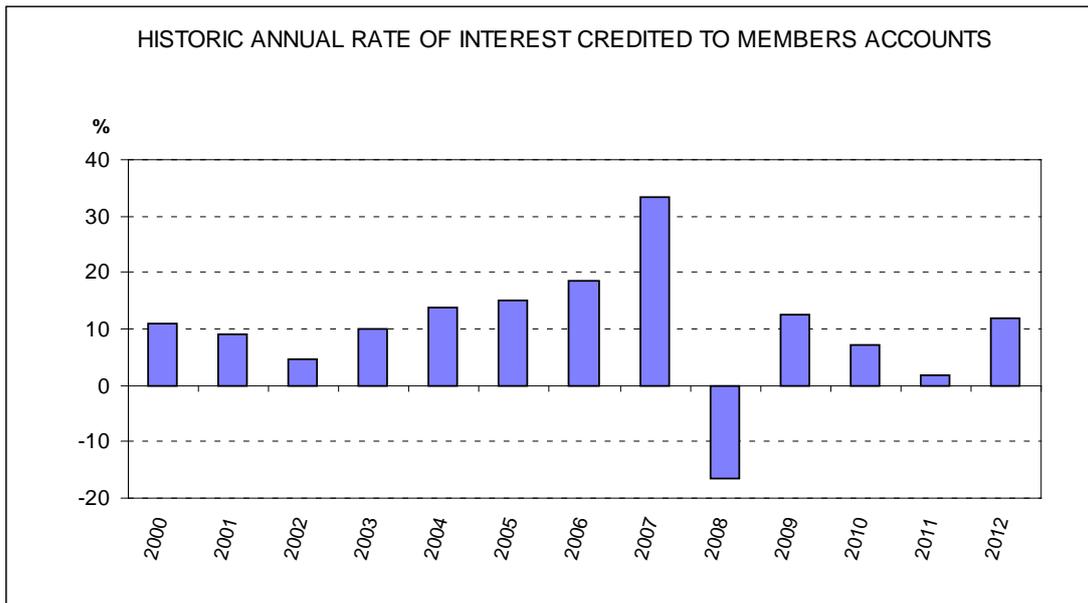
Over the last 5 year period the Fund's crediting rate averaged 3.32% pa and the 10 year average is 10.76% pa.

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From 1 November 2012 the Trustee has moved to a unit pricing methodology for the payment of full or partial withdrawals from member's accounts. The unit price that is applicable to member's accounts each year will be determined by the Trustee having regard to the actual investment return after tax and expenses. The Trustee may also take into account other factors relevant to the maintenance of the equity within the Fund.

An interim unit price will also be set by the Trustee on a monthly basis and more frequently if deemed necessary, for use in calculating the account balance of members who are exiting the Fund or otherwise making a withdrawal and for buying units for members who receive a contribution or rollover into the Fund. Further details can be obtained from the Fund's website at [www.cbhsuper.com.au](http://www.cbhsuper.com.au).

The below chart shows the returns that members have achieved since the Fund moved from defined benefits in 2000 (it excludes the distributions arising from the reduction in defined benefit liabilities).



*Members should note that past returns may not be an indication of future performance.*

### **SPOUSE MEMBERSHIP**

A spouse of a member or retained member can now become a member of the Fund with their own account.

“Spouse” means a legal spouse (husband/wife) and defacto spouse, but not a same sex spouse.

A spouse member is eligible to:

- Have their employer pay contributions into their account in the Fund;
- Make voluntary contributions into the Fund; and
- Transfer benefits from other superannuation funds into their account.

Insurance is currently not available for spouse members, however this is currently under review. You should refer to the Fund's Product Disclosure Statement for current details.

## **CONTRIBUTIONS**

### **Employer Contributions (Concessional)**

Member accounts are credited with employer contributions of 9% of the member's ordinary time earnings.

Employer contributions are subject to the legislative cap of \$25,000 per annum for "concessional contributions". The transitional measure that permitted those over 50 years of age to receive up to \$50,000 pa of concessional contributions ceased on 30 June 2012.

The proposed increases to the concessional contributions cap for those aged 50 and over with superannuation balances less than \$500,000 has been deferred until 2014. At the time of writing, legislation had yet been passed on this proposal.

### **Salary Sacrifice Contributions (Concessional)**

Members may enter into an agreement with the employer for "before tax" salary sacrificed contributions to be paid into their superannuation account.

Salary sacrifice contributions count with employer contributions towards the \$25,000 per annum concessional contributions cap.

Any member considering salary sacrifice should seek professional advice as to its appropriateness in their particular circumstances.

### **Member Post-tax Contributions (Non-Concessional)**

Members may effectively contribute up to \$150,000 per annum from after-tax sources to their superannuation - members under 65 years of age are able to make up to \$450,000 in a single year by bringing forward future year's entitlements.

These member personal contributions create an entitlement to government co-contributions for members below the income threshold.

### **Government Co-contributions**

The Federal Government provides an incentive scheme to encourage low income employees to contribute personal contributions to their superannuation.

The government contributes dollar for dollar on personal contributions made by eligible persons earning \$31,920 or less (including fringe benefits and any salary sacrifice arrangements), with a maximum co-contribution amount of \$500 available. The co-contribution amount progressively reduces as income increases and cuts out totally at \$46,920 pa.

The co-contribution amount due to the member is automatically calculated and remitted to the Fund by the Australian Taxation Office after the eligible person has submitted their annual income tax return.

### **Low Income Superannuation Contributions**

From 1 July 2012 the Federal Government will provide an additional incentive scheme to assist in boosting superannuation balances of low income individuals. This measure effectively refunds the 15% contributions tax payable on superannuation guarantee contributions up to a maximum of \$500 annually for individuals on adjusted taxable incomes of up to \$37,000.

The amount will be automatically put into member's account and is calculated and remitted to the Fund by the Australian Taxation Office after the eligible person has submitted their annual income tax return. The first payments are expected in 2013-14 financial year.

### **Low Income Spouse Contributions**

A rebate of 18% is claimable on contributions of up to \$3,000 made on behalf of a spouse earning less than \$10,800 (maximum rebate \$540). Spouse contributions must be made from after-tax monies. Spouse membership is now permitted within the Fund.

### **Effect of the Employer Contribution Holiday on Member Accounts**

The employer contribution holiday has no effect on the accounts of members. Although the employer does not remit any money to the Fund in respect of employer contributions and salary sacrifice contributions, these concessional contributions (and any non-concessional after-tax contributions) are credited to each member's superannuation account when each payroll is run. It is expected the contribution holiday will finish during 2013.

### **WHAT HAPPENS IF I LEAVE CBH GROUP**

When you leave employment with CBH Group there are a number options available these include:

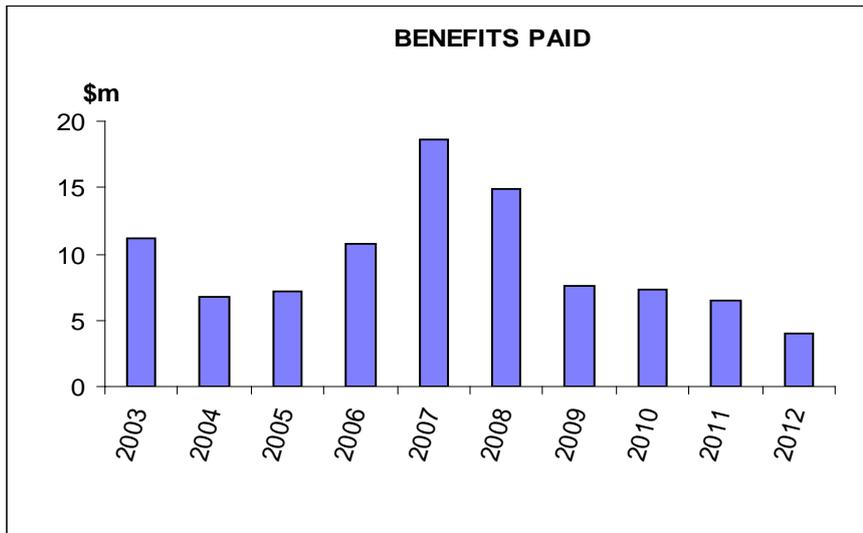
- Apply to become a "Retained" member.  
Being a Retained member allows you to:
  - have super from your new employer paid into your account;
  - transfer amounts from other funds;
  - make after-tax lump sum personal contributions;
  - make withdrawals of non-preserved amounts; and
- Roll-out/Transfer – transfer your benefits to another complying superannuation fund.
- Cash Payment – if you have a non-preserved benefit or meet a condition of release you can have all or part of the benefit paid to you in cash.

### **PAYMENT OF BENEFITS**

Superannuation is portable and members may withdraw all or part of their account balance from the Fund at any time for rollover to another complying superannuation fund.

A member's account balance is determined by adding contributions, incoming transfers and earnings (or debited if negative) based on the changes in unit prices from the date units are purchased to the valuation date to the opening balance, and deducting any insurance, taxes and administration expenses incurred during the year.

Superannuation may only be paid directly to a member if they have satisfied a condition of release – refer to the section on preservation.



*Benefits cannot remain with the Fund after a member has ceased to be an employee of Co-operative Bulk Handling Ltd or an associated employer subsidiary unless a valid retained membership application is submitted.*

If an exiting member fails to provide adequate instructions for the payment of a benefit within 90 days of employment termination, then their account balance will be transferred from the Fund as per the Fund’s unclaimed benefit policy following.

**Vested Benefits**

Vested benefits are the entitlements to which members would have been due in the event that they had terminated their Fund membership on the reporting date.

Total vested accumulation benefits are \$136,611,517 (\$119,159,689 in 2011) and the lump sum value of vested defined benefit pensions is \$501,883 (\$512,093 in 2011).

**Death Benefits**

New employees automatically receive \$100,000 of death cover and are eligible to apply for additional death cover which is subject to assessment by the Fund’s Group insurance provider.

Death benefit insurance cover is optional for all employees who join the Fund after 90 days of employment and only commences after an application has been assessed and accepted by the Fund’s Group insurance provider.

The member’s current account balance, plus any insurance cover in the event of death, is payable following receipt and verification of a valid death or terminal illness claim.

Insurance benefits are currently being reviewed and you should refer to the Fund’s Product Disclosure Statement for benefits on offer.

**Who receives my Super if I die?**

If you die, your benefit will be paid as a lump sum to your beneficiaries.

**Nomination of beneficiary**

If you die while you are a member of the Fund, the trustee has discretion to pay your super benefit to any one or more of your dependants and your estate in any proportion it determines. Although the trustee of the Fund is not legally bound by your wishes, it will take them into account when exercising its discretion. Because of this we need to know who you would like to receive your super benefit.

*Who can you nominate?*

You have the choice of nominating one or more of your dependants. This can include:

- your spouse (including de-facto);
- your children (including step-children and adopted children); and
- any other person who the trustee considers is wholly or partially dependent on you or had a right or expectation to look to you for support.

You can also nominate your legal personal representative (your estate). If your legal personal representative receives your benefit, it will be distributed according to your will, or if you don't have a will, according to State law.

If you don't have any dependants or a legal personal representative, the trustee of the Fund has the discretion to pay your super benefit to any person allowed by the law. This would usually be a relative or relatives of the deceased member.

**Changing your nomination**

You can change your nomination at any time by completing a Nomination form. A later form will override any earlier form. Please contact the Fund Secretary on 08 9237 9707 if you want to change your nomination.

**Disability Benefits**

There is currently no automatic disability (salary continuance) benefit applied to new or existing employees who elect to become members of the Fund.

Disability benefits which provide insurance cover in the event of an injury or illness that prevents you from returning to work for a period of time are voluntary and as such are subject to assessment by the Fund's Group insurance provider.

If a claim is accepted by the Fund's Group insurance provider you would be paid a maximum of 75% of your salary for the period you are assessed as being unable to return to work or to a maximum age of 65.

Insurance benefits are currently being reviewed and you should refer to the Fund's Product Disclosure Statement for benefits on offer.

**Preservation Rules**

All contributions and investment earnings received after 1 July 1999 are fully preserved and generally can not be paid out to members unless they satisfy a condition of release. In most cases the release condition will be permanent retirement from the workforce after you reach your preservation age - other release conditions include death and permanent incapacity.

Your preservation age will depend on your date of birth, as shown below:

Date of Birth	Preservation Age
Before 01/07/1960	55
01/07/1960 – 30/06/1961	56
01/07/1961 – 30/06/1962	57
01/07/1962 – 30/06/1963	58
01/07/1963 – 30/06/1964	59
After 30/06/1964	60

If your benefit includes a non-preserved component, then that part of the benefit may be paid to you upon employment termination prior to your preservation age - less any PAYG lump sum tax applicable.

**Identification Requirements for Benefit Payments**

Anti Money-Laundering & Counter Terrorism Financing Act provisions require all superannuation funds to obtain adequate member identification prior to making a

benefit payment to ensure that the person receiving the payment is who they purport to be.

Additional identification and compliance declarations are required in the event of a rollover to a Self Managed Superannuation Fund due to the capacity of the trustee/member of such a fund to convert a rollover to cash.

### **Unclaimed Benefits Policy**

The Trustee is required to transfer account balances into an Eligible Rollover Fund (ERF) if the exiting member does not provide the Fund with adequate instructions after ceasing to be an active member.

If a benefit is transferred to an ERF then all Fund membership entitlements, including any death or disability benefit cover, will cease.

The Fund's current ERF is The Australian Eligible Rollover Fund and it may be contacted at Locked Bag 5429, Parramatta NSW 2124 or telephone 1800 677 424.

### **Lost Super.**

If you think that you may have superannuation owing to you from previous employers or other superannuation funds, then it could be in your interest to check the lost member register by using the Australian Taxation Office "superseeker" service on their website at [www.ato.gov.au](http://www.ato.gov.au).

## **PORTABILITY AND VOLUNTARY WITHDRAWALS**

Any member who is dissatisfied with the Fund may elect to have their account balance transferred to a regulated superannuation fund of their choice. This will be done within 30 days of submission of the appropriate documentation, including any identification requirements.

In order to protect Fund assets against arbitrage "switching", the Trustee may refuse to accept rollovers back into the Fund by members who have previously made a portability withdrawal election.

**Partial Withdrawals.** Members who have account balances greater than \$5,000 may withdraw part of their account balance and transfer it to another super fund – or have it paid direct to them if they satisfy a condition of release.

### **Temporary Residents Departing Australia.**

Members who worked in Australia on a temporary resident visa and whose visa has expired, or has been cancelled, can now only claim their superannuation benefit directly from the Fund within 6 months of departing Australia. Any such payment is subject to the deduction of 35% PAYG withholding tax.

Superannuation funds are required to transfer any account held for a departed temporary resident to the Australian Taxation Office (ATO) after 6 months of their departure and an affected person must contact the ATO to access their benefit.

## **ADMINISTRATION**

The Trustee believes that good member communications are essential for a corporate fund and therefore all contributions receipts, rollover, benefit payments and member enquiries are handled personally by the Fund Secretary.

For financial year ending 31 October 2012 member records administration was outsourced to Mercer (Australia) Pty Ltd.

Although Mercer calculated and provided the statutory documentation for all benefit payments, they had no authority to deal with any member enquiries or requests.

From 1 November 2012 the administration function for the Fund is carried out completely in-house.

## **FEES AND EXPENSES**

### **Administration and Investment Costs**

Administration expenses \$416,840 and investment expenses \$248,049 are effectively borne by members as they are deducted from investment earnings when calculating the interest crediting rate. Administration expenses are adjusted for any Trustee capital expenses and the administration fee recouped from members accounts.

The employer meets the salary of the Fund Secretary, pays for Trustee Director training and provides office and other facilities to enable the Fund to operate.

The Trustee Directors and the Fund Secretary receive no remuneration from the CBH Superannuation Fund for undertaking their superannuation duties.

While there are certain costs such as APRA Levies, audit fees and the cost of actuarial and legal advice which are unavoidable, the Trustee endeavours to keep other expenses to a minimum by retaining in-house every function that it is practical and possible to do so.

Consequently minimal use is made of external investment managers and no asset consultants or custodians are engaged.

### **Management Expense Ratio**

The annualised management expense ratio (being the ratio of total non-tax expenses, including investment costs, against total Fund assets) for the financial year ended 31 October 2012 was 0.38% - down from 0.55% in 2011 due to the additional cost of the in-house administration being treated as a Trustee capital expense. If this expense had not been treated as a capital expense the management expense ratio for the year would have been 0.46%. Insurance premiums are also not included in expenses as they deducted directly from member accounts. The expense ratio remains well below the industry average.

The Investment Manager services are provided through a secondment arrangement with the Clough Superannuation Fund to enable the sharing of his salary. This cost, which is reported as a part of the direct investment expenses in the Financial Statements and is indirectly met by members through the crediting rate, was \$85,854 in 2012.

### **Application of Charges to Member Accounts**

The Trustee approved a range of fee reductions as of 1 November 2012 as a result of introducing an in house administration system.

The Trustee endeavours to apply any expenses against the account of the individual member on whose behalf the expense was incurred. The aim is that members should not indirectly pay for services or benefits that are either received by another member or which the member does not require.

An administration fee of \$65 per annum per member account is charged to partly recoup the cost of external administration services. This fee was reduced from \$80 per annum from 1 November 2012.

Any death or disability insurance premiums are also debited against the relevant member's account.

In addition, when a member leaves the Fund, a fee of \$75 is deducted from their benefit amount to cover the cost to the Fund of the external administration work involved in preparing the payment documentation. This fee was reduced from \$98 from 1 November 2012.

A Family Law fee of \$150 applies where a benefit is split to a non-member spouse under the Family Law Act provisions and a \$75 fee applies to both a contributions

split to a spouse account and for the processing a partial portability withdrawal. The contribution splitting fee was reduced from \$200 from 1 November 2012.

**Effect of Fees & Expenses on Member Account Balances**

Fund operating and investment expenses are deducted from earnings prior to the determination of the interest rate to be credited to member accounts. Therefore investment and administration expenses incurred have the effect of reducing the potential amount of earnings that can be distributed to members.

In the 2011-12 financial year a member with a \$50,000 account balance, the total of the Fund expenses incurred against earnings, including the annual administration fee deducted from the member account balance but excluding any insurance premiums, is approximately \$270 per annum.

**Contributions Tax**

A tax of 15%, which applies to all employer contributions including salary sacrifice member contributions, is debited against that member's account.

Contributions in excess of the member's contributions cap will be taxed at the top marginal rate plus Medicare Levy (currently 46.5%). In such an event you will be notified of your tax liability by the Australian Taxation Office.

## TRUSTEE INFORMATION AND GOVERNANCE

The Trustee of the CBH Superannuation Fund, CBH Superannuation Holdings Pty Ltd (ACN 008 684 268), is responsible for managing the Fund on behalf of the members in accordance with the Trust Deed and relevant legislation.

The Directors of the Trustee Company are drawn equally from members and the employer, meet regularly and have equal voting rights.

To ensure that neither the employer representatives nor the member representatives can impose their will upon the other, any Trustee resolution requires a 2/3 majority of Directors to be passed.

Two Alternate Directors are appointed (one for members and one for the employer) to act in the place a relevant Director during their absence. Alternate Directors also attend Trustee Board meetings in a non-voting capacity to assist with succession contingency and to add to Board expertise.

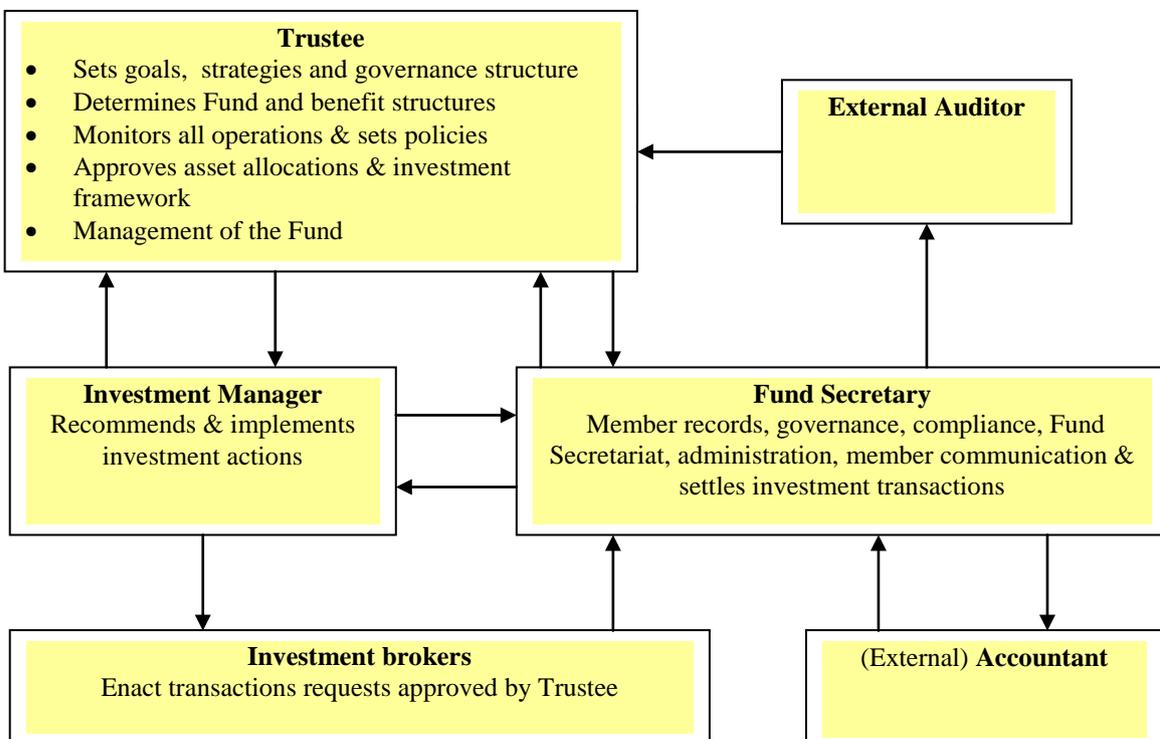
The day to day running of the Fund is undertaken by the Fund Secretary, reporting to, and acting in accordance with the instructions of the Trustee.

As the Trustee does not hold an Australian Financial Services licence neither the Trustee Directors nor the Fund Secretary may provide any financial advice to members.

All Fund assets are held in the Trustee’s name and, with no investments associated with the employer, the assets supporting member benefits are secure against any employer corporate action, including takeover or financial failure.

The Trustee Board retains the investment decision-making power after considering the recommendations of the Investment Manager.

The below chart displays the new Fund structure following the introduction of the in house administration system.



### **Appointment and Removal of Member Representatives**

The role of the member representatives on the Trustee Board is to safeguard the interests of the general membership and benefit recipients.

Member representatives are elected for a 5-year term by a ballot of members.

A member representative may be removed from office in the following circumstances:

- Expiry of term of office;
- Retiring from office by giving written notice;
- Ceasing to be a Fund member;
- Removal by resolution passed at a meeting of members;
- Death;
- Failure to satisfy the Trustee's "Fit & Proper" standards; or
- Becoming a disqualified person or disqualified by law.

The process for appointing member representatives to the Trustee is an election held by secret ballot of members. All candidates must satisfy the eligibility requirements of the Trustee as provided for in the Fund's "Fit and Proper" Policy to ensure that Trustee Directors have the appropriate propriety, skills and knowledge to manage other people's money in a superannuation environment.

Casual Trustee Director vacancies may remain unfilled, or may be filled by a nominee of the Trustee, provided the period of the vacancy does not exceed the 90-day limit.

### **Appointment and Removal of Employer Directors**

The employer Directors are selected by Co-operative Bulk Handling Limited and may be removed from the Trustee at any time by the employer.

They may also be removed by the Trustee Board should they become a "disqualified person" under law or otherwise fail to satisfy the Trustee's "Fit & Proper" Policy standards.

### **Fund "Fit & Proper" Governance**

The Trustee has adopted a Fit & Proper Policy that sets out the minimum standards of competency and probity to be met by Trustee Directors and the Fund Secretary to ensure that the Fund is managed in an honest and competent manner.

Any person seeking to hold office with the Fund will have to demonstrate that they have the integrity and skills to do so. In addition to consenting to bankruptcy and Federal Police checks, all Trustee Directors and the Fund Secretary are required to undertake training courses necessary to develop or maintain their skills and knowledge to the level that members would expect for managing a superannuation fund. They must also attend industry seminars and conferences as reasonably required.

### **Directors Development Program**

The Directors participate in an annual review of the performance of the Board as a whole and a skills and experience review to assist in developing annual education and learning programs for individual directors and the Board as a whole.

This ensures that, in accordance with both strategic and regulatory business, Directors are capable of the responsibilities of their office.

The Trustee Directors have established an induction program for newly elected or appointed Directors. The program assists new Directors to gain an understanding of the role of a Trustee Director of the Fund and the environment in which it operates.

### Trustee Meetings and Financial Reporting

The Trustee Directors formally meet nine times per year to review the administration and financial performance of the Fund as well as consider investment decisions on behalf of members. Detailed reporting is provided for their review, enabling the Trustee Directors to make considered decisions and changes when necessary.

Trustee Directors also convene meetings whenever necessary to consider specific issues impacting the Fund.

The Board as a whole considers issues related to Audit, Risk Management, Compliance, Investment and Board composition and as such there are no formal committees of the Board at this time.

A Risk Management meeting, Strategic Planning meeting and Investment Strategy meeting are also held in addition to the above.

### Board Meeting Attendance Register 2011-12.

Terry Cunningham	9	Neil Wandel	9
Val Marshall	8	Allyn Wasley	9
*Ron Silvestri	9	*Richard Codling (commenced February 2012)	6
		*David Moroney (ceased February 2012)	2

\* Alternate Directors attend meetings in either the capacity of an Alternate Director or an Observer.

### Remuneration Report

All the Directors of the Fund Trustee are employees or Directors of the CBH Group and receive no remuneration from the CBH Superannuation Fund for their services.

The employer meets the salary of the Fund Secretary, contributes towards training costs and provides office and other facilities to enable the Fund to operate.

Responsible Officers	2012 Remuneration paid for by the Fund
Chairman & Directors	Nil
Fund Secretary	Nil

### Trustee Indemnity Insurance

The CBH Superannuation Fund, its Trustee and Directors and Officers of the Trustee are covered by liability insurance underwritten by QBE Insurance. This protects against claims and legal action arising from the management and operation of the Fund and is limited to \$10 million for any one claim and \$20 million in the aggregate.

### **Registrable Superannuation Entity Licensing & Fund Compliance**

The CBH Superannuation Fund is registered as a regulated corporate superannuation fund and the Trustee is licensed by APRA to manage the Fund.

The Trustee is committed to retaining its license and is not aware of any matter that would cause the Fund to lose its complying status.

### **TRUST DEED CHANGES**

The Trust Deed is the governing document for the Fund. It sets out the entitlements of Fund members and states the powers, obligations and duties of the Trustee.

The Trust Deed was amended during the year to:

- a) permit the payment of death benefits where insurance is provided under automatic cover;
- b) define “other employer” from Principal and Associate Employer;
- c) amend salary continuance insurance to disability insurance;
- d) permit spouse membership of the Fund;
- e) permit a unit pricing method for the calculation of benefits;
- f) allow insurance to be offered to retained members on leaving employment with CBH Group;
- g) expressly allow the Trustee to debit accumulation member accounts with administration fees and insurance premiums; and
- h) allow membership in the Fund to continue until the date of payment of the member’s interest.

When making changes to the Trust Deed, the Trustee must act in the best interest of members and no amendment can be made without the agreement of Co-operative Bulk Handling Limited.

### **RESERVES**

There is no requirement for a defined benefit fund to maintain reserves when its net assets exceed member liabilities.

However the Fund’s Actuary has set aside from the surplus amount available to fund the employer contribution holiday reserve amounts to provide for operational risks, anticipated restructuring costs and pension expenses.

The Trustee believes that these reserve amounts, totalling \$4.502 million, are sufficient that no demand should ever be made upon member accounts for death, disability or pension benefit claims or for restructuring expenses or operational errors.

## **ABRIDGED FINANCIAL STATEMENTS**

The following is a summary of the CBH Superannuation Fund's accounts for the year ended 31 October 2012.

### **STATEMENT OF CHANGES IN NET ASSETS**

for the year ended 31 October 2012

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Investment Revenue</b>		
Interest	2,065,851	1,948,394
Dividends	3,368,056	3,987,897
Trust distributions	486,896	525,819
Fee rebate	22,087	-
Gross rental income	2,098,997	1,935,663
Changes in net market value	7,207,994	(6,695,562)
Direct investment expenses	(248,049)	(246,932)
	<b>15,001,832</b>	<b>1,455,279</b>
<b>Contributions Revenue</b>		
Employer contributions	16,602	10,893
Members' contributions	132,155	392,743
Transfers In	2,256,993	1,155,169
	<b>2,405,750</b>	<b>1,558,805</b>
Other Revenue	13,407	17,877
<b>Total Revenue</b>	<b>17,420,989</b>	<b>3,031,961</b>
Less:		
General Administration Expenses	416,840	298,414
Group Life and Salary Continuance Premiums	185,771	171,920
Excess Contributions Tax	16,059	2,691
Benefits Paid	4,036,805	6,499,857
<b>Total Expenses from Ordinary Activities</b>	<b>4,655,475</b>	<b>6,972,882</b>
<b>Changes in Net Assets before Income Tax</b>	<b>12,765,514</b>	<b>(3,940,921)</b>
Income Tax Benefit/(Expense)	(537,249)	913,315
<b>Change In Net Assets after Tax</b>	<b>12,228,265</b>	<b>(3,027,606)</b>
Net assets available to pay benefits at beginning of year	129,370,161	132,397,767
<b>Net assets available to pay benefits at end of year</b>	<b>141,598,426</b>	<b>129,370,161</b>

**STATEMENT OF NET ASSETS**

as at 31 October 2012

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Investments</b>		
Interest Bearing Deposits	20,436,881	22,880,794
Unsecured Notes & Preference Shares	25,771,387	19,131,775
Pooled Superannuation Trusts	-	3,151,748
Unit Trusts	6,714,073	3,511,735
Securities in Listed Companies	69,560,338	64,430,033
Direct Property	21,145,250	20,407,585
	<b>143,627,929</b>	<b>133,513,670</b>
<b>Other Assets</b>		
Cash at Bank	3,762,442	1,210,017
Receivables & Accrued Income	227,432	273,191
Tax Assets	104,851	219,200
	<b>4,094,725</b>	<b>1,702,408</b>
<b>Total Assets</b>	<b>147,722,654</b>	<b>135,216,078</b>
Less:		
<b>Liabilities</b>		
Benefits Payable	751,994	696,457
Creditors and Accrued Expenses	139,583	554,619
Deferred Tax Liabilities	5,232,651	4,594,841
<b>Total Liabilities</b>	<b>6,124,228</b>	<b>5,845,917</b>
<b>Net Assets Available to Pay Benefits</b>	<b>141,598,426</b>	<b>129,370,161</b>
Amount allocated to member accounts	137,113,400	119,720,328

Note: Members may request a copy of the audited financial statements by contacting the Fund Secretary.

## TO CONTACT US

### Enquiries

Any enquiries regarding member benefits or any other aspect of the operation of the Fund should be directed to:

In person: Donna Adam (Fund Secretary)  
Address: 30 Delhi Street, West Perth  
Telephone: 08 9237 9707  
Email: [donna.adam@cbh.com.au](mailto:donna.adam@cbh.com.au).

Post should be addressed to:

The Secretary  
CBH Superannuation Fund  
GPO Box L886  
Perth, WA 6842.

Written enquiries may also be forwarded through the CBH Group's internal mail.

### Complaints

The CBH Superannuation Fund aims to respond quickly to any member issues, but if we are unable to help you to your satisfaction then you may make a formal complaint. Complaints may be received by telephone, fax or email. However, for the sake of clarity it is preferred that your complaint be made in writing to:

The Complaints Officer  
CBH Superannuation Fund  
GPO Box L886, Perth, WA 6842

You can expect a reply within 28 days, although sometimes the maximum period of 90 days may elapse where complicated issues are involved. In the event that the Complaints Officer is unable to resolve your complaint, it will then be considered by the Trustee acting as Complaints Committee. The Trustee will review your complaint and respond within 90 days.

### Superannuation Complaints Tribunal

If you have followed the complaints procedure as set out above and are still not satisfied with the outcome, you may be able to take the matter to the Superannuation Complaints Tribunal; an independent body set up by the Federal Government to help members and beneficiaries to resolve certain types of superannuation disputes.

To find out if they can consider your complaint, you should contact the Superannuation Complaints Tribunal, Locked Bag 3060, Melbourne, Victoria 3001, by phoning 1300 884 114 or by viewing their website at [www.sct.gov.au](http://www.sct.gov.au).

### Privacy

Protecting your personal information is important to the CBH Superannuation Fund and any information that you provide to us is treated as confidential.

Privacy laws regulate the way that the Fund collects, uses, discloses, secures and gives access to the personal information that it obtains from members and employers in the administration of the Fund.

The Trustee may use this information for related purposes and may disclose a member's personal information to ensure the efficient management of the Fund. You should contact the Fund Secretary if you require a copy of the Fund's Privacy Policy or to view the information on your superannuation file.

## **CBH SUPERANNUATION FUND DIRECTORY**

Trustee	CBH Superannuation Holdings Pty Ltd
A.B.N.	84 433 159 328
Trustee RSE Licence Number	L0001625
Fund Registration Number	R1005165
Superannuation Fund Number (SFN)	1583 449 42
Location	30 Delhi St, West Perth
Postal Address	GPO Box L886, Perth WA 6842
<b>TRUSTEE DIRECTORS:</b>	Terry Cunningham – Chairman
Company Appointed	Neil Wandel (appointed 7 July 2006) Allyn Wasley (appointed 5 March 2009) Richard Codling – alternate director from 9 February 2012 David Moroney – alternate director until 9 February 2012
Member Elected	Terry Cunningham (term expires 9 December 2016) Val Marshall (term expires 3 July 2014) Ron Silvestri - alternate member director
Fund Secretary	Donna Adam
Investment Manager	David Hadingham
Auditors	PricewaterhouseCoopers
Accountant	Sharyn Long Chartered Accountants
Actuary	Richard Condron, Mercer (Australia) Pty Ltd
Group Insurer	MLC Limited
Legal Advisers	Mercer Legal, HWL Ebsworth
Enquiries - Telephone	08 9237 9707
- Facsimile	08 9322 3942
- email	<a href="mailto:donna.adam@cbh.com.au">donna.adam@cbh.com.au</a>
Documents Available from CBH Intranet superannuation site.	Product Disclosure Statement, Annual Report, Application form, transfer in form, change of details form, salary sacrifice agreement and the latest newsletter.
Documents Available on Request from the Fund Secretary.	Trust Deed & Rules, Audited Financial Statements, APRA Annual Return, Actuarial Review Report, Investment Strategy, Privacy Policy Statement, Fit & Proper Policy, Risk Management Policy, AML/CTF program and various other policies.

**DISCLAIMER**

This Annual Report issued by the Trustee of the CBH Superannuation Fund, is a regulated document that summarises the Fund's performance over the past year.

The Trustee does not guarantee any particular rate of return or return of capital from the CBH Superannuation Fund.

The information contained in this Annual Report does not provide personal financial product advice and does not take into account any member's personal needs, objectives, risk profile or financial position.

You should assess your financial position and personal objectives before making any decision based on this information.