



# **Closing Report**

30 April 2014

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## Closing message

As of 1 May 2014, Health Industry Plan [HIP] merged with Prime Super [Prime Super Pty Ltd ABN 81 067 241 016, AFSL No. 219723, RSE Licence No. L0000277 Prime Super ABN 60 562 335 823 RN 10100276]. As a final part in the process to merge both funds, this Closing Report will be the final document you receive from HIP. All further communication to HIP members will be from Prime Super.

With over 20 years' experience, Prime Super is an industry super fund providing personal support to over 150,000 members (with the inclusion of HIP members) and more than \$2.3 billion (with the inclusion of the HIP assets) in funds. Merging with Prime Super, HIP members have access to improved services, greater regional support and access

to education about super. In addition to this, members can enjoy low fees, a range of investment options, and access to the same great insurance benefits.

We hope that you will embrace this positive change and allow Prime Super to look after your superannuation needs. If you have any questions regarding any information in this report, please contact Prime Super on **1800 675 839** or via email at [administration@primesuper.com.au](mailto:administration@primesuper.com.au).

## Investment strategy

Our fundamental investment strategy was the active management of the Fund's investments in order to meet the objectives of the investment options. To do this, we used a mix of asset classes, including Australian and international equities, property, fixed interest, and cash. The Trustee also invested in some alternative assets. Because these assets were not tied to movements in the stock market, they could be used to cushion members' returns against short-term market fluctuation. For all types of asset classes, we used a multi-manager approach, which provided diversification across investment managers and reduced the risk of exposure to any one manager or investment style.

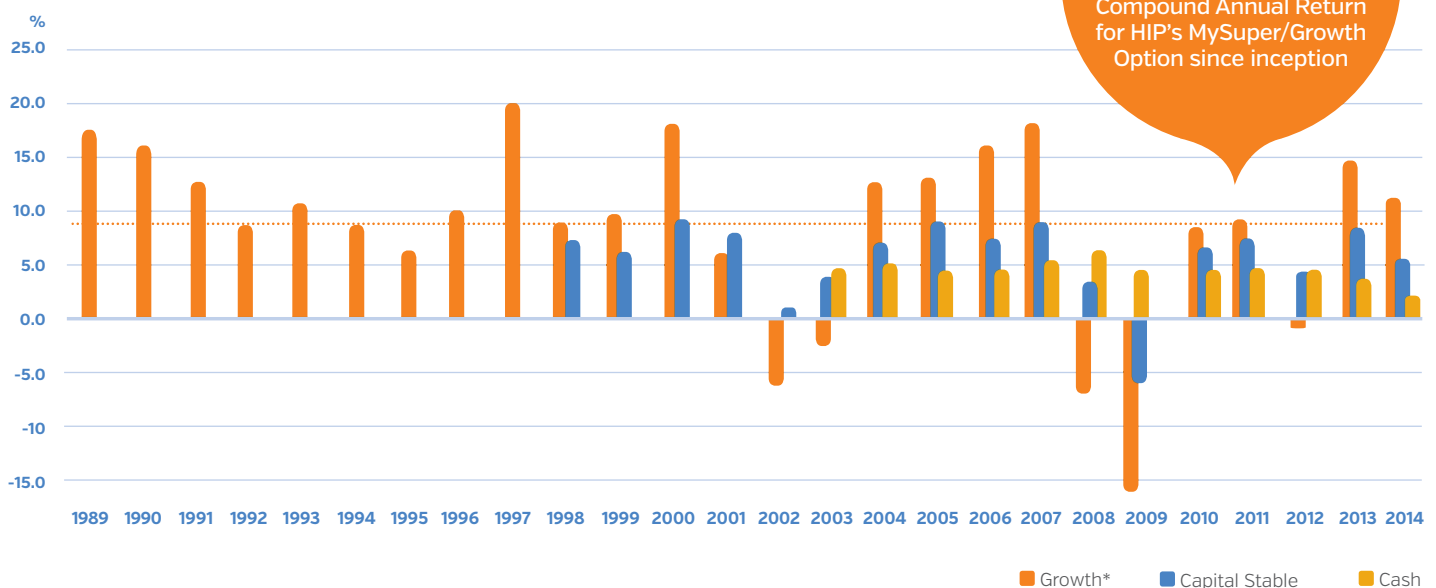
The Trustee actively managed the asset allocation of the Default (MySuper/Growth) option and the combination of managers we appointed in the context of the current and expected market decisions.

### Derivatives

Various managers have at times made use of derivatives as part of their portfolio management activities in the ten months to 30 April 2014. The Trustee imposes strict requirements on all managers using derivatives. In all cases, the manager is required to have strict investment guidelines on the use of derivatives, and derivatives cannot be used for speculative purposes.

Currency hedging activities are carried out in relation to international investments, within strictly defined parameters.

### Crediting rates for HIP investment options



\*Note that prior to 1997, the default HIP Option (MySuper/Growth) was called the Balanced Option.

Source: JANA Investment Advisors 2014. Past performance is not a reliable indicator of future performance.

## Investment performance

The tables below show the historical rates of return for each investment option for the super fund and pension fund for the five years to 30 April 2014. All returns are net of investment related costs such as fees charged by investment managers, investment expenses incurred by the Fund, and any applicable tax. Please note that no income tax is levied on a pension account.

### Super Fund – Crediting rates

	MySuper	Capital Stable	Cash
Inception date	July 1988	July 1997	July 2002
2014 <sup>1</sup>	10.64%	5.37%	1.86%
2013	14.68%	7.49%	3.20%
2012	-0.11%	4.20%	4.31%
2011	9.60%	7.00%	5.00%
2010	8.40%	6.70%	4.10%
5 year return <sup>2</sup>	8.74%	6.17%	3.81%
10 year return <sup>3</sup>	6.43%	5.64%	4.47%

### Pension – Crediting rates

	Growth	Capital Stable	Cash
Inception date	July 2007	July 2007	July 2007
2014 <sup>1</sup>	12.73%	5.56%	1.71%
2013	16.98%	8.69%	3.79%
2012	-0.21%	5.00%	5.31%
2011	11.20%	8.20%	6.00%
2010	9.40%	7.80%	4.90%
5 year return <sup>2</sup>	10.26%	7.07%	4.48%
10 year return <sup>3</sup>	3.04%	4.92%	4.93%

1 10-month return (1 July 2013 – 30 April 2014), as HIP merged with Prime Super on 1 May 2014.

2 The compound average effective rate of net earnings of the investment option for the period of 5 years ending 30 April 2014.

3 The compound average effective rate of net earnings of the investment option for the period of 10 years ending 30 April 2014 or where the option has been in operation for less than 10 years, from the date of inception.

Please note that past performance should not be taken as an indication of future performance. The returns stated for each investment option in the super fund and pension fund are those achieved by the particular option over the year and are not necessarily the return a member will receive. Members' actual rates of return will depend on the timing of any transactions, any deductions, any switches made during the period, and the actual mix of investment options that makes up the member's account. Your actual rate of return is shown on your member benefit statement.

## How investment earnings are allocated to members' accounts

The Trustee has declared a final crediting rate for the ten month period ending 30 April 2014 for each investment option. This rate has been based on valuations provided by the Custodian in accordance with predetermined methods of valuation, less expenses that have been incurred in managing the fund, as well as an allowance for unpaid expenses, including taxation.

If you left the fund during the year or switched between investment options prior to the declaration of the final crediting rate, earnings are applied using an *interim crediting rate*. The *interim crediting rate* is also based on valuations provided by the Custodian, less provisions for fees and taxes. A further amount (the equivalent of 0.5% per annum) is deducted as a contingency. The fluctuation in the valuation of the assets held for each investment option is used to determine the rate at which earnings (which may be positive or negative) are applied to members' accounts, is the *interim crediting rate*.

## Investment performance

### MySuper

For people who are seeking a high level of growth over the long term.

#### Objective

To exceed inflation\* by at least 3.5% per year over rolling 10-year periods.

#### Risk Band 6

The estimated probability number of negative annual returns over any 20-year period is 4 to 5.



#### Asset allocations as at 30 April 2014

- Australian equities 27.9%
- International equities 32.6%
- Growth alternatives 14.9%
- Defensive alternatives 8.2%
- Direct property 6.8%
- Bonds 8.1%
- Cash 1.5%

#### Crediting rate for 2013/14 financial year<sup>1</sup>

Super Fund 10.64%  
Pension Fund 12.73%

### Capital Stable

For people who are risk-averse, seeking greater security for their super in the short term.

#### Objective

To exceed inflation\* by at least 1% per year over rolling 10-year periods.

#### Risk Band 3

The estimated probability number of negative annual returns over any 20-year period is 1 to 2.



#### Asset allocations as at 30 April 2014

- Australian equities 7.5%
- International equities 7.5%
- Growth alternatives 5.0%
- Defensive alternatives 20.0%
- Direct property 10.0%
- Bonds 25.0%
- Cash 25.0%

#### Crediting rate for 2013/14 financial year<sup>1</sup>

Super Fund 5.37%  
Pension Fund 5.56%

### Cash

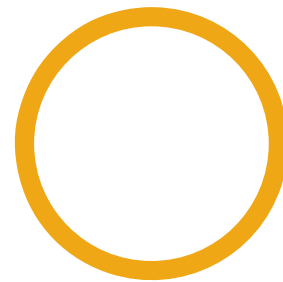
For people who are seeking security for their super in the short term.

#### Objective

To exceed inflation\* over rolling 10-year periods.

#### Risk Band 1

Whilst it is not guaranteed, the Cash Option is not expected to produce a negative return.



#### Asset allocations as at 30 April 2014

- Cash 100%

#### Crediting rate for 2013/14 financial year<sup>1</sup>

Super Fund 1.86%  
Pension Fund 1.71%

\* As measured by the movement of the Consumer Price Index (CPI). Past performance is not a reliable indicator of future performance.

1. Ten-month return, as HIP merged with Prime Super on 1 May 2014.

## The investments of the Fund at 30 April 2014 are as follows:

	30-Apr-14 \$'000	30-Apr-14 %	30-Jun-13 \$'000	30-Jun-13 %
<b>CASH AND CASH EQUIVALENTS</b>				
Term Deposits	14,586	1.90	4,544	0.65
MLC Platform - JANA Cash	31,027	4.03	19,663	2.82
AMP 11AM Account	5,888	0.77	5,725	0.82
	<b>51,501</b>	<b>6.70</b>	<b>29,932</b>	<b>4.29</b>
<b>AUSTRALIAN EQUITY TRUSTS</b>				
Bennelong Long-Short Equities Fund	22,385	2.91	21,120	3.03
Macquarie True Index Australian Equities	135,179	17.58	139,000	19.93
Vinva Australian Equities Limited	62,811	8.17	51,412	7.37
	<b>220,375</b>	<b>28.66</b>	<b>211,532</b>	<b>30.33</b>
<b>DEFENSIVE ASSETS</b>				
GMO Australia Limited - Multi Strategy Trust	21,279	2.77	20,526	2.94
JANA Triplepoint Plan	0	0.00	0	0.00
	<b>21,279</b>	<b>2.77</b>	<b>20,526</b>	<b>2.94</b>
<b>DIVERSIFIED BONDS</b>				
Bentham Wholesale Syndicated Loan Fund	58,317	7.58	54,073	7.75
MLC Platform - JANA Australian Fixed Interest	8,156	1.06	7,332	1.05
	<b>66,473</b>	<b>8.64</b>	<b>61,405</b>	<b>8.80</b>
<b>DIRECT PROPERTY</b>				
MLC Platform - JANA Direct Unlisted Property	51,341	6.68	48,928	7.02
	<b>51,341</b>	<b>6.68</b>	<b>48,928</b>	<b>7.02</b>
<b>GROWTH ALTERNATIVES</b>				
HarbourVest International Private Equity Partners IV	3,633	0.47	4,471	0.64
HarbourVest Partners VII - Cayman Buyout Fund L.P.	6,029	0.78	6,620	0.95
HarbourVest Partners VII - Cayman Venture Fund L.P.	5,205	0.68	5,204	0.75
Investec Global Aircraft Fund	6,176	0.80	6,137	0.88
RARE Infrastructure Value Plan	19,814	2.58	17,463	2.50
Japara Aged Care and Retirement Property Trust 1	10,524	1.37	8,204	1.18
AIF Capital Asia IV LP	3,120	0.41	944	0.14
AIF Capital Asia III LP	7,504	0.98	7,267	1.04
Dover Street VII Cayman Fund L.P.	8,760	1.14	10,395	1.49
Partners Group European Buyout Plan	13,742	1.79	13,475	1.93
Partners Group Secondary 2008	19,125	2.49	20,766	2.98
CBRE China Opportunity Plan L.P. (ING Real Estate)	0	0.00	1,988	0.29
	<b>103,632</b>	<b>13.48</b>	<b>102,934</b>	<b>14.76</b>
<b>INTERNATIONAL EQUITY</b>				
BlackRock Fixed Income Global Alpha Fund	10,704	1.39	10,104	1.45
JANA Emerging Markets Share Trust	30,348	3.95	27,483	3.94
Macquarie True Index International Equities	106,195	13.81	66,039	9.47
MLC Platform - High Alpha Global Share	74,299	9.66	63,432	9.09
T. Rowe Price Asia ex-Japan Fund	17,464	2.27	16,491	2.36
Currency hedging positions	5,010	0.65	[9,698]	-1.39
	<b>244,020</b>	<b>31.73</b>	<b>173,851</b>	<b>24.93</b>
<b>LIQUID ASSETS</b>				
Blackrock Cash Fund	10,411	1.35	10,154	1.46
CFS Wholesale Cash Fund	0	0.00	38,190	5.48
	<b>10,411</b>	<b>1.35</b>	<b>48,344</b>	<b>6.93</b>
<b>OTHER INVESTMENTS</b>				
	0	0.00	1	0.00
	<b>0</b>	<b>0.00</b>	<b>1</b>	<b>0.00</b>
<b>Total Investments</b>	<b>769,032</b>	<b>100.00</b>	<b>697,453</b>	<b>100.00</b>

## Financial Statements – unaudited

Abridged, unaudited financial statements for the period 1 July 2013 to 30 April 2014 are shown below. The audit of the financial statements and auditors report are expected to be completed by the end of June 2014 and will be available to members upon request after that date.

## Reserves as at 30 April 2014

The balance of all three reserves was equivalent to the reserves of Prime Super, and was transferred to Prime Super on 30 April 2014. The Trustee maintains the reserves separately from Fund money and Fund assets.

## Administration Reserve

The Administration Reserve supports the cost of administering HIP. It is created from a transfer from the Crediting Rate Allocation Reserve prior to earnings being allocated to members' accounts.

## Operational Risk Reserve

From 1 July 2013, the Federal Government imposed a requirement on all super funds to build up a separate Operational Risk Reserve (ORR) to specifically cover potential losses arising from "operational risks" that may affect the Fund's business operations. An "operational risk" is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

An ORR is designed to be drawn upon where there has been a significant cost to the Fund as a result of an operational risk.

As legislatively required of all funds from 1 July 2013, HIP started to build up its ORR via a deduction from the overall investment earnings of the fund. A deduction of 0.07% was made at 30 April 2014.

## Crediting Rate Allocation Reserve

Investment returns earned by the Fund for all investment options are held in an investment reserve, between the time they are received by the Fund and the time they are credited to members.

Any returns, positive or negative, achieved on the investment reserve are considered investment earnings of the Fund and will also be distributed to members.

Due to occasional unexpected investment distributions, or estimated tax liabilities and rounding of investment returns to whole cents, it is not practical to distribute the entire investment reserve. The balance of any carry-forward investment reserve is likely to be between zero and around 0.5% of the Fund's assets, which is available for distribution to members in subsequent years.

## Insurance Reserve

The Insurance Reserve covers any additional administration costs arising from the provision of members' insurance. The HIP Trustee Directors have decided that the Administration Reserve and Insurance Reserve together shall not accumulate to be more than 1.0% of the Fund's assets or fall below \$500,000.

	2014 [\$'000]	2013 [\$'000]
<b>Statement of Change in Net Assets</b>		
Opening balance at 1 July	706,602	621,311
<b>Plus income</b>		
Contributions received – employers	41,788	54,565
Contributions – low income super	466	–
Contributions received – members	4,652	3,860
Co-contributions – Government	108	436
Transfers	6,606	9,665
Investment income	88,219	90,114
Other income	1,434	1,635
<b>Total Income</b>	<b>143,273</b>	<b>160,275</b>
<b>Less expenses</b>		
Government taxes	12,460	10,870
Insurance costs	2,529	2,422
Administration costs	11,092	5,622
Benefits paid	55,924	56,070
<b>Total Expenses</b>	<b>82,005</b>	<b>74,984</b>
<b>Less</b>		
Transfer to Prime Super	767,870	0
<b>Net Assets at 30 April 2014 &amp; 30 June 2013</b>	<b>0</b>	<b>706,602</b>

### Transfer to Successor Fund

HIP has been wound up with an effective date of 30 April 2014. All assets and liabilities were transferred to Prime Super [the Successor Fund] with an effective date of 30 April 2014 in accordance with the successor fund transfer agreement. The value of the assets and liabilities transferred were as follows:

Statement of Assets and Liabilities (2014 \$ Plan)	
	2014 \$'000
Investments	769,032
<b>Other assets</b>	
Cash at bank	3,779
Accounts receivable	685
Deferred tax assets	737
Derivative assets	399
<b>Total Other Assets</b>	<b>5,600</b>
<b>Total Assets</b>	<b>774,632</b>
<b>Less liabilities</b>	
Benefits payable	286
Accounts payable	3,963
Derivative liabilities	399
Current tax liabilities	2,114
<b>Total Liabilities</b>	<b>6,762</b>
<b>Transfer to Successor Fund</b>	<b>767,871</b>
<b>Represented By:</b>	
<b>Liability for Accrued Benefits</b>	
Members' funds	763,416
Reserves	4,454
<b>Liability for Accrued Benefits</b>	<b>767,870</b>

Reserves History as at 30 April 2014					
	Administration Reserve	Crediting Rate Allocation Reserve	Insurance Reserve	Operational Risk Reserve	Total \$
<b>2014</b>	2,175,637	1,208,004	453,556	536,929	4,374,126
<b>2013</b>	203,533	303,265	296,467	–	803,265
<b>2012</b>	642,223	180,111	179,630	–	1,001,964



### Trustee Directors

#### Robert (Bob) Whyburn

[Appointed January 2009  
Appointed Chairman 10 February 2014]  
Chairman, Member Director;  
Solicitor-Director NEW Law Pty Ltd

#### Anna Claude

[Appointed January 2011;  
Resigned 30 April 2014.]  
Member Director; Manager, Strategic  
Industrial and Bargaining Team,  
NSW Nurses and Midwives' Association

#### Lynne Ridge

[Appointed April 2013;  
Resigned 30 April 2014.]  
Member Director; Marketing Coordinator,  
NSW Nurses and Midwives' Association

#### Anthony Wallace

[Appointed September 1994;  
Terminated 26 February 2014.]  
Chairman, Employer Director;  
Executive Director, The Healthcall Group

#### Arthur Brotherhood

[Appointed August 1999;  
Stood down 1 April 2014;  
Resigned 30 April 2014.]  
Employer Director; Director,  
IBIS Care Holdings Pty Ltd.

#### George Toemoe

[Appointed January 2000;  
Stood down 1 April 2014;  
Resigned 17 April 2014.]  
Employer Director; Health Consultant,  
Chairman, Private Hospitals Association  
of NSW

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### Trustee

Until 30 April 2014, HIP was managed by the Trustee company, Private Hospitals Superannuation Pty Ltd ACN 006 792 749.

The Trustee company had two shareholders: the nominee of the NSW Nurses and Midwives' Association, representing members' interests; and the nominee of the NSW Private Hospitals Association, representing employers' interests.

Until 30 April 2014, the two shareholders each appointed one or more Directors, as long as the Board had the same number of Directors representing both members and employers. Likewise, they had the power to remove their appointees, subject to the provisions of the Fund's Constitution. Once appointed, Directors were able to hold office for up to three years and were eligible for reappointment.

Directors were expected to attend up to six Board meetings per year and an annual strategic planning conference, as well as various other meetings and conferences.

On 1 May 2014, the HIP Fund was transferred to Prime Super (as per the merger agreement with Prime Super) but the HIP Trustee company continues to exist to wind up the statutory matters that needed to be wound up post-merger. Robert Whyburn, the Chair, remains as the only director on the HIP Trustee company until all post-merger matters are finalised.

### Remuneration

Directors were paid up to \$20,000 per year based on meeting attendance, with the Chairman receiving an additional allowance of \$20,000. In addition, Directors were also entitled to be paid for extraordinary or additional meetings. Directors who were members of a Board committee received up to an additional \$6,000 per year, with the Chair of each committee receiving an additional allowance of \$6,000 per year.

Directors were also compensated for additional time in undertaking mandatory ongoing education and training, to a maximum of \$10,000 per year.

Directors' fees were paid on an actual attendance basis together with superannuation guarantee contributions, in line with the minimum level required by legislation.

Name	Wages/invoiced amount	Super*	Total
<b>Board</b>			
Anthony Wallace	\$19,057.50	\$1,942.50	\$21,000.00
George Toemoe	\$46,844.96	\$4,774.83	\$51,619.79
Arthur Brotherhood	\$32,670.00	\$3,330.00	\$36,000.00
Robert (Bob) Whyburn	\$49,594.31	\$5,217.22	\$54,811.53
Lynne Ridge	\$19,948.04	\$2,195.43	\$22,143.47
Anna Claude	\$23,124.29	\$2,519.18	\$25,643.47
<b>Executive</b>			
Ross Bernays	\$281,343.16	\$35,000.00	\$316,343.16

\* This figure includes SG and any salary sacrificed amounts

### Committees

The Fund had three standing committees – Investment Committee, Audit & Risk Management Committee, and the Remuneration Committee. Committee members up until 30 April 2014 were as follows:

#### Investment Committee

##### Anthony Wallace (chair)

1 July 2013 to 26 February 2014

##### Arthur Brotherhood

1 July 2013 to 30 April 2014

##### George Toemoe

1 July 2013 to 17 April 2014

##### Robert Whyburn (chair)

26 February 2014 to 30 April 2014

#### Audit & Risk Management Committee

##### Anthony Wallace

1 July 2013 to 26 February 2014

##### Arthur Brotherhood

1 July 2013 to 30 April 2014

##### George Toemoe (chair)

1 July 2013 to 17 April 2014

##### Robert Whyburn

26 February 2014 to 30 April 2014

##### Anna Claude

26 February 2014 to 30 April 2014

#### Remuneration Committee

##### Arthur Brotherhood (chair)

1 July 2013 to 30 April 2014

##### George Toemoe

1 July 2013 to 17 April 2014

##### Anna Claude

26 February 2014 to 30 April 2014

### Directors' meeting attendance

Director	Trustee Board meetings	Investment Committee meetings	Audit & Risk Management Committee meetings	Remuneration Committee meetings
Anthony Wallace	8/13	5/6	3/5	n/a
Arthur Brotherhood	12/13	6/6	5/5	2/2
Anna Claude	11/13	n/a	1/5	1/2
Lynne Ridge	11/13	n/a	1/5	n/a
George Toemoe	12/13	6/6	5/5	2/2
Robert Whyburn	12/13	2/6	2/5	n/a

## Managing your fund

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### Trustee Insurance

The Trustee had taken indemnity insurance to protect the Trustee, the Directors and the Fund against certain claims. The policy provided for payment of legal costs and for replacement of Fund assets in the event of a successful claim up to \$20 million on any one claim, and \$40 million in the aggregate.

### Trust Deed Changes

The Trust Deed is a legal document that governs how the Fund operates and what benefits can be paid to members. The Trust Deed required specific amendments to incorporate and finalise the merger of the Trustee with Prime Super. These changes have been made.

### Complying Fund

HIP was a complying superannuation fund for taxation purposes. All necessary returns and certificates have been lodged with APRA. Once the audit of HIP's Financial Statements are complete, returns for the year to 30 April 2014 will also be lodged with APRA.

The Trustee is not aware of any matter which would cause the Fund to lose its complying status. No penalties under superannuation law have been imposed.

### Conflicts of Interest

The Trustee had established procedures to ensure that any conflict of interest in respect of the Directors was disclosed and appropriately dealt with.

### Service providers

Up until 30 April 2014, HIP's service providers were:

**Administration:** Superpartners

**Auditor/Tax Agent:** Deloitte Touche Tohmatsu

**Bank:** National Australia Bank

**Investment Consultant:** JANA Investment Advisors

**Debt Collection:** Industry Funds Credit Control

**Custodian:** NAB Asset Servicing

**Insurer:** MLC Limited

**Solicitor:** Corrs Chambers Westgarth

## Legislative changes to super in 2014

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### The end of the Low Income Super Contribution (LISC)

As announced in 2013, the Federal Government is still expecting to press ahead with its plans to abolish the LISC from 1 July 2013. The LISC refunded the 15 per cent contributions tax that those earning under \$37,000 a year paid on their super contributions. This measure will impact those who may be least likely to afford it<sup>1</sup>.

### A longer wait to be eligible for the pension

For members born after 1965, the recent May 2014 budget proposes that the retirement age increases to 70 by 2035. This could mean a longer wait to be able to access the Age Pension<sup>2</sup>.

### Concessional contribution limits: increase to go ahead

Increases to contributions caps had previously been proposed, and it appears that the Government will allow these to go ahead. From 1 July 2014, for those aged under 50, the annual concessional (before-tax) cap will rise to \$30,000. While for those over 50, the limit is \$35,000. For non-concessional contributions (made from after-tax income), the cap will rise from \$150,000 to \$180,000.

There will also be fairer treatment of excess non-concessional contributions. From 1 July 2013, members who exceed the non-concessional contributions cap can apply to withdraw excess contributions rather than be charged a penalty tax of up to 93 per cent<sup>3</sup>.

### Keeping track of your super is easier

The ATO online services have been improved, so that members can see and do more with their super in a few simple steps. Just register with the ATO, and use its *SuperSeeker* tool to:

- check all your super accounts – did you know that more than 80% of Australians hold three or more super fund accounts?
- find your lost super – there are billions of dollars in lost super; see if some of it is yours!
- find ATO-held lost super – if the government or your employer can't find an account to transfer your super to, the ATO will hold it on your behalf; and
- transfer your super into the super account you want, using an online form – if this is a fund-to-fund transfer, it will generally be actioned within three working days.

To access these services, members will need to register online at [www.ato.gov.au](http://www.ato.gov.au) – this is an important security measure, and once registered you can access your information 24/7.

1. [www.ato.gov.au](http://www.ato.gov.au)
2. [www.budget.gov.au](http://www.budget.gov.au)
3. <http://www.superguide.com.au/boost-your-superannuation/another-horror-story-how-to-pay-93-tax-on-your-super-contributions>. Excess Contributions 'Happy ending to a horror story'.

### Further changes to the HIP Trustee Board

As previously advised, on 26 February 2014, the Board of the HIP Trustee, Private Hospitals Superannuation Pty Ltd, terminated the employment of the CEO, and on 27 February 2014 the Board removed the Chairman as a Director, as a result of an investigation into expenses of the Trustee. A further two Directors, George Toemoe and Arthur Brotherhood, were stood aside on 1 April 2014 pending the outcome of these ongoing investigations.

One of the Directors who was stood aside, Mr George Toemoe, resigned from the Board on 17 April 2014. Three further directors – Arthur Brotherhood, Anna Claude and Lynne Ridge – all resigned from the Board on 30 April 2014 in accordance with the merger agreement with Prime Super.

Mr Robert (Bob) Whyburn was appointed Chairman of the Board on 10 February 2014, and he will continue from 1 May 2014 in that role, and as the sole Director of the HIP Trustee until the Trustee is formally wound up.

As previously advised, up to four independent directors will be appointed to the Prime Super Trustee Board with direct health and aged care experience, to ensure that the interests of transferring HIP members and employers are considered by the Prime Super Trustee Board in its decision-making process.

### Special Purpose Engagement Audit into Fund expenses

The Board of HIP, in consultation with APRA, recently instigated an investigation into Fund expenditure. This investigation has now been completed, and the following issues have been identified:

1. Inappropriate expenses had been claimed by four officers of HIP.

This matter led to the Board taking the actions against the CEO and the Directors, as set out above in 'Further changes to the HIP Trustee Board'.

2. The tax treatment of some Fund expenses has been incorrect. This has led to an additional Fringe Benefits Tax (FBT) liability payable by the Trustee this financial year as well as a liability for a small penalty.

The FBT liability has not been correctly accounted for in previous years. The full liability, together with an estimate of the penalty payable to the Australian Tax Office on this amount, has been expensed in the current year.

3. The report found no negative findings against Mr Robert Whyburn, Ms Anna Claude and Ms Lynne Ridge.

The full costs incurred to date, plus provision for any future costs related to the investigation, resolution and rectification of the matters noted above in points one and two, have been included in the additional fees noted on the following pages.

### Your insurance

A detailed review of the insurance arrangements of the Fund has been conducted during the merger process. This review has identified a potential shortfall in the premiums paid to the Insurer, which requires further investigation. Any additional amounts payable to the Insurer have been provided for and there will be no further adjustments required to your account. We do not anticipate that you will need to do anything as a result of this review, but we will contact you directly if there is anything you need to do.

It is important to note that this review will not impact the level of insurance cover that you have.

## Fee disclosure

During the due diligence process undertaken as part of the merger discussions with Prime Super, it was identified that the costs to members of HIP had not been fully disclosed in the PDS for the super and pension products.

The fees **disclosed** to **accumulation fund members** were:

Administration fee	\$2.50 per week
Investment manager costs	0.85% [MySuper]
	0.61% [Capital Stable]
	0.25% [Cash]

The **actual** fees and costs charged to **accumulation fund members** were:

Administration fee:	\$2.50 per week
Investment manager costs	0.85% [MySuper]
	0.61% [Capital Stable]
	0.25% [Cash]

**PLUS** an **undisclosed** Asset fee:

10 months ended 30 April 2014	0.34%
Contribution to reserves/merger costs	0.77%*
Operational Risk Reserve	0.07%**

The asset fees had arisen due to the fact that the costs of running the Fund exceeded the revenue derived from the administration fee charged to members. These fees had been charged via a deduction from the investment earnings of the Fund prior to them being credited to members. Communications to members prior to the Significant Event Notice sent in April 2014 did not include details of the asset fee.

The fees **disclosed** to **pension members** were:

Asset fee: A percentage of your account balance depending on your account balance.

Balance	% charged
<\$500,000	0.45
Over \$500,000 - \$1m	0.35
Over \$1m - \$1.5m	0.25
Over \$1.5m	Nil
Investment manager costs:	0.85% [Growth]
	0.61% [Capital Stable]
	0.25% [Cash]

The **actual** fees and costs charged to **pension members** were:

Asset fee: A percentage of your account balance depending on your account balance.

Balance	% charged
<\$500,000	0.45
Over \$500,000 - \$1m	0.35
Over \$1m - \$1.5m	0.25
Over \$1.5m	Nil
Investment manager costs:	0.85% [Growth]
	0.61% [Capital Stable]
	0.25% [Cash]

**PLUS** an **undisclosed** Asset fee:

10 months ended 30 April 2014	0.34%
Contribution to reserves/merger costs	0.77%*
Operational Risk Reserve	0.07%**

\* As part of the merger, an additional 0.77% was charged to members, taking the total asset fee to 1.11%. This deduction was to cover the creation of reserves to match the reserves held by Prime Super as at the date of the merger. The fee has been charged via a deduction from the investment earnings of the Fund, prior to them being credited to members.

\*\* For information on the Operational Risk Reserve, please see page 7.

## HIP merger with Prime Super

### Why the merger is great for HIP members

Whilst HIP remained committed to providing members with the stability and service that they expected from HIP, the costs of administering a super fund have increased significantly in the last few years.

At HIP we found that the administration fees charged to members did not cover the costs of running the Fund. The shortfall was met through a reduction in the investment returns to members.

Rather than continue this practice, HIP was faced with the reality of having to substantially increase member fees or find a partner to merge with so that the Fund could benefit from economies of scale. The merger with Prime Super offered this, and more, and positioned HIP members well for the future. Through the merger with Prime Super we will be able to provide members with improved services whilst ensuring that we will not be so large that we will lose focus on what is important to our members and employers.

### What are the benefits of merging with Prime Super?

- Lower costs to members – every member will be better off, regardless of account balance
- More flexibility in investment choice options
- Improved online access
- Better member and employer services
- Public offer fund available to family and friends
- The same great insurance benefits for accumulation members

Like HIP, Prime Super is a national industry super fund where the members' interests come first. Prime Super has over 130,000 members and 40,000 employers. The merger will also provide HIP members with greater regional support and access to super education.

### Member account and fees

As previously advised, all HIP member accounts were transferred to the HIP division of Prime Super effective 1 May 2014, and new fees have applied.

#### ACCUMULATION MEMBERS

A comparison of fees is detailed in the table below.

	HIP FEES & COSTS		PRIME SUPER FEES & COSTS	
INVESTMENT FEE	Nil		Nil	
ADMINISTRATION FEE	\$2.50 per week [\$130 p.a.] plus an asset fee of 1.11%*.		\$1.40 per week [\$72.80 p.a.] plus 0.5% of your account balance to \$100,000, then nil on amounts over \$100,000.	
SWITCHING FEE	Nil for the first switch, then \$20 for every subsequent switch in the same calendar year.		Nil for the first switch, then \$60 for every subsequent switch in the same calendar year.	
EXIT FEE	Nil		Nil unless your balance is transferred to an ERF, then \$10 is charged.	
OTHER FEES AND COSTS				
ESTABLISHMENT FEE The fee to open your account	Nil		Nil	
CONTRIBUTION FEE (ENTRY FEE) The fee on each amount contributed by you or your spouse	Nil		Nil	
WITHDRAWAL FEE The fee on each amount you take out of your account	Nil		Nil	
INVESTMENT INDIRECT COST RATIO Calculated as at 30 June 2013 and may vary year-to-year. This refers to investment costs, which are deducted from investment earnings.	MySuper	0.85%	MySuper	0.68%
	Capital Stable	0.61%	Managed Growth	0.76%
	Cash	0.25%	Conservative	0.40%
			Alternatives	0.88%
			Australian Shares	0.62%
			International Shares	0.73%
			Property	1.22%
			Fixed Interest	0.25%
			Cash	0.20%

\* For the period 1 July 2013 to 30 April 2014.

The table below illustrates the comparison of fees and costs for a range of Super members' account balances, taking into account the total costs to members in the MySuper option:

ACCOUNT BALANCE	HIP ANNUAL FEE <sup>1</sup>	PRIME SUPER ANNUAL FEE <sup>2</sup>	DIFFERENCE
\$5,000	\$228.00	\$131.80	\$96.20
\$10,000	\$326.00	\$190.80	\$135.20
\$20,000	\$522.00	\$308.80	\$213.20
\$50,000	\$1,110.00	\$662.80	\$447.20
\$100,000	\$2,090.00	\$1,252.80	\$837.20
\$150,000	\$3,070.00	\$1,592.80	\$1,477.20
\$200,000	\$4,050.00	\$1,932.80	\$2,117.20
\$500,000	\$9,930.00	\$3,972.80	\$5,957.20
\$1,000,000	\$19,730.00	\$7,372.80	\$12,357.20

1. HIP fees are calculated as follows: Administration fee of \$2.50 per week plus an Investment Indirect Cost Ratio of 0.85% for the MySuper option plus an undisclosed Asset fee of 1.11%.

2. Prime Super fees are calculated as follows: Administration fee of \$1.40 per week (\$72.80 p.a.) plus 0.5% p.a. of your account balance to \$100,000 then nil on amounts over \$100,000 plus an Investment Indirect Cost Ratio of 0.68% for the MySuper option.

It is important to note that the weekly fee of \$2.50 (annual cost of \$130) is separately disclosed on your member statement, whilst the asset fee of 1.11% and the investment cost ratio of 0.85% for the MySuper option are both netted-off against the investment earnings of the Fund prior to those earnings being applied to your account.

EXAMPLE – MYSUPER PRODUCT	OLD HIP ARRANGEMENTS		NEW PRIME SUPER ARRANGEMENTS	
FEE DESCRIPTION	COST	BALANCE OF \$50,000	COST	BALANCE OF \$50,000
Investment fees	Nil	For every \$50,000 you have in the MySuper product, you will be charged \$0 each year.	Nil	For every \$50,000 you have in the MySuper product, you will be charged \$0 each year.
<b>PLUS</b>				
Administration Fees	\$2.50 per week [\$130.00 p.a.] <b>Plus</b> 1.11% of your account balance.	<b>And</b> , you will be charged <b>\$685.00</b> in administration fees.	\$1.40 per week [\$72.80 p.a.] <b>Plus</b> 0.50% of your account balance to \$100,000, then nil on amounts over \$100,000.	<b>And</b> , you will be charged <b>\$322.80</b> in administration fees.
<b>PLUS</b>				
Indirect costs for the MySuper product	0.85%	<b>And</b> , indirect costs of <b>\$425.00</b> will be deducted from your investment.	0.68%	<b>And</b> , indirect costs of <b>\$340.00</b> will be deducted from your investment.
<b>EQUALS</b>				
Cost of the Product		If your balance was \$50,000, then for that year you will be charged fees of <b>\$1,110.00</b> for the MySuper product.		If your balance was \$50,000, then for that year you will be charged fees of <b>\$662.80</b> for the MySuper product.

## HIP merger with Prime Super

### PENSION MEMBERS

A comparison of fees for Pension members is detailed in the table below.

	HIP FEES & COSTS	PRIME SUPER FEES & COSTS																								
INVESTMENT FEE	Nil	Nil																								
ASSET FEE	<div>A percentage of your account balance depending on your account balance.<table><tr><th>Balance</th><th>% charged</th></tr><tr><td>&lt;\$500,000</td><td>0.45</td></tr><tr><td>&gt;500,000-\$1M</td><td>0.35</td></tr><tr><td>&gt;\$1M-\$1.5M</td><td>0.25</td></tr><tr><td>&gt;\$1.5M</td><td>Nil</td></tr></table>Plus an undisclosed additional asset fee of 1.11%*</div>	Balance	% charged	<\$500,000	0.45	>500,000-\$1M	0.35	>\$1M-\$1.5M	0.25	>\$1.5M	Nil	\$1.40 per week (\$72.80 p.a.) plus 0.5% of your account balance to \$100,000 then nil on amounts over \$100,000.														
Balance	% charged																									
<\$500,000	0.45																									
>500,000-\$1M	0.35																									
>\$1M-\$1.5M	0.25																									
>\$1.5M	Nil																									
SWITCHING FEE	Nil for the first switch then \$20 for every subsequent switch in the same calendar year.	Nil for the first switch then \$60 for every subsequent switch in the same calendar year.																								
EXIT FEE	Nil	Nil unless your balance is transferred to an ERF, then \$10 is charged.																								
OTHER FEES AND COSTS																										
ESTABLISHMENT FEE The fee to open your account	Nil	Nil																								
CONTRIBUTION FEE (ENTRY FEE) The fee on each amount contributed by you or your spouse	Nil	Nil																								
WITHDRAWAL FEE The fee on each amount you take out of your account	Nil	Nil																								
INDIRECT COST RATIO Calculated as at 30 June 2013 and may vary year-to-year.	<table><tr><td>Growth</td><td>0.85%</td></tr><tr><td>Capital Stable</td><td>0.61%</td></tr><tr><td>Cash</td><td>0.25%</td></tr></table>	Growth	0.85%	Capital Stable	0.61%	Cash	0.25%	<table><tr><td>Balanced</td><td>0.68%</td></tr><tr><td>Managed Growth</td><td>0.76%</td></tr><tr><td>Conservative</td><td>0.40%</td></tr><tr><td>Alternatives</td><td>0.88%</td></tr><tr><td>Australian Shares</td><td>0.62%</td></tr><tr><td>International Shares</td><td>0.73%</td></tr><tr><td>Property</td><td>1.22%</td></tr><tr><td>Fixed Interest</td><td>0.25%</td></tr><tr><td>Cash</td><td>0.20%</td></tr></table>	Balanced	0.68%	Managed Growth	0.76%	Conservative	0.40%	Alternatives	0.88%	Australian Shares	0.62%	International Shares	0.73%	Property	1.22%	Fixed Interest	0.25%	Cash	0.20%
Growth	0.85%																									
Capital Stable	0.61%																									
Cash	0.25%																									
Balanced	0.68%																									
Managed Growth	0.76%																									
Conservative	0.40%																									
Alternatives	0.88%																									
Australian Shares	0.62%																									
International Shares	0.73%																									
Property	1.22%																									
Fixed Interest	0.25%																									
Cash	0.20%																									

\* For the period 1 July 2013 to 30 April 2014.



The table below illustrates the comparison of fees and costs for a range of Pension members' account balances, taking into account the total costs to members:

ACCOUNT BALANCE	HIP ANNUAL FEE <sup>1</sup>	PRIME SUPER ANNUAL FEE <sup>2</sup>	DIFFERENCE
\$50,000	\$1,205.00	\$662.80	\$542.20
\$100,000	\$2,410.00	\$1,252.80	\$1,157.20
\$250,000	\$6,025.00	\$2,272.80	\$3,752.20
\$500,000	\$12,050.00	\$3,972.80	\$8,077.80
\$750,000	\$17,825.00	\$5,672.80	\$12,152.20
\$1,000,000	\$23,600.00	\$7,372.80	\$16,227.20
\$1,500,000	\$34,650.00	\$10,772.80	\$23,877.20

1. HIP fees are calculated as follows: Asset fee based on account balance as follows: First \$500,000 – 0.45%. Over \$500,000 to \$1M – 0.35%. Over \$1M to \$1.5M – 0.25%. Over \$1.5M – Nil. Plus an Investment Indirect Cost Ratio 0.85% for the Growth option, plus an undisclosed Asset fee of 1.11%.

2. Prime Super fees are calculated as follows: Administration fee of \$1.40 per week [\$72.80 p.a.] plus 0.5% p.a. of your account balance to \$100,000 then nil on amounts over \$100,000 plus an Investment Indirect Cost Ratio of 0.68% for the Growth option.

It is important to note that the weekly administration fee [based on your account balance] is separately disclosed on your pension statement, whilst the asset fee of 1.11% and the investment indirect cost ratio of 0.85% for the Growth option are both netted-off against the investment earnings of the Fund prior to those earnings being applied to your account.

EXAMPLE – GROWTH PRODUCT	OLD HIP ARRANGEMENTS		NEW PRIME SUPER ARRANGEMENTS	
FEE DESCRIPTION	COST	BALANCE OF \$50,000	COST	BALANCE OF \$50,000
Investment fees	Nil	For every \$50,000 you have in the Growth product, you will be charged \$0 each year.	Nil	For every \$50,000 you have in the Balanced product, you will be charged \$0 each year.
<b>PLUS</b>				
Administration Fees	0.45% of your account balance <b>Plus</b> 1.11% of your account balance.	<b>And</b> , you will be charged <b>\$780.00</b> in administration fees.	\$1.40 per week [\$72.80 p.a.] <b>Plus</b> 0.50% of your account balance to \$100,000, then nil on amounts over \$100,000.	<b>And</b> , you will be charged <b>\$322.80</b> in administration fees.
<b>PLUS</b>				
Indirect costs for the Growth product	0.85%	<b>And</b> , indirect costs of <b>\$425.00</b> will be deducted from your investment.	0.68%	<b>And</b> , indirect costs of <b>\$340.00</b> will be deducted from your investment.
<b>EQUALS</b>				
Cost of the Product		If your balance was \$50,000, then for that year you will be charged fees of <b>\$1,205.00</b> for the Growth product.		If your balance was \$50,000, then for that year you will be charged fees of <b>\$662.80</b> for the Balanced product.

## Information you should know

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### Change of details?

From 1 May 2014, Prime Super will keep you informed about your super by sending you annual statements, annual reports and newsletters. It is important that Prime Super has your most up-to-date contact details so that they can keep in contact with you. If you change your address or any of your personal details, please let Prime Super know. You can update your details online at [www.primesuper.com.au](http://www.primesuper.com.au) or by calling **1800 675 839**.

### Information on request

There are a number of documents that provide important information about HIP and your benefits whilst you were a member of HIP. These include annual reports, member statements, product disclosure statements, the HIP Trust Deed, investment policy and risk management statements, audited accounts and reports, Australian Prudential Regulation Authority annual returns, rules for the appointment and removal of Trustee Directors, and enquiries and complaints procedures.

If you would like access to information that specifically relates to HIP, please phone Prime Super on **1800 675 839**.

If you would like to receive future statements online (from Prime Super), please contact Prime Super on **1800 675 839** or via email at [administration@primesuper.com.au](mailto:administration@primesuper.com.au).

### Transfers to Eligible Rollover Funds (ERFs)

Prior to 1 May 2014, if your HIP account had not received a contribution in the last two years and your account balance was less than \$500, your benefit may have been transferred to an ERF.

HIP used Australia's Unclaimed Super Fund – AUSfund. AUSfund charges a low annual fee of \$10. However, AUSfund has no death, income or disability insurance cover. If your benefit was transferred to AUSfund, you will no longer be a member of, or have any rights under HIP. Please note also that AUSfund's investment structure may not suit your particular needs. You can write to:

#### **AUSfund**

PO Box 2468  
Kent Town SA 5071  
or  
phone 1300 361 798

### Superannuation surcharge

From 1 May 2014, if the Trustee of Prime Super receives a superannuation surcharge assessment from the ATO regarding your past contributions to HIP then the Prime Super Trustee will be required to deduct the surcharge from your member account and pay it to the ATO.

### Enquiries and complaints

If you wish to make an enquiry about HIP or if you have any concerns about the operation or management of HIP, please contact Prime Super on **1800 675 839** or write to:

#### **The Enquiries and Complaints Officer**

Prime Super  
Locked Bag 5103  
Parramatta NSW 2124  
Fax: 1800 023 662  
Email: [administration@primesuper.com.au](mailto:administration@primesuper.com.au)

Prime Super will endeavour to acknowledge complaints within 14 days of receipt and you will receive a formal reply to your complaint within 90 days. If you are not satisfied with the outcome, you may be able to have your complaint heard the Superannuation Complaints Tribunal (SCT). The SCT is an independent body set up by the Commonwealth Government to hear complaints by members and beneficiaries against certain types of decisions made by trustees of super funds. The SCT can only consider your complaint if you have already approached the Trustee.

There are certain time limits that you need to comply with to lodge a complaint with the SCT. For more information on these time limits, please visit the SCT website ([www.sct.gov.au](http://www.sct.gov.au)).

Members can contact the SCT toll free on 1300 844 114 from anywhere in Australia, or write to them at:

#### **The Superannuation Complaints Tribunal**

Locked Bag 3060  
Melbourne VIC 3001



## How to contact us

Prime Super will assist you with any questions you may have about the Fund and your membership. Information available includes, but is not limited to, documents such as the HIP Trust Deed, audited financial statements, auditor's reports, investment policy information, information on enquiries and

complaints procedures, insurance policies and the risk management plan. You can request information and answers to any questions by contacting Prime Super by mail, phone, fax or email.

## Contact Details

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Post Prime Super Locked Bag 5103  
Parramatta NSW 2124

Phone Freecall 1800 675 839  
[8am-8pm AEST Monday-Friday]

Fax Freefax 1800 023 662

Email [administration@primesuper.com.au](mailto:administration@primesuper.com.au)

Web [www.primesuper.com.au](http://www.primesuper.com.au)

### Important information about this report

This report is a summary. The rules governing HIP are contained in a Trust Deed and the relevant law. A copy of the Trust Deed can be made available on request. In the event of a dispute, the Trust Deed and relevant law will prevail over this report.

Information in this report was up to date at the time of preparation. However, information can change from time to time. You can obtain up-to-date and additional information or a copy of the Prime Super Short-Form Product Disclosure Statement (PDS) by contacting Prime Super.