

Annual Report
IRIS Retirement Income

For the year ended 30 June 2017
Issued 31 October 2017



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The IRIS Retirement Income Annual Report for the year ended 30 June 2017 applies to the IRIS Super Income Stream and the IRIS Term Allocated Pension.

The Annual Report is intended to provide information of a general nature only. It has been prepared by Super Members Investments Limited (SMI), ABN 61 095 974 100, AFSL 231230, as Trustee of the IRIS Superannuation Fund (IRIS or Fund), ABN 88 556 625 125, which incorporates both the IRIS Super Income Stream and the IRIS Term Allocated Pension.

IRIS has provided all information it reasonably believes a member would need for the purpose of understanding the management, financial condition and the investment performance of the Fund.

You should obtain a copy of the latest Product Disclosure Statements (PDS) before making any investment decisions based on this information. For a free copy, please visit our website retirewithiris.com.au or call us on **1300 367 485**.

Report from the Chair

The production of this year's annual report coincides with the final stages of planning for the transfer of IRIS members and assets to HESTA in February 2018.

HESTA was chosen because of its track record on returns for members, as well as the strength of its people and processes.

I am confident that this decision is the right one for IRIS members. The transfer to a rapidly growing fund with significant scale will ensure that members continue to receive high quality services. Importantly, most members will also experience a significant fee decrease. More information is included in the notice sent to you in November, but if you have any questions please contact us on 1300 367 485.

The planned transfer has not seen any loss of focus by the trustee on delivering strong investment returns. In 2016/17 nine out of ten options exceeded their performance benchmarks. Our international shares option fell just short, but still returned a creditable 17.09%.

As this will be my last report to members, I would like to say that it has been a privilege to manage your retirement savings, and to thank you for the trust you have placed in the Board and staff of the trustee of IRIS over many years.



Linda Rubinstein
Chair, SMI
October 2017



Important changes to IRIS

Welcome to the final annual report for IRIS, as the fund prepares to transfer into HESTA from February 2018.

HESTA will continue the focus of IRIS, offering you low fees and improved access to services and staff, as well as maintaining the Fund's dedication to always working in your best interest.

Pension changes looking back

Throughout the past year, a number of federal government measures impacting superannuation and pensions took effect.

- The Centrelink Age Pension assets test thresholds changed from 1 January 2017, reducing the eligibility of many retirees to receive a partial Age Pension.
- Since 1 July 2017, Transition to Retirement pensions now incur a 15% tax on investment earnings, the same as a regular accumulation-phase super fund.
- Since 1 July 2017, a Transfer Balance Cap has been introduced to restrict the total amount of superannuation that can be transferred from accumulation to pension phase to \$1.6 million.

IRIS directly consulted with all members who we identified as being potentially affected by the changes in the lead-up to the effective dates, and also assessed the impact that these changes would require to our systems. The IRIS Superannuation Fund closed to new applications from 1 July 2017.

IRIS changes looking forward

IRIS was established to provide simple high quality pensions at the lowest possible cost. The Federal government's continued focus on the rules and regulations of super and pensions has resulted in increasing costs and obligations for all super funds to update systems and processes to meet the changing requirements.

After a thorough review of options, and consideration of IRIS members' interests over the long term, IRIS made the decision to merge the fund with HESTA by Successor Fund Transfer. This decision was announced to members with their annual member statements in September and a detailed Significant Event Notice and information pack will be mailed to all members in November 2017.

Why transfer?

We believe that the transfer to HESTA will provide increased benefits to our members, particularly over the long term, due to greater economies of scale. These benefits may include better value for money due to reductions in the costs of running the Fund, improved access to education and advice and enhanced services for members.

We recognise that the size and continued growth of HESTA will provide our members with stability and strength and an exciting vision for the future.

Obtaining further advice

If you have any questions in regards to your IRIS Super Income Stream or IRIS Term Allocated Pension, or the transfer to HESTA, please contact us on **1300 367 485** or email admin@retirewithiris.com.au.

If you would like to know more about these changes, or require personal advice, you will be referred to a financial planning representative of Industry Fund Services Limited 'IFS', ABN 54 007 016 195, AFSL No 232514.

SMI has engaged IFS to facilitate the provision of financial advice to members of IRIS. Advice is provided by one of our financial planners who are Representatives of IFS. Fees may apply. Further information about cost of advice is set out in the relevant Financial Services Guide, a copy of which is available by calling **1300 367 485**. IFS is responsible for any advice given to you by its Representatives.



IRIS Superannuation Fund investment options – at 30 June 2017

IRIS Diversified Options

Defensive

Investment Objective

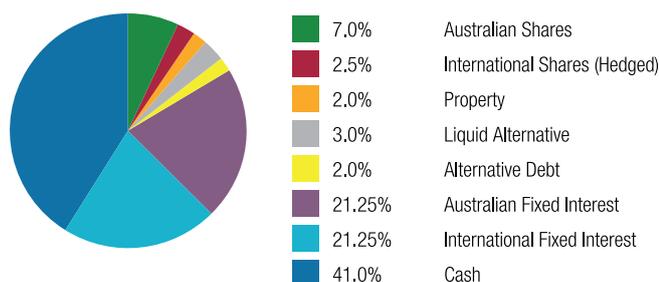
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 1.5% per annum (after tax)², on a rolling five year basis. This is expected to be achieved around 70% of the time. It aims to provide security (but not a guarantee) of capital invested, as well as limiting the likelihood of applying negative annual returns to one in fifty years (i.e. approx. 0.4 times in 20 years).³

Risk Level Very Low

Benchmark

The Defensive Option benchmark is calculated as the performance of the market benchmark for each of its asset classes (see page 11) weighted by the Strategic Asset Allocation for the Option and adjusted by the applicable Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|---------------------------------|----------------------|-----------------------------|
| Australian Shares | 5 – 20 | 7.15 |
| International Shares (Unhedged) | 0 – 10 | 2.47 |
| International Shares (Hedged) | 0 – 10 | - |
| Property | 0 – 10 | 1.48 |
| Liquid Alternatives | 0 – 10 | 4.21 |
| Alternative Debt | 0 – 10 | 3.67 |
| Australian Fixed Interest | 10 – 40 | 15.15 |
| International Fixed Interest | 10 – 40 | 15.21 |
| Cash | 20 – 60 | 50.66 |

Conservative

Investment Objective

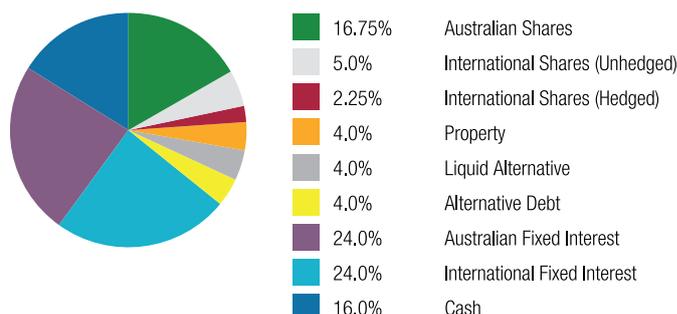
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.0% per annum (after tax)², on a rolling five year basis. This is expected to be achieved around 70% of the time. It aims to provide security (but not a guarantee) of capital invested as well as limiting the likelihood of applying negative annual returns to one in every ten years (i.e. approx. 2 times in 20 years).³

Risk Level Medium

Benchmark

The Conservative Option benchmark is calculated as the performance of the market benchmark for each of its asset classes (see page 11) weighted by the Strategic Asset Allocation for the Option and adjusted by the applicable Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|---------------------------------|----------------------|-----------------------------|
| Australian Shares | 10 – 30 | 17.48 |
| International Shares (Unhedged) | 0 – 10 | 7.59 |
| International Shares (Hedged) | 0 – 10 | - |
| Property | 0 – 10 | 3.07 |
| Liquid Alternatives | 0 – 10 | 5.02 |
| Alternative Debt | 0 – 10 | 7.51 |
| Australian Fixed Interest | 10 – 40 | 17.78 |
| International Fixed Interest | 10 – 40 | 17.85 |
| Cash | 10 – 30 | 23.72 |

¹ CPI = Consumer Price Index

² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. 'After tax' in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Growth

Investment Objective

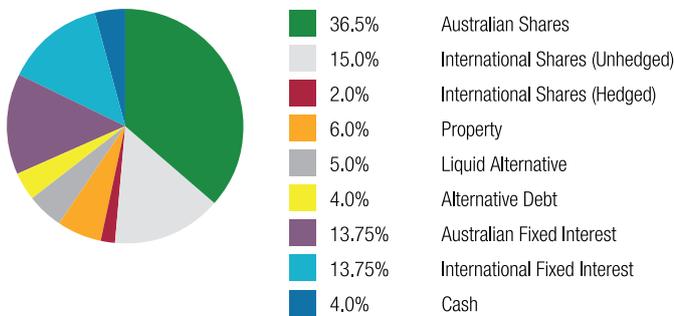
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time. To achieve this, the Growth Option will invest a significant portion in growth assets such as shares and property. It aims to limit the likelihood of applying negative annual returns to one in every five years (i.e. approx. 4 times in 20 years).³

Risk Level High

Benchmark

The Growth Option benchmark is calculated as the performance of the market benchmark for each of its asset classes (see page 11) weighted by the Strategic Asset Allocation for the Option and adjusted by the applicable Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|---------------------------------|----------------------|-----------------------------|
| Australian Shares | 25 – 55 | 37.87 |
| International Shares (Unhedged) | 5 – 35 | 17.59 |
| International Shares (Hedged) | 0 – 20 | - |
| Property | 0 – 15 | 5.16 |
| Liquid Alternatives | 0 – 10 | 6.76 |
| Alternative Debt | 0 – 10 | 7.14 |
| Australian Fixed Interest | 5 – 25 | 9.05 |
| International Fixed Interest | 5 – 25 | 9.08 |
| Cash | 0 – 10 | 7.35 |

High Growth

Investment Objective

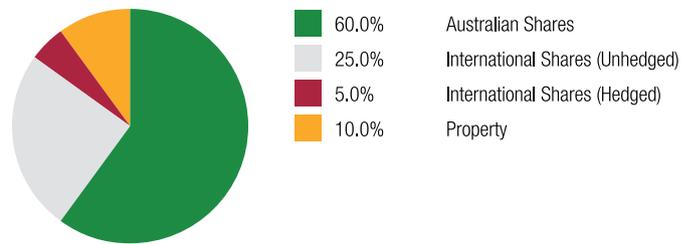
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time. To achieve this, the High Growth Option will predominantly invest in Australian and international shares. It aims to limit the likelihood of applying negative annual returns to one in every three and a half years (i.e. approx. 5.7 times in 20 years).³

Risk Level High

Benchmark

The High Growth Option benchmark is calculated as the performance of the market benchmark for each of its asset classes (see page 11) weighted by the Strategic Asset Allocation for the Option and adjusted by the applicable Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|---------------------------------|----------------------|-----------------------------|
| Australian Shares | 40 – 80 | 61.49 |
| International Shares (Unhedged) | 10 – 40 | 29.46 |
| International Shares (Hedged) | 0 – 20 | 4.16 |
| Property | 0 – 20 | 4.84 |
| Cash | 0 – 10 | 0.05 |

¹ CPI = Consumer Price Index

² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. 'After tax' in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Sector Specialist Options

Cash

Investment Objective

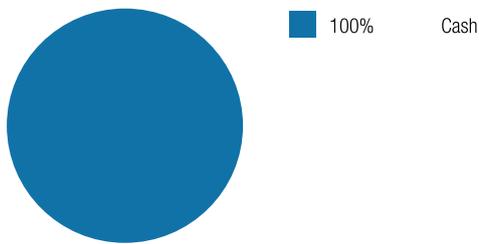
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 0.75% per annum (after tax)², on a rolling two year basis. This is expected to be achieved around 70% of the time. To achieve this, the Cash Option will predominantly invest in short term cash investments with minimal risk of capital loss. It aims to limit the likelihood of applying negative annual returns to a negligible level.

Risk Level Very Low

Benchmark

Bloomberg AusBond Bank Bills Index adjusted for the IRIS Cash Option Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|-------------|----------------------|-----------------------------|
| Cash | 100 | 100 |

Diversified Fixed Interest

Investment Objective

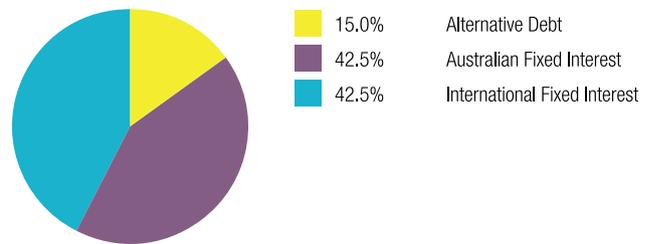
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 2.0% per annum (after tax)², on a rolling five year basis. This is expected to be achieved around 70% of the time. To achieve this, the Diversified Fixed Interest Option will predominantly invest in a diverse range of government and corporate bonds and alternative debt. It aims to limit the likelihood of applying negative annual returns to one in every twenty five years (i.e. approx. 0.8 times in 20 years).³

Risk Level Low

Benchmark

42.5% Bloomberg AusBond Composite Index, 42.5% Barclays Global Aggregate Bond Index (Hedged into AUD) and 15% Bloomberg AusBond Bank Bills Index plus 1% adjusted for the IRIS Diversified Fixed Interest Option Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|------------------------------|----------------------|-----------------------------|
| Alternative Debt | 0 – 25 | 20.66 |
| Australian Fixed Interest | 20 – 65 | 39.21 |
| International Fixed Interest | 20 – 65 | 39.36 |
| Cash | 0 – 10 | 0.77 |

¹ CPI = Consumer Price Index

² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. 'After tax' in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Property

Investment Objective

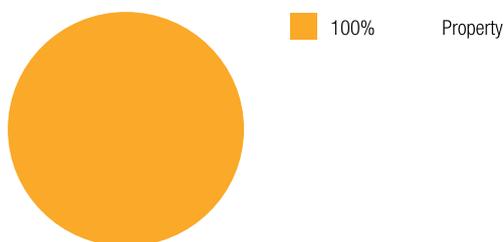
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3% per annum (after tax)², on a rolling five year basis. This is expected to be achieved around 65% of the time. To achieve this, the Property Option will invest in both direct and indirect Australian and international property. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approx. 6.7 times in 20 years).³

Risk Level Very High

Benchmark

FTSE EPRA/NAREIT Developed ex-Australia Rental Index (AUD hedged TR) adjusted for the IRIS Property Option Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|-------------|----------------------|-----------------------------|
| Property | 90 – 100 | 99.24 |
| Cash | 0 – 10 | 0.76 |

Australian Shares

Investment Objective

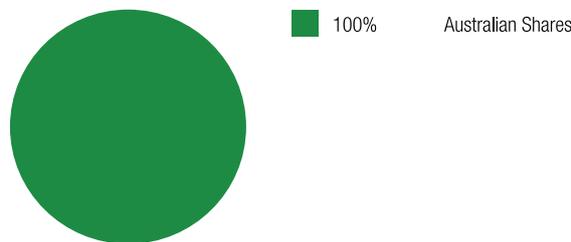
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time. To achieve this, the Australian Shares Option will predominantly invest in Australian shares. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approx. 6.7 times in 20 years).³

Risk Level Very High

Benchmark

S&P/ASX 200 Accumulation Index adjusted for the IRIS Australian Shares Option Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|-------------------|----------------------|-----------------------------|
| Australian Shares | 90 – 100 | 99.21 |
| Cash | 0 – 10 | 0.79 |

¹ CPI = Consumer Price Index

² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. 'After tax' in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

Sustainable Australian Shares

Investment Objective

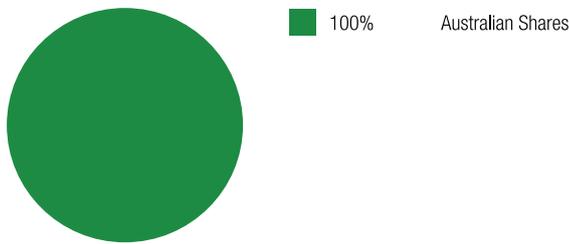
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 70% of the time. To achieve this, the Sustainable Australian Shares Option will predominantly invest in Australian shares that display environmental, sustainable and socially responsible features. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approx. 6.7 times in 20 years).³

Risk Level Very High

Benchmark

S&P/ASX 200 Accumulation Index adjusted for the IRIS Sustainable Australian Shares Option Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|-------------------|----------------------|-----------------------------|
| Australian Shares | 90 – 100 | 99.25 |
| Cash | 0 – 10 | 0.75 |

International Shares

Investment Objective

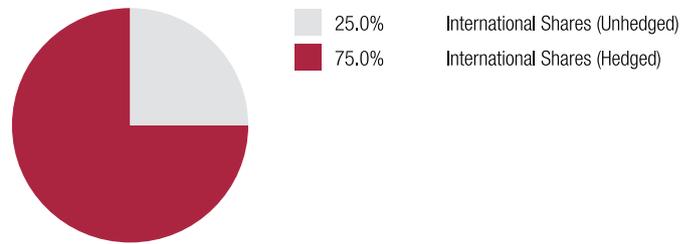
To achieve returns that exceed the inflation rate (change in the CPI)¹ by 3.5% per annum (after tax)², on a rolling ten year basis. This is expected to be achieved around 65% of the time. To achieve this, the International Shares Option will predominantly invest in international shares. It aims to limit the likelihood of applying negative annual returns to one in every three years (i.e. approx. 6.7 times in 20 years).³

Risk Level Very High

Benchmark

25% MSCI World ex-Australia Index (unhedged in AUD) and 75% MSCI World ex-Australia Index (hedged into AUD) adjusted for the IRIS International Shares Option Administration fee.

Strategic Asset Allocation



Allocation Ranges

| Asset Class | Allocation Range (%) | Actual Asset Allocation (%) |
|---------------------------------|----------------------|-----------------------------|
| International Shares (Unhedged) | 0 – 30 | 26.95 |
| International Shares (Hedged) | 0 – 90 | 72.25 |
| Cash | 0 – 10 | 0.80 |

¹ CPI = Consumer Price Index

² Investment returns at the IRIS investment option level do not attract tax due to their status as pensions. 'After tax' in this context relates to how the tax credits arising from the underlying asset classes of each investment option (and arising due to the Tax exempt status of IRIS), are taken into account when modelling expected returns for each option.

³ This is the estimated frequency of negative returns over a 20 year period. This is an average based on a set of long term capital market assumptions and the actual frequency of negative returns over a 20 year period may be more or less frequent than estimated depending on the prevailing economic and investment market environment.

IRIS investment performance

| IRIS Investment Options | Fund inception date | 1 Year performance as at 30 June 2017 | | 3 Year performance as at 30 June 2017 | | 5 Year performance as at 30 June 2017 | |
|-------------------------------|---------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| | | IRIS Performance | Benchmark performance | IRIS Performance | Benchmark performance | IRIS Performance | Benchmark performance |
| Defensive | 01/03/1997 | 2.36% | 1.74% | 3.74% | 3.49% | 4.84% | 4.35% |
| Conservative | 01/03/1997 | 4.46% | 3.61% | 5.50% | 4.98% | 7.47% | 6.78% |
| Growth | 01/03/1997 | 8.56% | 7.31% | 7.34% | 6.46% | 11.00% | 10.06% |
| High Growth | 01/05/2001 | 13.43% | 12.00% | 8.70% | 7.61% | 13.78% | 12.72% |
| Cash | 01/07/2008 | 1.75% | 1.47% | 2.13% | 1.84% | 2.53% | 2.13% |
| Diversified Fixed Interest | 01/09/2004 | 0.62% | 0.17% | 4.54% | 3.90% | 4.91% | 4.14% |
| Property | 29/08/2003 | -0.72% | -1.04% | 7.72% | 8.51% | 10.53% | 10.90% |
| Australian Shares | 01/07/2008 | 14.51% | 13.18% | 7.58% | 5.70% | 12.41% | 10.79% |
| Sustainable Australian Shares | 01/07/2008 | 15.05% | 12.88% | 11.07% | 5.44% | 16.85% | 10.56% |
| International Shares | 01/07/2008 | 17.09% | 18.03% | 13.22% | 11.86% | 17.55% | 16.80% |

Investment performance for each investment option is calculated by measuring the difference between the current end of month non transactional valuation and the prior period's end of month non transactional valuation.

A "non transactional valuation" is one that is not used for the processing of investor transactions and is calculated only for measuring investment performance and will differ from the valuations published on our website retirewithiris.com.au.

This is the performance applicable to investors who were investors at the beginning and the end of the period and who did not initiate any transactions during the period.

Past performance is not a reliable indicator of future performance and investments can rise and fall in value. Investment returns are not guaranteed as all investments carry some risk. Returns are quoted after fees and before taxes for the period shown. For the latest performance information, please visit our website retirewithiris.com.au or call us on **1300 367 485**.

Benchmarks

These are the benchmarks and their related weightings, to be used for investment comparison purposes for the IRIS Diversified Options. The benchmarks for the IRIS Sector Specialist Options are shown per option on pages 7 to 9.

| Asset Class | High Growth | Growth | Conservative | Defensive | Benchmarks |
|---------------------------------|-------------|--------|--------------|-----------|---|
| Australian Shares | 60.0% | 36.5% | 16.75% | 7.0% | S&P/ASX 200 Accumulation Index |
| International Shares (Hedged) | 5.0% | 2.0% | 2.25% | 2.5% | MSCI World ex-AUS Index net divs (Hedged into AUD) |
| International Shares (Unhedged) | 25.0% | 15.0% | 5.0% | 0.0% | MSCI World ex-AUS Index net divs (Unhedged into AUD) |
| Property | 10.0% | 6.0% | 4.0% | 2.0% | FTSE EPRA/NAREIT Developed ex-Australia Rental Index (hedged AUD) |
| Liquid Alternatives | 0.0% | 5.0% | 4.0% | 3.0% | CPI + 4.0% |
| Alternative Debt | 0.0% | 4.0% | 4.0% | 2.0% | Bloomberg AusBond Bank Bills Index plus 1% p.a. |
| Australian Fixed Interest | 0.0% | 13.75% | 24.0% | 21.25% | Bloomberg AusBond Composite Bond Index |
| International Fixed Interest | 0.0% | 13.75% | 24.0% | 21.25% | Barclays Global Aggregate Bond Index (Hedged into AUD) |
| Cash | 0.0% | 4.0% | 16.0% | 41.0% | Bloomberg AusBond Bank Bill Index |
| Total | 100% | 100% | 100% | 100% | |

How investment earnings are applied to your account

Investment returns (which may be positive or negative) are allocated to your account by ascertaining the value of the investment option/s in your account. The upward or downward movement in the value is applied to your account.

Valuing the investment options

The investments in your account are valued every Wednesday. Where Wednesday is not a business day in Melbourne, they are calculated on the next business day. By processing all transactions and buying and selling assets only once a week, we are able to keep the costs down.

The movement in value of an investment option is dependent on the underlying assets, liabilities, income (including imputation credits and other tax credits), taxes and other expenses. Movements in investment markets influence the underlying assets.

An earning rate is determined on a weekly basis for each investment option, based on these valuations.

Who manages your investments?

The Trustee engages Australian and International specialist investment managers to manage specific investment options or an allocated amount of money for an investment option. At the date of this Annual Report appointed investment managers are as listed in the following table.

| Asset Class | Investment Manager |
|------------------------------|---|
| Australian Shares | IFM Investors Pty Ltd Perpetual Investment Management Ltd |
| International Shares | Blackrock Asset Management Australia Ltd |
| International Fixed Interest | Blackrock Asset Management Australia Ltd |
| Australian Fixed Interest | Blackrock Asset Management Australia Ltd IFM Investors Pty Ltd |
| Property | Vanguard Investments Australia Ltd |
| Liquid Alternatives | Invesco Australia Limited Pinebridge Investments LLC |
| Alternative Debt | IFM Investors Pty Ltd T Rowe Price International Ltd |
| Cash ¹ | IFM Investors Pty Ltd Members Equity Bank Limited |

¹ A cash float is held on deposit with the National Australia Bank which acts as Custodian for the Fund.

Financial statements

The summarised financial statements are derived from the audited accounts of the IRIS Superannuation Fund, which incorporates the IRIS Super Income Stream and the IRIS Term Allocated Pension. A copy of the audited accounts and associated audit report for the year ended 30 June 2017 can be obtained from our website at retirewithiris.com.au or by calling us on **1300 367 485**.

Income Statement

| | 2017 (\$'000) | 2016 (\$'000) ¹ |
|--|----------------|----------------------------|
| Revenue | | |
| Investment revenue | 33,394 | 23,443 |
| Other revenue | 1,362 | 1,145 |
| Total revenue | 34,756 | 24,588 |
| Expenses | | |
| Management fees | 4,464 | 4,534 |
| Trustee cost recoveries | 100 | 109 |
| Total expenditure | 4,564 | 4,643 |
| Operating results | 30,193 | 19,945 |
| Net benefit allocated to members' accounts | (32,717) | (22,231) |
| Operating result before income tax expenses | (2,524) | (2,286) |
| Income tax benefit | 2,491 | 2,313 |
| Operating result after income tax | (33) | 27 |

Statement of Financial Position

| | 2017 (\$'000) | 2016 (\$'000) ¹ |
|---|----------------|----------------------------|
| Assets | | |
| Investments | 474,224 | 495,138 |
| Other assets | 21,367 | 23,278 |
| Total assets | 495,591 | 518,416 |
| Liabilities | | |
| Total liabilities | 447 | 493 |
| Net assets available for member benefits | 495,144 | 517,923 |
| Member liabilities | (494,067) | (517,141) |
| Net assets | 1,077 | 782 |
| Equity | | |
| Operational Risk Reserve | 1,070 | 742 |
| Amounts not yet allocated | 7 | 40 |
| Total Equity | 1,077 | 782 |

Statement of Changes in Member Benefits

| | 2017 (\$'000) | 2016 (\$'000) |
|--|----------------|----------------|
| Opening Balance | 517,141 | 547,556 |
| Transfers from other superannuation plans | 6,389 | 6,040 |
| Other | - | 14 |
| Net after tax contributions | 6,389 | 6,054 |
| Benefits to members | (61,871) | (58,385) |
| Reserves transferred to / (from) members | (308) | (315) |
| Net benefits allocated, comprising: | | |
| Management fees | (4,464) | (4,534) |
| Net investment income | 37,180 | 26,765 |
| Closing balance | 494,067 | 517,141 |

¹ The financial position and results of operations of the Fund were affected by the adoption of AASB 1056 *Superannuation Entities* that applies to annual reporting periods beginning on or after 1 July 2016. As a result the Fund has restated amounts previously reported under AAS 25 *Financial Reporting by Superannuation Plans* for the year ended 30 June 2016.

General information

How investment earnings are applied to your account

Interest earned on application monies is treated as earnings of IRIS and is retained by the Fund. Investment returns (which may be positive or negative) are allocated to your account by ascertaining the value of your chosen investment option(s) in your account. The upward or downward movement in the value is applied to your account.

The movement in value of an option is dependent on the underlying assets, liabilities, income (including imputation credits and other tax credits), taxes and other expenses. Movements in investment markets influencing the underlying assets.

Income payments

Your payment may be deducted from your IRIS account up to a week prior to the scheduled payment date. This is done to ensure we can make your income payment on time. In the interim, while the payment is yet to be made to your bank account, your IRIS account balance will be reduced, reflecting the payment having already been deducted.

For further information on income payments please refer to our PDS at retirewithiris.com.au.

We recommend you seek financial advice regarding any alterations to your income payments.

What information does IRIS send to Centrelink?

If you receive any entitlements from Centrelink, we may need to provide it with additional information, such as your total account balance as at 1 July as well as the frequency and amount of your income payment.

Communicating with you

IRIS endeavours to keep you informed with the latest news and information via mail and on our website. Communications you will receive throughout the year include:

| Type of communication | When will you receive it? |
|---|-------------------------------------|
| Income Payment Details & PAYG Payment Summary | July |
| Annual Statement | September |
| Annual Report | Sept/Oct if requested |
| Confirmation of any change to your details | When a change has been processed |
| Centrelink Schedule | After every commutation/ withdrawal |

Fees and charges to your IRIS account

We are committed to maintaining IRIS as a high quality, low-cost, member focused retirement income product.

The table below shows the Administration fees that were charged directly to members' accounts in 2016/17 depending upon their chosen investment options. These fees were different from the investment management costs which were deducted directly from the underlying investments.

Our simple fee structure covers costs incurred in the ongoing administration and investment of the product. No establishment or termination fees apply to any of the investment options and no commissions are paid to financial planners.

The Administration fee component does not include transaction costs. The Administration fee is charged to your account monthly in arrears based on the value of your account in the month.

| IRIS Investment Option ³ | Total account balance below \$250,000 p.a. | Total account balance of \$250,000 p.a. or above ¹ |
|--|--|---|
| Defensive | 0.90% | 0.85% |
| Conservative | 0.76% | 0.71% |
| Growth | 1.00% | 0.95% |
| High Growth ² | 0.97% | 0.92% |
| Cash ² | 0.27% | 0.22% |
| Diversified Fixed Interest | 0.55% | 0.50% |
| Property | 0.90% | 0.85% |
| Australian Shares | 0.80% | 0.75% |
| Sustainable Australian Shares ² | 0.97% | 0.92% |
| International Shares | 0.92% | 0.87% |

¹ If your account balance exceeds \$250,000 a reduced fee will apply to all your investment options.

² Figures stated are the reduced fees that took effect for these options from 1 January 2017. Refer to the Significant Event Notice dated 1 September 2016 on the IRIS website at retirewithiris.com.au for details.

³ These fees do not include indirect costs that are deducted from the assets of the fund before net earnings are applied to member accounts. Refer to the IRIS website for details.

Eligible Rollover Fund

If you become a lost member, the Trustee may transfer your balance to an Eligible Rollover Fund (ERF). The Trustee will treat a member as lost if at least two items of mail we sent you have been returned unclaimed. The ERF nominated by the Trustee for this purpose is AUSfund, ABN 85 945 681 973.

If your benefits are transferred to AUSfund, you will cease to be a member of, and cease to have any rights against IRIS. You should be aware that an ERF may not be a suitable long-term investment vehicle for you, as the investment performance and other features may be less favourable than those available from other funds.

To contact AUSfund, call **1300 361 798** or visit **ausfund.com.au**.

Complaints

We take complaints seriously and have procedures in place to address them. A complaint about your IRIS account will be dealt with in the first instance by the IRIS Retirement Income administrator. If you are not satisfied with the administrator's response and wish to lodge a complaint, please contact us directly on **1300 367 485** or write to us at:

Complaints Resolution Officer
IRIS Administration
Locked Bag 5129
Parramatta NSW 2124

Upon receipt of your complaint, we will:

- acknowledge the complaint promptly and inform you when to expect a response
- investigate the complaint in a timely manner
- respond to you in writing within 90 days of the date of receiving your complaint.

If after completing IRIS' internal complaints process you are not satisfied with the outcome, you may contact the Superannuation Complaints Tribunal (SCT) at:

Superannuation Complaints Tribunal
Locked Bag 3060
GPO Melbourne Vic 3001

Phone: **1300 884 114**
Email: **info@sct.gov.au**
Web: **www.sct.gov.au**

The SCT is an independent body established by the Federal Government. It helps members of super funds and their dependants resolve certain types of complaints about decisions made by fund trustees, where they cannot be resolved by the fund's complaints process.

Service providers

The external service providers throughout the year were:

| | |
|---------------------|--|
| Accountant: | Shared between AAS ¹ and Industry Fund Services |
| Administrator: | Australian Administration Services (AAS) ¹ . |
| Custodian: | National Australia Bank |
| External Auditor: | Deloitte Touche Tohmatsu |
| Investment Advisor: | Frontier Advisors |

¹ The services provided by AAS were provided by Superpartners prior to September 2016.

Insurance and indemnification

SMI, the Trustee, has indemnity insurance in place. Insurance cover extends (subject to policy terms and conditions) to the conduct of representatives/employees who no longer work for IRIS but who did at the time the conduct occurred, and that could give rise to a claim for compensation. No insurance premiums are paid from the assets of the Fund for insurance cover provided to either SMI or the auditors of IRIS.

Related party transactions

No fees were paid to key management personnel of the Trustee out of the assets of the Fund during the period. The Trustee held no interest in the Fund at the end of the financial year.

Environmental regulations

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

Derivatives

Financial derivatives may be used by appointed external investment managers consistent with their own internal policies or by the Trustee from time to time.

Risk reserve

The Trustee maintains an Operational Risk Reserve as required by the prudential regulator to act as a source of funds to meet the cost of operational errors. The Trustee is required to hold 25 basis points of fund net assets available to pay member benefits. The aggregated capital reserve set aside by the Trustee and accumulated within the fund was \$1.5 million, or 0.30% of net assets, as at 30 June 2017.

Privacy

The Trustee collects and uses your personal information to open and manage your account in the Fund, and to comply with the law. This may include your contact details, date of birth, superannuation interest and your Tax File Number, if you have chosen to disclose it.

If you do not provide your information to the Trustee, we may not be able to provide our services to you. You may also incur additional tax charges.

From time to time, the Trustee may share your personal information with other parties to provide our services to you, comply with the law and for other related purposes – such as direct marketing of other products and services that may be of interest to you. You may opt out of receiving direct marketing at any time by calling us on **1300 367 485** and advising us you do not wish to receive it.

The IFS Group Privacy Statement sets out how the Trustee manages and protects your personal information, and how you can access or update your information. A copy of the Statement is available from **retirewithiris.com.au**.

If you would like more information about the privacy requirements, you can contact the Australian Information Commissioner's hotline service on **1300 363 992** or visit **oaic.gov.au**.

Key management personnel

Directors

The directors of the SMI Trustee Board during the year were:

- Roberta Campo (resigned July 2017)
- Paul Faure (since 2011)
- David Issa (since October 2015)
- Michael Migro (since 2012)
- Felicity Pantelidis (appointed September 2017)
- Linda Rubinstein (since 2013, appointed Chair April 2016)
- Chloe Shorten (appointed August 2017)

The Directors were appointed in accordance with the SMI Constitution. Copies of the relevant extract from the Constitution and also the Trust Deed are available on our website at retirewithiris.com.au.

Other key IFS management personnel

| Name | Position | Employer |
|-------------------|--|----------|
| Catharine Bowtell | Chief Executive Officer | IFS |
| John Meehan | Chief Financial Officer | IFS |
| Lisa Rayner | Executive Manager, Legal Governance and Insights | IFS |
| Andrew Steggall | Company Secretary (resigned September 2017) | IFS |
| David Vernon | Executive General Manager SMI and IFI (resigned August 2016) | IFS |



IRIS Superannuation Fund

SPIN SMI0100AU
USI SMI0100AU
ABN 88 556 625 125

Trustee

Super Members Investments Limited
ABN 61 095 974 100
AFS Licence No. 231 230

Contact

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