



Life insurance through superannuation

Annual Report

Reporting period

1 July 2010 to 30 June 2011

Issued August 2011

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Important notes

OnePath Custodians Pty Limited (ABN 12 008 508 496, AFSL 238346, RSE L0000673) (OnePath Custodians or Trustee) is the trustee of the OnePath MasterFund ABN 53 789 980 697, RSE R1001525, SFN 292 916 944 (Fund) and issuer of this Annual Report.

This Annual Report applies to members of the Fund who have a product in the Fund that invests solely in an insurance policy (where an insurance policy is issued by OnePath Life Limited (ABN 33 009 657 176, AFSL 238341) (OnePath Life) to the Trustee, who holds this interest on behalf of members through the Fund).

The Trustee also issues another Annual Report for the Fund, tailored for members of other superannuation investment products within the Fund. If you would like more information about the financial management or performance of the Fund, the Fund's Annual Report is available from onepath.com.au and free of charge on request.

OnePath Custodians is a wholly owned subsidiary of Australia and New Zealand Banking Group Limited ABN 11 005 357 522 (ANZ). ANZ is an authorised deposit taking institution (Bank) under the *Banking Act 1959* (Cth). Although the issuer is owned by ANZ it is not a Bank. Except as described in the relevant Product Disclosure Statement (PDS), an investment with the issuer is not a deposit or other liability of ANZ or its related group companies and none of them stands behind or guarantees the issuer or the capital or performance of your investment. Your investment is subject to investment risk, including possible repayment delays and loss of income and principal invested. Returns can go up and down. Past performance is not indicative of future performance.

This information is current as at 30 June 2011 but may be subject to change. Updated information will be available free of charge by contacting Customer Services on 133 667.

The information is of a general nature and does not take into account your personal needs, financial circumstances or objectives. Before acting on this information, you should consider the appropriateness of the information, having regard to your needs, financial circumstances and objective.

You should read the relevant PDS available at onepath.com.au and consider the particular product is right for you before making a decision to acquire or continue to hold the product.

In this Annual Report, the terms 'we', 'us' and 'our' refer to OnePath Custodians or OnePath Life as the case may be.

About OnePath

Helping you shape and protect your future

OnePath is one of Australia's leading providers of wealth, insurance and advice solutions. We have been helping Australians grow and protect their wealth for over 130 years, previously as Mercantile Mutual and more recently as ING Australia.

Now as a wholly owned subsidiary of Australia and New Zealand Banking Group Limited (ANZ), OnePath operates as part of ANZ's specialist wealth business.

ANZ is a leading global and local bank with operations in more than 32 countries including Australia, New Zealand, Asia, the Pacific, the Middle East, Europe and America. ANZ provides products and services to more than 8 million retail customers worldwide and employs over 48,000 people.

OnePath has a comprehensive range of wealth and insurance products available through financial advisers or direct to customers making it easier for you to find the solution that best suits your needs.

At OnePath we value and appreciate our customers, our staff and the communities we operate in. We are committed to acting with the highest standards and to meeting our corporate responsibilities. We also encourage and support staff involvement in volunteering and charitable activities supporting the wider community.

OnePath actively participates in forums looking at regulatory and industry change. We also regularly review and conduct research to ensure we are attuned to changing customer and market needs.

A message from the Trustee

This Annual Report has been prepared exclusively for you as a member who has a product within the Fund that invests solely in an insurance policy, and provides information relevant to your membership for the year ending 30 June 2011.

OnePath MasterFund

The Fund is a public offer superannuation fund that has a range of products offering investments and insurance. These investments provide access to certain benefits to members at the time of their retirement on or after their preservation age, in the event they become temporarily or permanently incapacitated, have a terminal medical condition or in the event of their death.

Your membership in the Fund provides insurance benefits only by way of policies issued to the Trustee by OnePath Life.

Trustee

The trustee of the Fund is OnePath Custodians. The Trustee has indemnity insurance cover in respect of its trusteeship of the Fund.

Trust Deed

The Fund is governed by a Trust Deed, a copy of which is available upon request by contacting Customer Services on 133 667.

Trustee's investment objectives and strategies

Through a superannuation arrangement, your membership provides insurance protection in the event of your death, total and permanent disablement, total or partial disablement or terminal illness (as applicable to your policy). Under a superannuation arrangement, you apply to become a member of the Fund and the Trustee takes out an insurance policy on your life which is issued by OnePath Life.

The premiums for the policy are paid by the contributions that you, your spouse, or your employer make to the Fund. It is important that you continue to make contributions to fund the insurance premiums. If you do not pay the premiums, the policy held on your behalf will be cancelled and the insurance will cease.

Unlike some superannuation products, your member account is not an investment product and so the Fund's investment objectives, investment strategy and policy on the use of derivatives do not apply. The amount of your contributions will be equal to the premium paid by the Trustee to OnePath Life and you will not have an accumulation balance in your member account. This will be the case, regardless of whether employer or personal contributions are used to purchase cover on your behalf.

Allocation of fees

All fees and charges are included in the premium paid under the life insurance policy held on your behalf.

Financial reporting

Superannuation laws do not require financial reporting information in this Annual Report, as all investments in the Fund are provided under a master life insurance policy. If you would like a copy of the audited financial reports and Auditor's Reports, please visit onepath.com.au from early November 2011.

Information about your membership

Each year we send you information about the benefits provided by your membership. Prior to the renewal date of the policy held on your behalf, we send you a notice confirming the amount of your insurance cover as well as the premiums payable for the coming year. You should retain this notice as an up-to-date record of your member benefits. We will also send you an annual statement of benefits as at 30 June each year.

If you have any questions about this Annual Report or require further information about your policy, please speak to your financial adviser or call Customer Services on 133 667.

Confirming transactions

You can request confirmation of your transactions and any other information about your life insurance policy in the following ways:

1. Call Customer Services on 133 667 and have your query answered over the phone or ask for written confirmation of your recent transactions to be sent to you.
2. Email us at customer.risk@onepath.com.au

Important information

Incorrect tax file numbers

Each year, the ATO will notify us of any incorrect tax file numbers (TFNs) that we have recorded on our system. If your TFN is incorrect, we will endeavour to contact you or your employer for the correct TFN.

If we are unable to obtain a correct TFN for you:

- your incorrect TFN will be removed from our system
- we will be required to refund any member contributions received since 1 July 2007
- any life or salary continuance insurance cover linked to your superannuation may be cancelled, as the reduced account balance may be insufficient to meet premium obligations.

You will also receive notification from the ATO, advising that we hold an incorrect TFN for you and what the tax consequences of this may be.

Federal Budget and other updates

On 10 May 2011 Treasurer Wayne Swan delivered his fourth Federal Budget which included a number of announcements on super.

Key Budget changes to Superannuation

The announcements in this update are proposals unless stated otherwise. These proposals need to successfully pass through Parliament before becoming law and may be subject to further changes during this process.

Higher superannuation cap for anyone aged 50 or over

The Government has proposed that from 1 July 2012 a higher concessional contribution cap will apply for individuals aged 50 or over who have a total super balance of less than \$500,000. The higher cap will be set at \$25,000 above the standard concessional cap (\$25,000 for 2011/12).

Details of this measure including calculation and administration of the \$500,000 super balance are still being determined.

For the financial year starting 1 July 2011, a transitional contributions cap of \$50,000 currently applies for all individuals aged 50 or over, irrespective of their super balance.

One-off option to refund excess concessional contributions

From 1 July 2011 individuals who breach the concessional contributions cap by up to \$10,000 (not indexed) have the option of requesting that these excess contributions be refunded to them and taxed at their marginal rate instead of incurring excess contributions tax.

This option is only available for the first breach commencing from 1 July 2011, and will assist individuals who mistakenly breach the concessional contributions cap for the first time.

Co-contribution income thresholds freeze extended

The Government will continue the freeze on the co-contribution income thresholds for an additional year to 2012/13.

The lower income threshold (at which the co-contribution begins to reduce) remains at \$31,920 and the higher income threshold (at which the co-contribution cuts off) remains at \$61,920.

Minimum pension levels for 2011/12

During the last three years the minimum annual drawdown amount of account based pensions, allocated pensions and market linked income streams has been set at 50% of the 'standard rate'. This was due to the impact of the Global Financial Crisis (GFC).

For the 2011/12 financial year the minimum annual drawdown rates will be reduced by 25%. The standard rate will apply from the 2012/13 financial year. Legislation has now been passed for this measure.

Employer superannuation contributions on employee payslips

The Government proposes to ensure that employees receive information on their payslip regarding the amount of employer contributions paid to their super fund. This will assist employees to keep track of whether their employer has met their SG obligations.

Other updates

Increased age limit for Superannuation Guarantee (SG)

The Government is proposing to increase the age limit for eligibility of SG from age 70 to 75 from 1 July 2013. This means that SG contributions can continue until age 75.

Flood and cyclone levy

The Federal Government has introduced a temporary levy to help Flood and cyclone affected communities recover and rebuild essential infrastructure.

If you are under age 60, it is important to be aware that any income payments or super lump sum benefits you receive in the 2011/12 year while under the age of 60 may be subject to the temporary flood and cyclone levy of up to 1% of your taxable income above \$50,000.

Personal deductible contributions

The Australian Taxation Office (ATO) has indicated that in certain situations where partial withdrawals or rollovers have been made, a tax deduction for personal contributions will only be allowed on a proportional basis. Generally, the measure affects contributions made on or after 1 July 2011 which are claimed as tax deductions after a partial withdrawal or rollover has occurred. Claiming a tax deduction before a partial withdrawal or rollover may help you to obtain a higher deduction.

The proportioning will not impact you if:

- You have not made any withdrawals from your super account before submitting your deduction notice or
- You submit the deduction notice prior to making a partial withdrawal from your super account.

The proportioning will impact you if:

- You submit your deduction notice after withdrawing/rolling over a portion of your super account. The amount of personal contributions that you can claim will **not** be equal to the full amount of the contribution made.

For further information, refer to the ATO on 13 28 61 or at www.ato.gov.au

For further information contact your tax or financial adviser.

Superannuation surcharge

The Federal Government abolished the superannuation surcharge payable on an individual's surchargeable contributions and relevant termination payments made from 1 July 2005. The following reflects how the surcharge applies to contributions received prior to 1 July 2005. Please consult your financial adviser for further information.

Current members

Where your membership is active we receive a surcharge assessment from the Australian Taxation Office (ATO) for contributions you have made to the Fund for your life insurance policy premium, the surcharge is paid by OnePath Life.

Former members

If your membership is no longer in force when we receive the surcharge assessment from the ATO, the surcharge will not be paid by OnePath Life. We are required to inform the ATO, who will then forward the surcharge assessment to you for payment. The ATO will send you a copy of the surcharge assessment so that you can check that the figures they have used in calculating the surcharge are correct.

Contributing to your superannuation

The rules surrounding contributions to superannuation can be quite complex. We suggest you speak to your financial adviser for clarification on who can contribute and the types of contributions accepted by the Fund.

Generally we are unable to accept rollovers in relation to life insurance policies arranged through the Fund. As a result, premiums must be paid by new contributions. If you are not eligible to make new contributions, you will not be able to maintain your policy through the Fund, but you may have an option to replace it with a non-superannuation policy. Your financial adviser can explain the options available to you.

Who can make contributions

When you arrange for a life insurance policy to be held through superannuation, contributions to the superannuation fund meet the cost of the insurance (the premium). Under current superannuation laws, a regulated superannuation fund may accept contributions from members as follows. (Please ensure that any contributions made to the Fund are made in accordance with these rules.)

Under 65

If you are under 65 years of age, you, your spouse and employer may make contributions into your superannuation account.

At least 65 but under 70

If you are at least 65 years of age but under 70, you, your spouse and your employer may make contributions into your superannuation account provided that you've met the 'Work Test', which means you've been gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year (1 July to 30 June).

If you are not gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year, then a contribution can only be accepted if it is a mandated employer contribution[†].

At least 70 but under 75 (or contribution is received on or before the 28th day after the end of the month in which you turn age 75)

If you are at least 70 years of age but under 75, you and your employer may make contributions into your superannuation account provided that you've met the 'Work Test', which means you've been gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year (1 July to 30 June).

If you are not gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year, then a contribution can only be accepted if it is a mandated employer contribution†. After you turn 70, your employer is not mandated to make Superannuation Guarantee contributions (one kind of 'mandated employer contribution'), but may do so if the payment relates to a period when you were under age 70.

75 and over (and the contribution is not received on or before the 28th day after the end of the month in which you turn age 75)

If you are 75 years of age and over, only mandated employer contributions† can be made.

To find out more, please speak to your financial adviser or call Customer Services on 133 667.

* 'Gainfully employed' means being employed or self-employed for gain or reward in any business, trade profession, vocation, calling, occupation or employment.

† A 'mandated employer contribution' is one by, or on behalf of, an employer which:

- reduces the employer's potential liability for the Superannuation Guarantee Charge
- is a payment of a shortfall component
- is a contribution to satisfy the employer's obligation under an agreement certified, or an award made, on or after 1 July 1986 by an industrial authority.

Other information

Change of personal details

It is important that we always have your current details on record so that we can keep you informed about your superannuation and pay any benefits directly to you.

Please notify Customer Services on 133 667 if you have moved or wish to change your beneficiary details.

If two items of written communication to you are returned to us as unclaimed mail from your last known address, we may classify you as a lost member and report this to the ATO.

In circumstances where you cease to be eligible to make contributions to superannuation (or have them made on your behalf) we may provide you with the option to continue insurance cover under a non-superannuation policy.

Customer concerns

We pride ourselves on our customer service and will endeavor to solve your concerns quickly and fairly. If you have an enquiry or complaint regarding your benefit, you should address your enquiry or complaint to:

The Complaints Resolution Manager

OnePath Life

GPO Box 5306

Sydney NSW 2001

Phone: 133 667

Fax: 02 9234 8095

Email: yourfeedback@onepath.com.au

In the unlikely event that any concerns are not resolved to your satisfaction, you can have your complaint reviewed by OnePath's Consumer Affairs Manager who provides a free, independent review to reach a resolution that is fair to you and to OnePath. The OnePath Consumer Affairs Manager can be contacted by:

Mail: Level 17, 347 Kent Street, Sydney NSW 2000

Phone: 02 9234 5521

Email: consumer.affairs@onepath.com.au

Alternatively you may refer your complaint to the Financial Ombudsman Service (FOS), which is a free dispute resolution service external to OnePath. Their contact details are as follows:

Mail: GPO Box 3,
Melbourne VIC 3001
Phone 1300 780 808
Fax: 03 9613 6399
Email: info@fos.org.au
Website: fos.org.au

Contact details

Organisation	Responsibility	Contact
Trustee		
OnePath Custodians Pty Limited	<ul style="list-style-type: none"> Ensures the Fund is operated in accordance with the Trust Deed, the <i>Superannuation Industry (Supervision) Act 1993</i>, the <i>Corporations Act 2001</i> and other relevant legislation. 	GPO Box 4148 Sydney NSW 2001 Phone 133 667
Insurer/Administrator		
OnePath Life Limited	<ul style="list-style-type: none"> Issues policies to the Trustee. Administers the Fund's policies on behalf of the Trustee. 	GPO Box 4148 Sydney NSW 2001 Phone 133 667
Auditor		
KPMG	<ul style="list-style-type: none"> Yearly audit of the Fund, certifying that assets exist and that certain requirements of the superannuation laws are met. 	

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Customer Services

Phone 133 667

Fax 02 9262 5319

Email customer.risk@onepath.com.au

Postal address

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