

Annual Report 2017

Empowering our members to thrive
for the rest of their lives



Good. Better. REST

rest.com.au 1300 300 778

30 November 2017



Our philosophy

Founded in 1988, REST Industry Super was established to create a superannuation fund that could service the superannuation needs of the retail sector, but is now open to all, while keeping fees low and insurance affordable. Our mission is to improve the retirement outcomes of our members throughout their lives. We are committed to delivering strong investment returns over the long-term. Our members and employers remain at the heart of everything we do.



Contents

04	Message from the CEO
06	Year in review
08	The value of insurance
10	The world of work
12	A decade of competitive returns
20	The journey to retirement
22	REST Board governance
32	Notice to REST members
34	Executive management
42	Financial statements

For Acumen members, there are two parts to the Annual Report. This document is the first part and the AQ Update is the second part. For all other members, this document is the complete Annual Report.

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Overview of REST for 2017



\$45 billion*
worth of funds under management

Around **164,000***
employers use REST

Total number of REST members just over **1.9 million***
62% female members

Member snapshot
(female, 34, lives in NSW)

6,668 members^
received personal advice

31,780
Live Chats answered via the website since December 2016

160,658
questions asked of our virtual agent 'Roger' since January 2017

74%
of members are insured

*Current as at 30 June 2017
^Number of members during 2016-2017 financial year

Message from the CEO



Damian Hill
Chief Executive Officer

I'm pleased to report that the 2016-17 financial year was another successful one for REST. We significantly enhanced our digitally led customer experience, while also delivering competitive returns well above our investment objectives for our customers.

We are committed to providing the best retirement outcomes possible, which is why we take a long-term active investment approach when it comes to supporting your life after work.

Innovation

REST was recognised for its strength in innovation at the Chant West 2017 Super Funds Awards, winning the award for BEST Fund: Innovation 2017. This is a testament to REST's enhanced digital service, including the provision of a Live Chat functionality and 'Roger' an online virtual customer service feature on our website. Both these developments made REST the first super fund to service member enquiries 24/7, with Live Chat receiving a 95% satisfied or totally satisfied response rate from customers surveyed.

We were also the first to apply behavioural economics to our insurance claims forms, making it much easier for members to lodge a claim. It also means we can process their claims quicker. We were also first to provide interactive online member statements offering an inbuilt consolidation tool for members so that you can have all of your super in one place.

During the year REST secured six months free membership with Acorns for REST members. This strategic alignment meant REST members can use the Acorns app to quickly and easily build their savings by rounding up everyday expenses. These savings can be kept outside super to meet other savings goals or added to your REST super fund account when it best suits you using your smartphone.

Improving customer experience

We listen to our members using data and insights to enable smarter and more convenient self-service capabilities so that they can feel connected to REST, while also giving employers the opportunity to take greater control of their super on their terms in their own time.

Customer experience is a key pillar in REST's strategy and over the past financial year we have made a significant investment to improve this for our customers. This investment has resulted in the provision of online 'mobile first' access to personalised financial advice, a new public website and a greater use of our social media channels, providing an industry-first Facebook live Q&A with a REST Advice specialist for members.

As part of our customer experience program, we will continue to develop and implement strategies to elevate relationships with our nearly two million REST members and 164,000 REST employers. We will also continue to enhance the education and information we provide to members about their superannuation and investments through seminars and on our website, via their employer and industry associations and through our advice channels.

Evolution of the super industry

As a leading industry super fund, REST is committed to working with Government and industry to help improve the retirement outcomes of our members.

REST welcomed the opportunity to make submissions to the Productivity Commission during its review into the efficiency and competitiveness of the entire superannuation system.

However, REST believes the major changes floated by the Productivity Commission will incur significant implementation costs and will put the stability, member benefits and long-term investment performance of the super system at risk.

REST also welcomed the Joint Parliamentary Committee's Inquiry into life insurance, which explored the important role of insurance as part of super. We acknowledge that more can be done to improve the offering of life insurance. As a result, we are committed to working with Government and policy issuers to enact meaningful change to ensure more Australians continue to receive valuable support in times of need. Information about REST's insurance offering, including the improvements we have made are detailed later in this report.

The final word

Lastly, this will be my last report as Chief Executive Officer. After over 19 years with REST, including 11 as CEO, I will be embarking on the next exciting phase of my life. Whilst I am not retiring, I wish you all the best in the next stage of your life.

I have greatly enjoyed my contacts with members and employers across Australia and how you have shared your life journeys with me. I am proud that our Core Strategy investment option has been the highest performing investment option over the last 10 years.

I have been blessed to lead a very talented and passionate team of people and have every confidence that this team will continue to carefully and securely manage your super savings, while also continuing to innovate so that, no matter what your stage of life, or what new jobs you may have, REST can continue to be your fund for life.



Year in review



* SuperRatings Funds Crediting Survey - SR50 Balanced (60-76) Index. June 2017. Returns are net of investment fees, tax and implicit asset-based administration fees. Explicit fees such as fixed dollar administration fees, exit fees, contribution fees and switching fees are excluded. SuperRatings Pty Limited does not issue, sell, guarantee or underwrite this product. Go to superratings.com.au for details of its ratings criteria. Past performance is not an indicator of future performance. Ratings, awards or investment returns are only one factor that you should consider when deciding how to invest your super.

The value of insurance

With increasing rates of chronic and mental illness, greater access to affordable and flexible insurance is more important than ever.

Every day we see the benefits of providing insurance when the unexpected does happen. REST receives around 400 new claims per month, and paid more than 5,100 claims in the 12 months to 30 June 2017 to help ensure members receive valuable financial help in times of need.

Most REST members work in part-time or casual employment. We have no doubt that without the affordable and flexible insurance cover provided through their fund membership, access to such insurance would not be available to many of our members. For those who could access this cover, the cost could be much greater than what is available through their fund membership.

During the 2016-17 financial year, REST worked to improve each element of the member claim journey, to support members during what can be a difficult time for them and their loved ones.

These improvements included:

- 15-day progress calls to keep members up to date on the progress of their claims
- an insurer-specific Voice of Customer program, which means we're listening to our customers more than ever
- Helping certain members receive their benefit without the need to complete ongoing claim forms (where appropriate). This increased our Net Promoter Score® (NPS®) among these members, and boosted the number of decisions made within 60 days by more than 20%.

The improvements we implemented over the financial year have reduced the time and effort members need to submit a claim, by:



66% for Terminal Illness claims



44% for Total Permanent Disablement (TPD) claims



53% for Income Protection (IP) claims



33% for Death claims

* Net Promoter Score and NPS are registered trademarks of Satmetrix Systems, Inc, Bain & Company, Inc. and Fred Reichheld.

We develop our insurance design and policy definitions to increase the number of REST members receiving insurance cover appropriate to their life stage. And we recognise that everyone's insurance needs are different, so members can opt out of insurance at any time - including by phone, by mail or online through the MemberAccess portal.

The benefits of rehabilitation

We believe that being able to provide rehabilitation to members suffering from a physical or mental condition may not only improve their quality of life, it may also help to reduce the cost of insurance by reducing benefits paid for extended periods.

In REST's experience, the benefits of rehabilitation are clear. Allowing insurers to build more comprehensive rehabilitation and return-to-work programs into the benefits schedule of Income Protection (IP) and Total and Permanent Disability (TPD) claims would benefit members by:

- enabling more employees to return to the workforce in some capacity, and thus participate in the economy
- reduce the mental health burden on affected employees and their families, lessening costs and enhancing productivity
- allowing more employees to continue receiving superannuation benefits, and by accruing more super, increasing their retirement balance.





The world of work

There is a concerning lack of awareness among Australians regarding the \$450 monthly income threshold for the Superannuation Guarantee, above which an employee may be eligible to receive employer contributions.

According to our *Future of Work* research, this caused Australians as a whole to miss out on \$146.7 million in superannuation payments annually. This situation disproportionately affects Australian women – a major concern for REST since our member base is 62% female.

“A lot has changed since the introduction of the compulsory superannuation system in the 90s. Australians are now earning the equivalent of a full-time wage but from multiple employers, meaning they might not be meeting the \$450 monthly income threshold for the Superannuation Guarantee. It was originally introduced to ease the heavy administrative burden on employers, however in this digital age, I think it’s time we explored reducing the \$450 monthly limit.”

- Damian Hill, CEO

What the research tells us

The changing workforce

Our *Future of Work* research conducted last year shows that the workforce is changing – shifting towards more contingent modes of employment, and in favour of more part-time and casual work.



Only one in 10 Australians are aware of the Superannuation Guarantee income threshold of \$450 per month



40% of part-time employees and 47% of contingent workers surveyed believe they are paid the Superannuation Guarantee from the first dollar they earn



44% surveyed believe that everyone has access to income protection insurance, regardless of their employment status

These findings highlight the need for employers and employees to ensure they have functional work arrangements that span insurance, work patterns and superannuation, to complement this changing workforce.

The future of small and medium-sized enterprise owners

Small and medium enterprises (SMEs) make up 90% of REST employers, so REST commissioned

research into the attitudes of Australia’s entrepreneurs and their views on retirement.

Our *Bridge the Gap* research, released late last year, revealed gaps in SME owners’ financial plans, including most SMEs’ insurance coverage arrangements. This means many SMEs are relatively unprepared for the future when it comes to their financial security.

Of the SME owners surveyed:



1 in 5 believe their business would be unable to fund their livelihood longer than a week in the event of an unplanned absence



55% consider selling their business an important part of funding their retirement



1 in 3 spend less than five minutes selecting their employees’ default superannuation fund



82% believe it is their employees’ responsibility to choose the superannuation fund that is right for them

We found that despite SME owners being responsible for ensuring the livelihood of around 4.7 million working Australians, they were typically less conscious of the risks around their own financial wellbeing. More than half plan to rely on selling their business to fund their retirement, instead of proactively saving for their life after work.

REST is working to raise awareness of how the owners of these companies can bridge the gap in their insurance arrangements, helping to make sure the majority of Australians prepare for a financially secure and comfortable retirement.

A decade of competitive returns

REST's active investment approach has delivered competitive returns for members over the past decade; our Super Core Strategy had an annualised 6.11% positive return over the 10 years ending 30 June 2017. This is an excellent result when compared to the Core Strategy investment objective of CPI +3% over the long term. While we are delighted to have delivered solid returns for members over the past 12 months, we remain focused on delivering competitive investment performance over the long term.

Overseas and Australian shares were a key contributor to REST's investment performance over the past 12 months. In the 2016-17 financial year, the Australian Shares option returned 13.98% and the Overseas Shares option returned 16.69%. Growth Alternatives – comprising credit, equity strategies and agriculture – fuelled solid returns for members during the year, while property and infrastructure also continued adding to our positive results.

Overseas and Australian shares overview

Reduction in overseas and Australian shares
REST reduced its investment in shares within the Core Strategy, decreasing its asset allocation in overseas shares by 6% to 23%, and in Australian Shares by 2% to 17%. This is consistent with our view that equity market valuations appear high at current levels. REST chose to change its investment positioning to reduce exposure to a potential market

correction, and to have cash available to invest in equity markets at lower prices if markets do correct. This is consistent with REST's active management approach, which seeks to capture market opportunities while managing downside risk.

"We don't follow the pack when it comes to investing. Instead we seek to outperform the market and manage investment risk by taking an active investment approach for our Core Strategy. This means regularly reviewing and adjusting where we invest, with a focus on delivering competitive long-term investment performance for members."

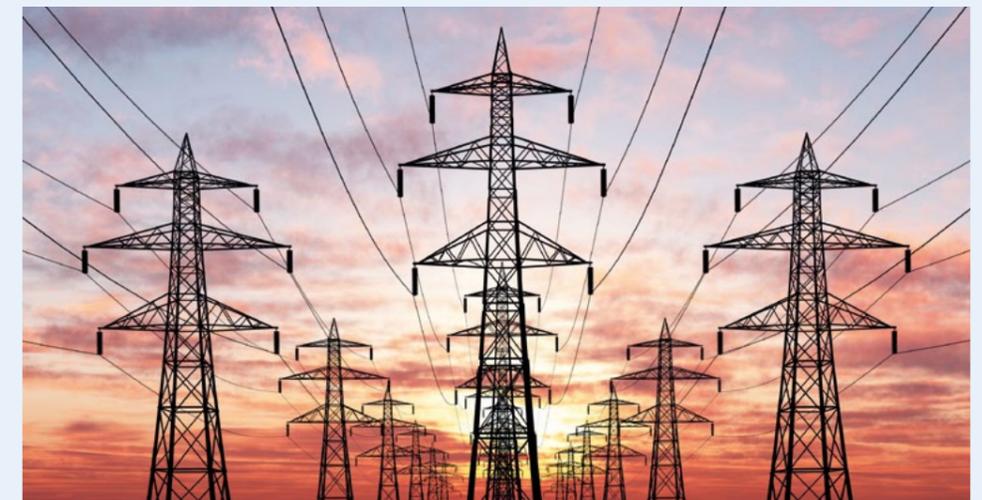
– Brendan Casey, General Manager, Investments



Infrastructure overview

Increasing infrastructure assets

Income-producing assets such as property and infrastructure assets continued to add to our returns. We actively managed overall risk in REST's Core Strategy by trimming exposure to shares in favour of solid long-term infrastructure assets such as Endeavour Energy.



Endeavour Energy

REST has invested in major Australian infrastructure assets since 1997. In April 2017 – through our participation in the Advance Energy consortium – the consortium was announced a successful bidder for a 99-year lease of a 50.4% stake in the NSW electricity distribution company Endeavour Energy.

Endeavour Energy is a high-quality electricity infrastructure asset servicing one of the largest and fastest growing regional economies in Australia. We expect the investment to deliver stable long-term cash flows in excess of the return target of REST's Core Strategy investment option.

REST's other notable investments in infrastructure and utility assets are Collgar Wind Farm in Western Australia, New Zealand dual-energy distributor Powerco, and Capistrano Wind in the United States.

As at 30 June 2017, short and long-term returns from REST's investment options are as follows.



Core Strategy investment option

Investment options	10 years (%pa)	7 years (%pa)	5 years (%pa)	3 years (%pa)	1 year (%pa)
REST Super Core Strategy	6.11	9.06	10.68	7.38	11.07
REST Pension Core Strategy	6.71	9.95	11.63	7.86	12.40
REST Pension Balanced	6.26	8.78	9.74	7.34	10.50

REST Super - investment options

Investment options	10 years (%pa)	7 years (%pa)	5 years (%pa)	3 years (%pa)	1 year (%pa)
Core Strategy	6.11	9.06	10.68	7.38	11.07
Australian Shares	5.63	10.26	12.97	8.18	13.98
Balanced	5.53	7.84	8.77	6.65	9.26
Basic Cash	N/A	2.59	2.05	1.77	1.45
Bonds	5.97	5.53	4.67	3.70	3.73
Capital Stable	5.21	6.47	6.76	5.29	6.97
Cash	3.21	2.94	2.42	2.11	1.93
Cash Plus	3.28	3.14	2.67	2.24	2.21
Diversified	5.92	9.46	11.25	8.28	11.84
High Growth	6.11	10.44	12.84	9.30	13.71
Overseas Shares	5.06	11.53	16.19	10.62	16.69
Property	5.77	8.11	9.04	10.22	11.77
Shares	5.76	11.35	15.16	9.95	15.84

REST Pension - investment options

Investment options	10 years (%pa)	7 years (%pa)	5 years (%pa)	3 years (%pa)	1 year (%pa)
Core Strategy	6.71	9.95	11.63	7.86	12.40
Australian Shares	6.13	11.16	14.01	8.40	15.36
Balanced	6.26	8.78	9.74	7.34	10.50
Basic Cash	N/A	3.07	2.41	2.09	1.75
Bonds	6.98	6.44	5.41	4.28	4.33
Capital Stable	6.01	7.36	7.57	5.90	7.96
Cash	3.84	3.52	2.89	2.53	2.30
Cash Plus	3.91	3.70	3.14	2.64	2.67
Diversified	6.62	10.50	12.45	9.04	13.28
High Growth	6.72	11.48	14.09	10.11	15.35
Overseas Shares	5.50	12.75	18.04	11.68	18.51
Property	6.46	9.11	10.06	11.24	12.92
Shares	6.12	12.21	16.38	10.48	17.54

REST's calculation of returns

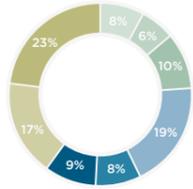
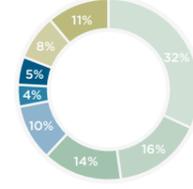
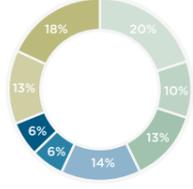
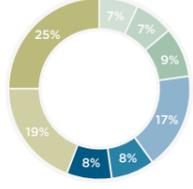
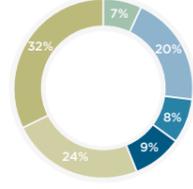
Unless otherwise stated, returns are net of investment fees and tax, except in the case of REST Pension options, which are untaxed. The earnings applied to members' accounts may differ. Investment returns are at the investment option level and are reflected in the unit prices for those options. Returns for the three, five, seven and 10 year periods are annualised returns. 'N/A' applies to options running less than the indicated periods. Past performance is not an indication of future performance. For more information, visit rest.com.au/member/investments/performance

Investment options

The following tables outline how our assets are structured according to the investment options. As at 30 June 2017, REST has no more than 5% of funds under management invested in any one investment asset. The investment option returns on the following pages are quoted as at 30 June each year, and are current as at 30 June 2017.

REST allows some of its investment managers to use derivatives to:

- protect a portfolio's value
- change the interest rate sensitivity of cash and fixed-interest portfolios
- rapidly change market exposure
- modify exposure to foreign currency.

Core Strategy			Structured options												
			Cash Plus		Capital Stable		Balanced		Diversified		High Growth				
Aim¹	Achieve a balance of risk and return by investing in both growth assets and defensive assets.		Maintain the purchasing power of funds invested by earning above cash returns, whilst minimising the risk of any capital loss.		Provide a stable pattern of returns whilst maintaining a low probability of a negative return in any one year.		Achieve a balance of risk and return by investing in approximately equal proportions of growth assets and defensive assets.		Achieve strong returns over the longer term by investing in a diversified mix of assets weighted towards shares and other growth assets.		Maximise returns over the long-term by investing predominantly in growth assets.				
Investment return objective²	CPI + 3% pa over the long-term (rolling 10 year periods).		Outperform the Bloomberg AusBond Bank Bill Index (before tax and after fees) over the short-term (rolling 2 year periods).		CPI + 1% pa over the medium-term (rolling 4 year periods).		CPI + 2% pa over the medium-term (rolling 6 year periods).		CPI + 3% pa over the long-term (rolling 10 year periods).		CPI + 4% pa over the very long-term (rolling 12 year periods).				
Asset allocation³	24% defensive, 76% growth A balanced mix of shares and bonds (both Australian and overseas), property, infrastructure, alternative assets and cash.  <ul style="list-style-type: none"> Cash securities 8% (0-25%) Bonds 6% (5-50%) Defensive alternatives 10% (0-25%) Growth alternatives 19% (0-30%) Infrastructure 8% (0-20%) Property 9% (0-25%) Australian shares 17% (10-45%) Overseas shares 23% (10-45%) 		100% defensive Cash plus a small allocation to Defensive Alternatives. Cash consists of a portfolio of securities with a low level of interest rate risk (12 months or less), including bank deposits, bank bills, commercial paper and floating rate notes, for example, residential mortgage backed securities.  <ul style="list-style-type: none"> Cash securities 90% Defensive alternatives 10% 		62% defensive, 38% growth Mainly bonds (both Australian and overseas) and cash, with smaller proportions of shares (both Australian and overseas), property, infrastructure and alternative assets.  <ul style="list-style-type: none"> Cash securities 32% Bonds 16% Defensive alternatives 14% Growth alternatives 10% Infrastructure 4% Property 5% Australian shares 8% Overseas shares 11% 		43% defensive, 57% growth A mix of shares and bonds (both Australian and overseas), property, infrastructure, alternative assets and cash.  <ul style="list-style-type: none"> Cash securities 20% Bonds 10% Defensive alternatives 13% Growth alternatives 14% Infrastructure 6% Property 6% Australian shares 13% Overseas shares 18% 		23% defensive, 77% growth Australian and overseas shares, property, infrastructure, alternative assets plus lesser amounts of bonds (both Australian and overseas) and cash.  <ul style="list-style-type: none"> Cash securities 7% Bonds 7% Defensive alternatives 9% Growth alternatives 17% Infrastructure 8% Property 8% Australian shares 19% Overseas shares 25% 		7% defensive, 93% growth Australian and overseas shares, property, infrastructure and alternative assets.  <ul style="list-style-type: none"> Defensive alternatives 7% Growth alternatives 20% Infrastructure 8% Property 9% Australian shares 24% Overseas shares 32% 				
Minimum suggested timeframe	10+ years		2+ years		4+ years		6+ years		10+ years		12+ years				
Standard Risk Measure⁴	Estimated 3 to less than 4 negative annual returns over any 20 year period.		Estimated number of negative annual returns over any 20 year period, less than 0.5 of a year		Estimated number of negative annual returns over any 20 year period, 1 to less than 2		Estimated number of negative annual returns over any 20 year period, 2 to less than 3		Estimated number of negative annual returns over any 20 year period, 3 to less than 4		Estimated number of negative annual returns over any 20 year period, 4 to less than 6				
Risk band and level⁵	Risk band 5, Medium to High		Risk band 1, Very Low		Risk band 3, Low to Medium		Risk band 4, Medium		Risk band 5, Medium to High		Risk Band 6, High				
What this option has returned⁶	Super/Acumen	Pension	Super/Acumen	Pension	Super/Acumen	Pension	Super/Acumen	Pension	Super/Acumen	Pension	Super/Acumen	Pension			
(Past performance is not an indication of future performance)	2013	18.42%	20.76%	2013	3.70%	4.34%	2013	10.48%	11.88%	2013	18.73%	21.26%	2013	21.65%	24.50%
	2014	13.29%	14.41%	2014	2.96%	3.43%	2014	7.58%	8.40%	2014	13.08%	14.35%	2014	15.17%	16.30%
	2015	9.47%	9.93%	2015	2.72%	3.16%	2015	7.17%	8.00%	2015	11.26%	12.40%	2015	12.80%	13.97%
	2016	1.82%	1.56%	2016	1.78%	2.09%	2016	1.81%	1.86%	2016	2.01%	1.82%	2016	1.81%	1.54%
	2017	11.07%	12.40%	2017	2.21%	2.67%	2017	6.97%	7.96%	2017	11.84%	13.28%	2017	13.71%	15.35%
	Annualised return pa		Annualised return pa		Annualised return pa		Annualised return pa		Annualised return pa		Annualised return pa				
	Five year	10.68%	11.63%	Five year	2.67%	3.14%	Five year	6.76%	7.57%	Five year	11.25%	12.45%	Five year	12.84%	14.09%
	Ten year	6.11%	6.71%	Ten year	3.28%	3.91%	Ten year	5.21%	6.01%	Ten year	5.92%	6.62%	Ten year	6.11%	6.72%

Each of our investment options is designed for members with the investment objectives, risk tolerance and investment time horizon that is set out in the table above for that investment option.

Investment options with an exposure to the Australian shares asset class may include companies listed in Australia but based overseas. In addition, up to 10% of this asset class may be invested in stocks listed on the New Zealand Stock Exchange.

¹ **Aim** – This is the goal or objective of the investment option.

² **Investment return objective** – This is what we use to determine asset allocation. It is also used to measure if the investment objective is met. It is not a guaranteed rate of return. REST does not use the return Target (shown in the Product Dashboard available at rest.com.au/dashboard) to set the investment return objective.

³ **Asset allocation** – For the Core Strategy option, the asset allocation will vary year to year within the ranges shown in brackets. This also means the allocation to defensive assets and growth assets will vary from time to time.

For all options other than the Core Strategy:

- The allocation to an individual asset class may vary by +/- 5% from the benchmark allocation shown, but not below 0% or more than 100% for an individual asset class
- Where an option does not currently have a benchmark allocation to Cash, an allocation of up to 5% may be introduced
- The overall allocation to growth assets and defensive assets may vary by +/- 10% from the allocation shown.

We reserve the right to vary the asset allocations, including the benchmarks and ranges, of all or any of the investment options, introduce new options, or close or terminate existing options without prior notice (where permitted by law).

⁴ **Standard Risk Measure** – this is a guide as to the likely number of negative annual returns expected over any 20 year period. See 'What is the Standard Risk Measure?' See rest.com.au/srm

⁵ **The Risk band and Risk level** is based on the Standard Risk Measure. The Standard Risk Measure includes seven risk bands, from one (very low risk) to seven (very high risk).

⁶ **What this option has returned** – returns are net of investment fees and taxes as at 30 June. The returns are based on the valuation of the underlying assets as at 30 June.

Member-tailored options																					
	Basic Cash			Cash			Bonds			Property			Shares		Australian Shares		Overseas Shares				
Aim¹	Provide you with the opportunity to construct portfolios that are appropriate to your own particular circumstances. Your portfolio may be constructed from one or more of the Basic Cash, Cash, Bond, Property, Shares, Australian Shares and Overseas Shares options, as well as from the Structured options and the Core Strategy. This permits the construction of portfolios with an extremely wide range of risk/return objectives.									Provide you with the opportunity to construct portfolios that are appropriate to your own particular circumstances. A portfolio may be constructed from one or more of the Basic Cash, Cash, Bond, Property, Shares, Australian Shares and Overseas Shares options, as well as from the Structured options and the Core Strategy. This permits the construction of portfolios with an extremely wide range of risk/return objectives.											
Investment return objective²	Match the return of the Reserve Bank cash rate target before tax and before fees over rolling 1 year periods.			Perform in line with the Bloomberg AusBond Bank Bill Index (before tax and after fees) over rolling 1 year periods.			Outperform the benchmark return (before tax and after fees) over rolling 2 year periods. The benchmark is calculated using the Bloomberg AusBond Composite 0+ Yr Index, Bloomberg AusBond Inflation 0+ Yr Index Citigroup World Government Bond Index (hedged) and Barclays Global Inflation linked Index (hedged).			Outperform both the Mercer/IPD Australian Pooled Property Fund Index (before tax and after fees) over rolling 3 year periods and the 10 year bond rate plus 3% p.a. over rolling 5 year periods.			Outperform the benchmark return (before tax and after fees) over rolling 3 year periods. The benchmark is calculated using the S&P/ASX 300 Accumulation Index and the MSCI All Country World ex-Australia Index in \$AUD.		Outperform the S&P/ASX 300 Accumulation Index (before tax and after fees) over rolling 3 year periods.		Outperform the MSCI All Country World ex-Australia Index in \$AUD (before tax and after fees) over rolling 3 year periods.				
Asset allocation³	100% defensive The portfolio will invest in deposits with, or short-term discount securities (bank bills and negotiable certificates of deposit) issued by, banks rated at least AA- at the time of purchase. It may also invest in short-dated debt issued and guaranteed by the Australian Commonwealth or State Governments. All securities will have a maximum term to maturity of three months.			100% defensive A portfolio of securities with a low level of interest rate risk (12 months or less), including bank deposits, bank bills, commercial paper and floating rate notes, for example, residential mortgage backed securities.			100% defensive A mixture of Australian and overseas debt securities issued by Governments, semi-government authorities and companies.			100% growth 100% Property			100% growth A mixture of Australian and overseas shares.		100% growth 100% Australian shares		100% growth 100% Overseas shares				
Suggested minimum timeframe	3 months or less			1 to 2 years			4+ years			10+ years			12+ years		12+ years		12+ years				
Standard Risk Measure⁴	Estimated number of negative annual returns over any 20 year period, less than 0.5 of a year			Estimated number of negative annual returns over any 20 year period, less than 0.5 of a year			Estimated number of negative annual returns over any 20 year period, 2 to less than 3			Estimated number of negative annual returns over any 20 year period, 3 to less than 4			Estimated number of negative annual returns over any 20 year period, 4 to less than 6		Estimated number of negative annual returns over any 20 year period, 6 years or greater		Estimated number of negative annual returns over any 20 year period, 4 to less than 6				
Risk band and level⁵	Risk band 1, Very Low			Risk band 1, Very Low			Risk band 4, Medium			Risk band 5, Medium to High			Risk band 6, High		Risk band 7, Very High		Risk band 6, High				
What this option has returned⁶	Super/Acumen		Pension	Super/Acumen		Pension	Super/Acumen		Pension	Super/Acumen		Pension	Super/Acumen		Pension	Super/Acumen		Pension			
	2013	2.69%	3.19%	2013	3.15%	3.79%	2013	7.38%	8.43%	2013	6.85%	7.86%	2013	27.79%	30.99%	2013	22.75%	25.70%	2013	30.77%	34.90%
	2014	2.24%	2.61%	2014	2.62%	3.09%	2014	4.89%	5.83%	2014	7.74%	8.80%	2014	19.24%	20.89%	2014	18.39%	20.30%	2014	19.61%	21.97%
	2015	2.04%	2.40%	2015	2.36%	2.89%	2015	5.80%	6.72%	2015	6.01%	6.78%	2015	15.41%	16.87%	2015	7.49%	8.48%	2015	20.46%	22.74%
	2016	1.81%	2.12%	2016	2.04%	2.41%	2016	1.62%	1.85%	2016	12.99%	14.16%	2016	-0.57%	-1.84%	2016	3.32%	1.79%	2016	-3.69%	-4.23%
	2017	1.45%	1.75%	2017	1.93%	2.30%	2017	3.73%	4.33%	2017	11.77%	12.92%	2017	15.84%	17.54%	2017	13.98%	15.36%	2017	16.69%	18.51%
	Annualised return pa			Annualised return pa			Annualised return pa			Annualised return pa			Annualised return pa			Annualised return pa					
	Five year	2.05%	2.41%	Five year	2.42%	2.89%	Five year	4.67%	5.41%	Five year	9.04%	10.06%	Five year	15.16%	16.38%	Five year	12.97%	14.01%	Five year	16.19%	18.04%
	Ten year	n.a	n.a	Ten year	3.21%	3.84%	Ten year	5.97%	6.98%	Ten year	5.77%	6.46%	Ten year	5.76%	6.12%	Ten year	5.63%	6.13%	Ten year	5.06%	5.50%

Each of our investment options is designed for members with the investment objectives, risk tolerance and investment time horizon that is set out in the table above for that investment option.

Investment options with an exposure to the Australian shares asset class may include companies listed in Australia but are based overseas. In addition, up to 10% of this asset class may be invested in stocks listed on the New Zealand Stock Exchange.

¹ **Aim** – This is the goal or objective of the investment option.

² **Investment return objective** – This is what we use to determine asset allocation. It is also used to measure if the investment objective is met. It is not a guaranteed rate of return. REST does not use the return Target (shown in the Product Dashboard available at rest.com.au/dashboard) to set the Investment return objective.

³ **Asset allocation** – For the Core Strategy option, the asset allocation will vary year to year within the ranges shown in brackets. This also means the allocation to defensive assets and growth assets will vary from time to time.

For all options other than the Core Strategy:

- The allocation to an individual asset class may vary by +/- 5% from the benchmark allocation shown, but not below 0% or more than 100% for an individual asset class
- Where an option does not currently have a benchmark allocation to Cash, an allocation of up to 5% may be introduced
- The overall allocation to growth assets and defensive assets may vary by +/- 10% from the allocation shown.

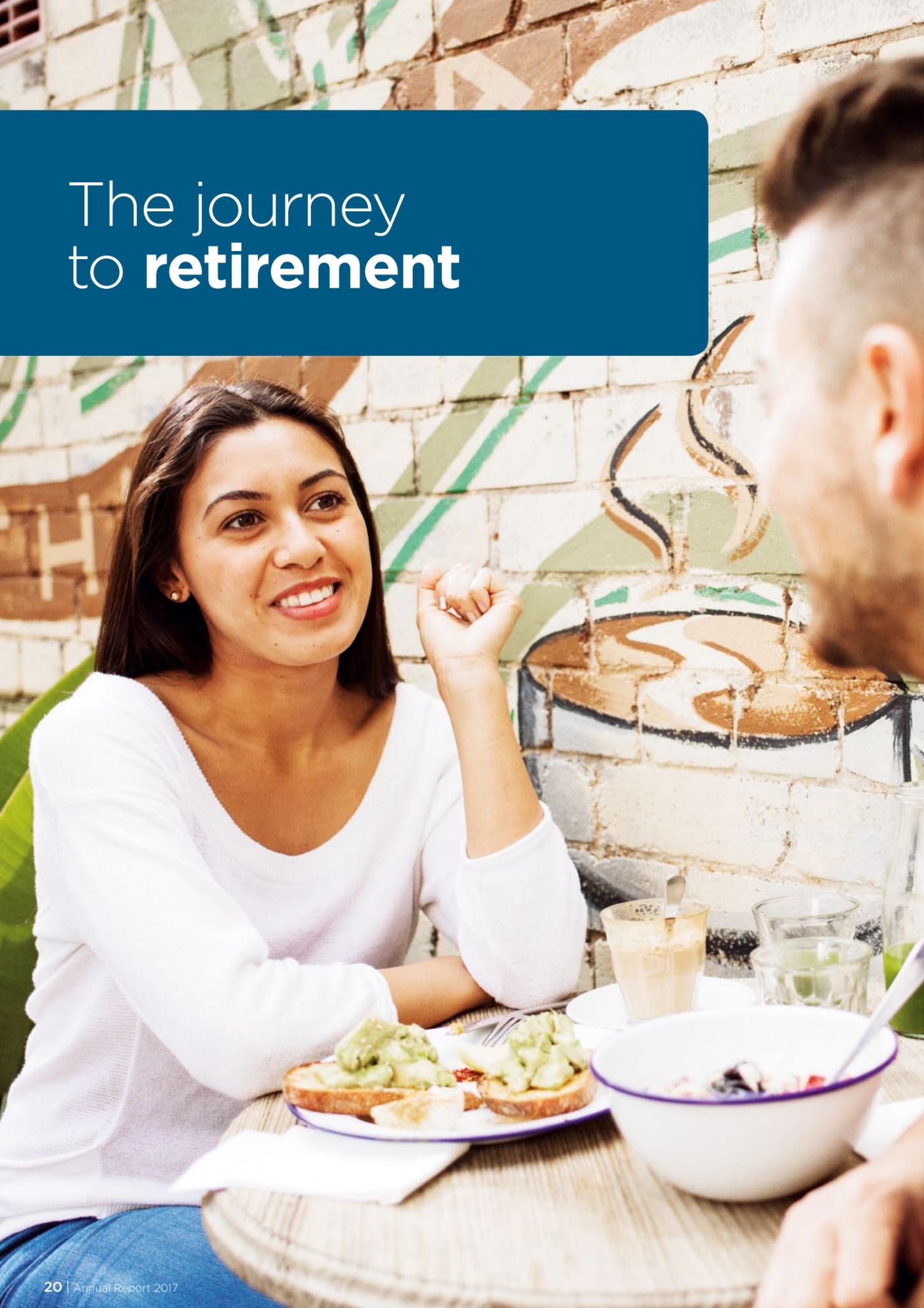
We reserve the right to vary the asset allocations, including the benchmarks and ranges, of all or any of the investment options, introduce new options, or close or terminate existing options without prior notice (where permitted by law).

⁴ **Standard Risk Measure** – This is a guide as to the likely number of negative annual returns expected over any 20 year period. See 'What is the Standard Risk Measure?' See rest.com.au/srm

⁵ **The Risk band and Risk level** is based on the Standard Risk Measure. The Standard Risk Measure includes seven risk bands, from one (very low risk) to seven (very high risk).

⁶ **What this option has returned** – returns are net of investment fees and taxes as at 30 June. The returns are based on the valuation of the underlying assets as at 30 June.

The journey to retirement



Wealth Builders (35–49), Baby Boomers (50–64) and Retirees (65+): *The Journey Begins*

The rapidly rising cost of living is reshaping the way Australians live, work and plan for retirement. The fourth edition of *The Journey Begins* research revealed a 'sandwich generation' of older working Australians (aged 50+) being squeezed financially by their adult children and their parents. It found a staggering level of intergenerational dependency experienced by those aged 50+ and still working. This age group provided assistance with everyday expenses, education and home deposits for their children, and medical and health expenses for their parents.

How we used this insight

REST used this research to raise awareness of these issues among members, helping them become more attuned to the financial cost of retirement and the importance of managing longevity. Our aim is to better align the expectations of pre-retirees and young Australians who are still working with the reality of those who have already retired.

The expectation of retirement lifestyle doesn't necessarily align with reality. Our research also showed that older working Australians expect a relatively high standard of living in retirement, but this expectation could be derailed by the growing debt burden, particularly when older Australians are diverting funds to their adult children. We found that older working Australians on average had assets of \$963,000 including the family home, which is around 30% more than the \$742,000 retirees we surveyed currently held.

How we used this insight

The high prevalence of intergenerational dependency, and the level of debt with which a near majority of older working Australians are retiring, is cause for reflection and rethinking. For older working Australians, having the majority of their assets locked up in the family home and then carrying mortgage debt into retirement can be a cause of financial stress. To minimise this stress, people in this age bracket may benefit from paying down debt as much as possible before retiring.



46% of older working Australians surveyed expect to retire with debt



1 in 3 retirees are living with what they describe as a 'frugal' retirement



Australians are giving \$507 billion up and down the family over the period of an average lifetime



72% of intergenerational assistance is provided to adult children aged over 18

REST board governance



The REST Board is made up of individuals with a wealth of retail industry and commercial experience. Their longstanding, in-depth knowledge of REST, together with their understanding of the industry, adds value to the fund's operations and to members and employers.

The REST Board is made up of employer and employee representatives from the retail industry, as well as an independent director who is also the Chair.

Four directors are nominated on behalf of employees by the Shop Distributive and Allied Employees Association (SDA). Four directors are nominated on behalf of employers and Employer Associations, comprising major employers participating in REST, and the Retail Associations. Employees and employers are equally represented. One director is nominated and appointed by the directors as Independent Chair.

Board members as at 30 June 2017

Employee representation		Nominated by
	Board member since:	
Joe de Bruyn	13 December 1988	SDA
Sue-Anne Burnley	22 March 1996	SDA
Ian Blandthorn	25 September 2008	SDA
Geoffrey Williams	24 July 2008	SDA
Employer representation		Nominated by
Rohan Jeffs	6 July 1990	Woolworths
Duncan Shaw	25 November 2010	Myer
John Edstein	4 October 2013	Retail Council
Steven Priestley	4 March 2014	Coles
Independent Chair		Appointed By
Ken Marshman	17 December 2013*	The Board

*Appointed as Chair on 31 July 2014



Kenneth Stuart Marshman

Chairman of the Board and Independent Director

Qualifications

Bachelor of Arts – Mathematics and Economics, University of Melbourne

Master of Economics, Monash University

Ken has specialised in financial markets and corporate strategy for more than 30 years and has been closely involved in investments for superannuation funds since 1986. He was Director of Finance and CEO at the State Electricity Commission of Victoria before joining JANA Investment Advisers. Ken was JANA's Managing Director from 1995 to 2008, and later was Chair of the Board and Head of Investment Outcomes.

Recent and past directorships/appointments

- Chairman and Director of Retail Employees Superannuation Pty Limited
- Chairman and Director of Super Investment Management Pty Limited
- Chair of the JANA Board of Directors

REST Committee membership

- Chairman of Investment Committee
- Chairman of Tax Planning Committee
- People, Culture and Remuneration Committee
- Member and Employer Services Committee



Joe de Bruyn

Qualifications

Bachelor of Agricultural Science

Joe has more than 26 years' experience in superannuation and was the National Secretary of the SDA from 1978 to 2014. He is now the National President of the SDA. Joe was NSW Branch Secretary and National Secretary of the SDA from 1984 to 1996. He joined the executive of the Australian Council of Trade Unions in 1985, was elected Vice-President in 1997 and served as Senior Vice-President from 2003 to 2015. Joe has also served on bodies such as the Australian Labor Advisory Council, the World Executive Board of Union Network International, the National Workplace Relations Consultative Council, the Retail Council of Australia and the national executive of the Australian Labor Party.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Director of Super Investment Management Pty Limited
- Chairman of Campion College

REST Committee membership

- Chairman of the Member and Employer Services Committee
- Audit, Risk and Compliance Committee
- People, Culture and Remuneration Committee
- Investment Committee
- Tax Planning Committee



Ian Blandthorn

AM

Qualifications

Bachelor of Arts – Honours

Ian has more than 20 years' experience in superannuation and is currently the National Assistant Secretary of the SDA. He is also the Chair of Service Skills Australia; joint Chair of the National Wholesale Retail and Personal Services Industry Advisory Committee of Service Skills Australia; and a Member of the Australian Council of Trade Unions Executive. Previously, he was a member of the State Training Board of Victoria, the President and a member of the Flagstaff College of TAFE Council and a member of the Board of Victoria University TAFE.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Board member of Skills IQ
- Joint Chair of National Wholesale, Retail and Personal Services Industry Training Council
- President of Commerce Sector for Asia-Pacific Region of Union Network International
- Chair of national Industry Reference Group

REST Committee membership

- Tax Planning Committee
- Marketing Committee
- Member and Employer Services Committee



Sue-Anne Burnley

Qualifications

Bachelor of Education

Company Directors Course (GAICD)

Sue-Anne has 18 years' experience in superannuation and is the National Industrial Union Officer for the SDA. In 1998, whilst serving on the REST Board, Sue-Anne was appointed as a Director to Care Super; she retired from the position in December 2015. In 2002, Sue-Anne was engaged as an international consultant by the International Labour Organisation (ILO) Technical Cooperative Project in East Timor. She was the Industrial Services Co-ordinator for the Victorian Branch of the SDA in 2005.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Director of CareSuper
- Member of SDA Women's Committee
- Member of Australian Institute of Company Directors

REST Committee membership

- People, Culture and Remuneration Committee



John Edstein

Qualifications

Bachelor of Economics, University of Sydney

Bachelor of Laws, University of Sydney

Master of Laws with Honours, University of Sydney

John has been a solicitor since 1979. He co-founded Townsend & Edstein Solicitors in 1982, which established a reputation in superannuation and financial services law, including the taxation of financial services entities. In 1990, John joined Mallesons Stephen Jaques as a partner in the Taxation and Superannuation Group. John retired as a partner on 31 December 2012 (by which time the firm had combined to become King & Wood Mallesons). In addition to his role as a legal adviser, John was the National Practice Team Leader for the firm's Taxation and Superannuation group for several years. He was also a director on the boards of several of the firm's operating companies, including Chair of the Trustee of the Partners' Superannuation Fund until it was transferred to a master trust. John was also a relationship partner for several of the firm's significant clients.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Director of Perpetual Equity Investment Company Limited
- Director of Macquarie Investment Management Limited
- Director of The Trust Company (Superannuation) Limited
- Trustee of St Joseph's College Old Boys' Union
- Member of the Investment Committee, Catholic Archdiocese of Sydney
- Independent Member of the Australian Defence Forces Financial Services Consumer Centre
- Emeritus Member, Superannuation Committee of the Law Council of Australia
- Member, Tax Institute of Australia and Chartered Tax Adviser
- Member, Law Society of New South Wales

REST Committee membership

- Audit, Risk and Compliance Committee
- Trust Deed Review Committee
- Tax Planning Committee
- Member and Employer Services Committee



Steven Priestley

Qualifications

Bachelor of Commerce, University of Melbourne

Steven has 35 years' experience in finance and most recently was the Financial Controller for Coles Retail, Coles Group Limited. He was initially appointed to the REST Board in 2008, serving as a Director to 2012. Steve then served as an Alternate Director until being reappointed to the Board as a Director. Steven has worked in the Coles Group in various roles for the past seven years and previously was with Shell Australia Limited in various management roles, including Corporate Treasurer and Financial Controller. Steve is a former member of the Institute of Chartered Accountants Australia.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Loyalty Pacific Pty Ltd
- Director of Super Investment Management Pty Limited

REST Committee membership

- Chairman of the Audit, Risk and Compliance Committee
- Tax Planning Committee
- Investment Committee



Duncan Shaw

Qualifications

Duncan has had a 40-year career in retail, starting as a retail cadet with Grace Bros. He rose to become Group General Manager of Retail Operations and a member of the Management Board. His portfolios included strategic planning, marketing, management training and development. Duncan was also the Executive Director of the Australian Retailers Association, and most recently CEO of Go Vita Distributors, supplying 132 stores throughout Australia.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited

REST Committee membership

- Chair of the Marketing Committee
- People, Culture and Remuneration Committee



Rohan Jeffs

Qualifications

Bachelor of Arts, University of Sydney

Bachelor of Laws, University of Sydney

Master of Laws, University of Sydney

Certificate of Advanced Human Resources Management, UCLA

Rohan is a lawyer with more than 35 years' experience in major listed Australian companies in the areas of corporate and commercial law. He has also held senior corporate roles responsible for governance, risk and compliance; human relations; procurement; industrial relations; superannuation; government, media and corporate relations. Rohan is also an Adjunct Professor of Law at the University of Queensland.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Director of Sydney Harbour Federation Trust (SHFT)
- Chairman, SHFT Audit, Risk and Compliance Committee
- Director of Super Investment Management Pty Limited
- Fellow of Governance Institute of Australia

REST Committee membership

- Chairman of People, Culture and Remuneration Committee
- Investment Committee
- Member and Employer Services Committee
- Tax Planning Committee



Geoffrey Williams

Qualifications

Numerous training courses, including 12 on investments

Geoffrey has 37 years' experience in superannuation (including 27 years with REST) as well as 40 years' experience in administration, financial control, dispute resolution, arbitration and industrial relations. He was appointed to the REST Board in July 2008, having previously served as an Alternate Director for 20 years. He was Chief Executive of the Shop Assistants and Warehouse Employees Federation of Australia, Newcastle and Northern NSW Superannuation Fund for 20 years.

Recent and past directorships/appointments

- Director of Retail Employees Superannuation Pty Limited
- Director of Super Investment Management Pty Limited
- Director of 2HD Broadcasters Pty Limited
- Chief Executive of SAWEFA
- Retail Trade Industrial Tribunal Member
- NSW Child Safety Committee Member

REST Committee membership

- Audit, Risk and Compliance Committee
- Investment Committee
- Trust Deed Review Committee
- People, Culture and Remuneration Committee

Alternate Directors

The Alternate Directors of the Board as at 30 June 2017 are listed below.

Employee representation	Nominated by	Alternate Director to
Alternate Director since		
Michael Donovan	2011	SDA
Gerard Dwyer	2014	SDA
Julia Fox	2014	SDA
Aliscia di Mauro	2016	SDA
Joanne Lester	2016	Coles

Michael Donovan

Qualifications

Bachelor of Science, majoring in Chemistry and Mathematics

Michael was a Research Officer and subsequently a Senior Research Officer for the SDA from 1977 to 1992, working in the areas of research, advocacy, negotiation, member advice, delegate education and some government liaison. He was advocate for the SDA in the major case that established industry-wide superannuation for retail workers in 1987-88. Michael became Assistant Secretary of the Victorian Branch of the SDA in 1992 and Secretary in 1996. He is responsible for supervising the employees of the branch, for the financial management of the branch and for the strategic director of the branch, in association with other elected officers.

Recent and past directorships/appointments

- Alternate Director of Retail Employees Superannuation Pty Limited
- Chair of FEDSDA Pty Ltd
- Chair of Industrial Printing and Publishing Pty Ltd
- Chair of Publicity Works Pty Ltd
- Member of the Victorian Occupational Health and Safety Advisory Committee

REST Committee membership

- Nil - however, in addition to acting as Alternate Director for Ian Blandthorn at REST Board meetings, Michael may take Ian's place at committee meetings if Ian is unable to attend.

Gerard Dwyer

Qualifications

Bachelor of Education (History and English)

Masters of Business in Employment Relations, University of Technology Sydney

Australian Institute of Company Directors graduate

Gerard Dwyer is the National Secretary-Treasurer of the SDA. Gerard has been the Secretary-Treasurer of the SDA-NSW Branch (2005-14), and National President (2008-14) and National Secretary of the SDA (2014-present). The SDA is Australia's largest trade union, representing employees working in retail, fast food and warehousing. Gerard was previously a shop assistant, classroom teacher and social worker. He has been a trade union official for more than 20 years.

Recent and past directorships/appointments

- Alternate Director of Retail Employees Superannuation Pty Limited (for Joe de Bruyn)
- Alternate Director of Super Investment Management Pty Limited (for Joe de Bruyn)
- National Secretary - Treasurer of the SDA
- Member of the NSW ALP Administrative Committee
- **REST Committee membership**
- Nil - however, in addition to acting as Alternate Director for Joe de Bruyn at REST Board meetings, Gerard may take Joe's place at committee meetings if Joe is unable to attend.

Julia Fox

Qualifications

Bachelor of Arts, Swinburne University

Masters of Law (Juris Doctor), Monash University

SDA Victorian Branch - Organiser 1994-2000

SDA National Office - Industrial Officer since 2000

Recent and past directorships/appointments

- Alternate Director of Retail Employees Superannuation Pty Limited for Sue-Anne Burnley
- **REST Committee membership**
- Nil - however, in addition to acting as Alternate Director for Sue-Anne Burnley at REST Board meetings, Julia may take Sue-Anne's place at committee meetings if Sue-Anne is unable to attend.

Joanne Lester

Qualifications

Bachelor of Psychology

Graduate Diploma of Financial Accounting

Australian Institute of Company Directors graduate

Joanne has more than 25 years' experience in the superannuation industry and is currently Superannuation Manager at Wesfarmers Limited. Change management has been a key feature of Joanne's superannuation career as the superannuation landscape and Wesfarmers' organisational structure has changed considerably over her nearly 20 years with the company. Joanne is also the Chair of St Hilda's School for Girls Foundation.

Recent and past directorships/appointments

- Alternate Director of Retail Employees Superannuation Pty Limited for Steven Priestley.
- **REST Committee membership**
- Nil - however, in addition to acting as Alternate Director for Steven Priestley at REST Board meetings, Joanne may take Steven's place at committee meetings if Steven is unable to attend.

Qualifications

Bachelor of Laws (Hons), University of Technology Sydney

Bachelor of Commerce (Accounting), Sydney University

Aliscia has been an industrial officer at the SDA NSW branch and a part-time official since 2010. Aliscia previously worked as a senior accountant at Ernst & Young, as an accountant at Hill Rogers and subsequently as a lawyer at Minter Ellison Lawyers.

Recent and past directorships/appointments

- Alternate Director of Retail Employees Superannuation Pty Limited for Geoffrey Williams.
- **REST Committee membership**
- Nil - however, in addition to acting as Alternate Director for Geoffrey Williams at REST Board meetings, Aliscia may take Geoffrey's place at committee meetings if Geoffrey is unable to attend.

REST Board composition

Under its governing rules, REST may appoint directors who are not employees or representatives of any affiliated organisations. Ensuring an appropriate mix of skills, knowledge and experiences on the Board is the critical focus. The Trustee has adopted this approach in its director appointments and independent expert consultant review of individual and collective Board performance. The Trustee's directors bring experience and knowledge gleaned from senior roles in the retail industry, or as experts in the legal, investment or other relevant sectors. Our directors are able to express a wide range of views in a robust decision-making process while acting in the best interests of members, not of their industry or employer representative bodies.

Board assessment

The Trustee's directors must meet minimum education requirements of at least 20 hours per year, and many exceed this. The Board is also subject to a rigorous governance review process, including regular assessments conducted by external consultants to ascertain directors' capabilities and knowledge.

Fitness and propriety

A 'fit and proper' assessment must be completed before a person is appointed as a Responsible Person, unless they hold the position because the Australian Prudential Regulation Authority has determined that the person is a Responsible Person. Responsible Persons at REST include directors and senior management, appointed actuaries and appointed auditors. The Board oversees the conduct of a fit and proper assessment before appointing Responsible Persons permanently.

Annual certifications

Each Responsible Person must confirm in writing each year that they have met the criteria for fitness and propriety established by REST's fit and proper policy.

Periodic training reviews

Each quarter the Board reviews each Responsible Person's progress in meeting their training requirements for the year. The Board must review each Responsible Person's compliance with the requirements of fitness each year, taking into account whether they have met their training requirements.

Ethical conduct

The REST Code of Conduct sets out the expected standards of conduct and behaviour for directors and employees. It includes requirements to:

- act with integrity
- keep the information they have accessed as part of their roles confidential
- not conduct REST's business when affected by drugs or alcohol
- use REST's resources only for appropriate purposes.

There are also monetary limits on the acceptance of meals and non-cash gifts. All offers of cash or cash equivalents (including credit cards, debit cards, vouchers or gift cards) of any value must be refused and the Company Secretary advised of the offer.

REST also has a Conflicts Management Policy that sets out the procedures for identifying and managing conflicts of interest and duty, and to help the Trustee, its directors and employees comply with their obligations in the management of conflicts.

REST's governance structure

The REST Board has the ultimate responsibility for REST.

It has established a number of Board committees to help with its work. Board committees monitor and review the areas of their responsibility.

The main Board committees are described below.

- The **Investment Committee** reviews all investment strategy matters; monitors the performance of investment classes, key property and infrastructure investments; and implements REST's investment policies.
- The **Audit, Risk and Compliance Committee** (ARCC) is the interface between the Board and REST's management on audit, risk and compliance issues. It receives regular reports from the internal auditor and external auditor. The internal auditor reviews the internal control environment, systems and procedures, and provides a view on the effectiveness of the risk processes. The external auditor audits the risk management strategy and the annual financial statements of the Trustee and the fund. The ARCC reviews the Trustee's and funds financial statements each year before they are presented to the Board.

REST's governance structure

REST's governance structure consists of the Board, a number of board committees and executives, which together oversee all aspects of REST's operations, as shown in the diagram below.



- The **Member and Employer Services Committee** reviews strategic initiatives relating to the products, benefits and services REST provides to its members and employers, and makes recommendations to the Board. It also reviews complex Death and Disablement claims and makes determinations on these within its area of delegated authority.
- The **People, Culture and Remuneration Committee** (PCRC) assists the Board in people management and corporate cultural issues, reviews the remuneration of REST's Responsible Persons, and makes recommendations to the Board on certain salary and staffing matters.

Executive Management Team

The Executive Management Team (EMT) oversees and facilitates the implementation of risk-prevention measures and internal controls, including monitoring and reporting. The EMT

comprises the Chief Executive Officer; Chief Operating Officer; Chief Financial Officer; General Counsel; Company Secretary; Chief Risk Officer; General Manager of Investments; General Manager of Brand, Marketing and Communications; General Manager of People and Culture; General Manager of Customer Service; General Manager of Strategy, Transformation and Technology; and General Manager of Strategic Relations. The EMT meets regularly and determines which matters will be reported to the Board, the ARCC, the PCRC and other relevant Board committees.

Business line management and staff members report to the EMT on operational matters.

REST uses a number of business activity providers, such as investment managers, an administration manager, a custodian, life insurers, actuaries and a financial planning service provider. These service providers play a vital role in REST's governance structure.

Notice to **REST members**

Fair and reasonable allocation of costs



Operational fees and costs

REST undertakes an annual review of the fees and costs met by members and the way the costs of running the fund are allocated between members.

These costs are allocated to one of the four following areas:

1. Investment
2. Administration
3. Insurance
4. Financial advice

Where costs are incurred because of a transaction by an individual member, these costs are largely recovered from the transacting member through member fees; where costs are incurred in relation to a single investment option, they are largely recovered from the investment option through unit prices, and where costs are incurred that relate to particular groups of members (eg members in REST Super, REST Corporate or REST Pension) they will be recovered from the members in those groups usually from the member fees.

The Trustee considers that the fees it charges to members and the way fees and costs are allocated between members and different groups of members are fair and reasonable.

Insurance offering

REST undertakes an annual review of its insurance strategy and the insurance offered to members. It considers the terms of cover, the levels of cover and the costs for providing the cover and whether any changes should be made. The insurance provided to members is described in the relevant PDS for the fund and the Trustee considers that its insurance strategy and the existing insurance cover and terms and conditions upon which insurance is offered to members is appropriate and in the interests of members.



*Brendan Casey is not present in this photograph

Executive Management Roles and responsibilities



Damian Hill

Chief Executive Officer

Damian has more than 20 years' experience in life insurance and superannuation and has been Chief Executive of REST since 2006 after joining the company in 1999 as Administration Manager. He has a Bachelor of Science, is a fellow of the Association of the Superannuation Funds of Australia

and is a Certified Investment Management Analyst. He is an active member on a number of industry and government working parties, is the Convenor of the Industry Funds Forum and is a Director of the Fund Executives Associations. Damian is also the Chair of SuperFriend.



Andrew Howard

Chief Operating Officer

Andrew was appointed Chief Operating Officer in April 2015 and is responsible for delivering high-quality products and services to REST's members and employers. Andrew worked in National Australia Bank's wealth management division for more than 12 years before joining REST. He also worked as a management consultant

with Accenture for seven years. Andrew holds a Bachelor of Arts in Psychology (Honours) from the University of Sydney and a Master of Psychology in Organisational Psychology (Honours) from UNSW. He is a Registered Psychologist of NSW and a Member of the Australian Institute of Company Directors.



Chris Stevens

Chief Financial Officer

Chris has worked in the superannuation industry for more than 20 years. He joined REST as Chief Financial Officer in 2008 and is responsible for REST's finance and risk functions. Chris worked in the custody division of JPMorgan in Sydney for 14 years before joining REST. He holds a Bachelor of Science in Geography from

Bristol University in the UK. He is a chartered accountant and worked in the banking and finance audit group at Coopers & Lybrand in London. He is a member of the Institute of Chartered Accountants in England and Wales and a member of the Association of Superannuation Funds of Australia.



Phil Budge

Chief Risk Officer

Phil was appointed in June 2015 and is responsible for REST's risk management framework. Prior to joining REST, Phil was Risk Manager at State Super Financial Services and previously worked at the Australian Prudential Regulation Authority, The Trust Company Limited, MLC and St. George Bank.

He holds a Bachelor of Laws from Macquarie University and a Bachelor of Business from the University of Technology Sydney. He is a member of the Institute of Chartered Accountants and is a Certified Internal Auditor.



Sandra Coleman

General Manager Strategy, Transformation and Technology

Sandra joined REST in January 2014 and is responsible for the information systems and project management functions. She was Chief Information Officer at two state government organisations before joining REST. Sandra has more than 15 years' experience in IT, including working for multinational manufacturing

organisations in professional services and government organisations. Sandra holds a Masters of Business Administration from the University of Western Sydney, majoring in Technology Management, along with technical qualifications relating to technology frameworks and best practices.



Trevor Evans

General Manager People and Culture

Trevor joined the REST People and Culture team in August 2014 and is responsible for the human resources and payroll functions. He has more than 20 years' experience in human resources, having worked in human resources roles at Suncorp, Tourism Australia, ING and the Australian Securities and Investments

Commission, and in government administration before joining REST. Trevor holds a Bachelor of Arts (Honours) in Sociology and a Master of Business Administration, and is a Certified Professional Member of the Australian Human Resources Institute.



Craig Hobart

General Manager Strategic Relations

Craig was appointed in July 2016 and is responsible for developing and implementing strategies to elevate relationships with REST members and REST employers. Craig has more than 25 years' experience in financial services and joined REST from Baycorp where he was General Manager for Australia from 2013. Before that he was Chief Executive of YourShare Financial Services, an online

business-to-consumer financial services company, and held a range of positions at Tyndall Asset Management from 2007 to 2012, including as Managing Director. Craig holds a Master of Management from Macquarie Graduate School of Management, and a Bachelor of Economics from the University of Queensland.



Mary Atley

General Manager Brand, Marketing and Communications

Mary joined the REST marketing and communications team in June 2011. She is a highly qualified and experienced strategic marketer with 30 years' experience and has worked across diverse industries including financial services, energy, retail and

professional services. Previously she was the head of marketing and communications at a member-driven organisation. Mary has a Certificate in Direct Marketing from the Association for Data-Driven Marketing & Advertising.



Beth Parkin

General Manager Customer Service

Beth Parkin joined REST in November 2015 as the General Manager of Customer Service for Members and Employers. With over 20 years' experience across the customer lifecycle, Beth has transformed organisations through the implementation of contact centre strategies, outsourcing, vendor management,

digital self-service and Voice of the Customer programs within Australia and internationally. Prior to REST, Beth held executive roles within organisations who advocate for digital. Beth holds a Bachelor of Science from San Diego State University, California, USA.



Paul Howard

General Counsel and Company Secretary

Paul joined REST in 2011 and is responsible for the legal, governance and secretariat functions and has a team of nine professional staff members in Sydney and Melbourne who help oversee these functions. Paul began his in-house career in financial services organisations in 2005 with a focus on funds management and asset management. Previously, Paul had spent nine years in private practice in Australia, Hong Kong and New Zealand. His primary specialty is in

mergers and acquisitions with an infrastructure focus in the in-house environment domestically and internationally. Paul holds a Bachelor of Laws and a Bachelor of Commerce from the University of Auckland. He is a Solicitor of the Supreme Court of NSW and of the High Court of Australia, and is also admitted to practice law in New Zealand. Paul was appointed REST's acting General Manager Investments from May 2016 to November 2016.



Brendan Casey

General Manager Investments

Brendan joined REST as General Manager Investments in November 2016. Having commenced his career as a chemical engineer Brendan moved into financial services in the early 90's. His experience spans across CBA, ITG, Southern Cross Equities, SIA/FinSIA/Kaplan, Salomon Smith Barney/Citigroup and as a self-employed Financial Consultant.

Prior to joining REST, Brendan was Head of Investment Operations and Control at Suncorp. Brendan has also been part of the

Australian Army Reserve for 32 years and was employed full time by the Australian Army in 2011 when he was on operational deployment in Afghanistan.

Brendan holds a Bachelor of Science (Honours) and a PhD, both from the University of Sydney. He also holds a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia, and a Graduate Diploma of Management from the University of Canberra.

REST's investment managers as at 30 June 2017

Asset Class	Investment manager	% of assets managed for REST
Australian Shares	Allan Gray Australia Pty Ltd	1.6
	Balanced Equity Management Pty Ltd	5.1
	Cooper Investors Pty Ltd	4.2
	Greencape Capital Pty Ltd	2.6
	Paradice Investment Management Pty Ltd	5.7
	Renaissance Smaller Companies Pty Ltd	1.0
	Super Investment Management Pty Ltd*	1.0
	Ubique Pty Ltd	0.5
		21.8
Overseas Shares	Artisan Partners Limited Partnership	0.5
	Colonial First State Asset Management (Australia) Limited	1.6
	Cooper Investors Pty Ltd	2.2
	Global Thematic Partners	2.6
	Holowesko Partners Limited	4.2
	Hosking Partners LLP	3.6
	Henderson Global Investors Limited	0.4
	Longview Partners LLP	1.2
	MFS International (UK) Limited	4.2
	Northcape Capital Pty Limited	1.3
	Paradice Investment Management Pty Limited	1.8
	Wellington Management Australia Pty Ltd	3.5
Property	Charter Hall Funds Management Limited	1.5
	GPT Funds Management Limited	1.4
	Super Investment Management Pty Ltd*	6.3
		9.2
Bonds	Brandywine Global Investment Management, LLC	1.8
	Franklin Templeton Investments Australia Limited	1.2
	Super Investment Management Pty Ltd	1.9
	UBS Global Asset Management (Australia) Limited	0.9
		5.8
Cash	Colonial First State Asset Management (Australia) Limited	3.2
	Super Investment Management Pty Ltd*	5.4
		8.6
Basic Cash	Super Investment Management Pty Ltd*	0.2
		0.2
Infrastructure	AMP Capital Investors Limited	4.1
	Super Investment Management Pty Ltd*	1.6
		5.7
Growth Alternatives	Apollo ST Fund Management LLC	2.7
	Bain Capital Credit, LP	1.0
	Barings LLC	3.7
	Bentham Asset Management Pty Limited	2.5
	Cooper Investors Pty Ltd	0.9
	Hayfin Capital Management LLP	0.4
	Holowesko Partners Limited	1.8
	Warakirri Asset Management Pty Limited	0.6
	Super Investment Management Pty Ltd	0.9
		14.40
Defensive Alternatives	BNP Paribas Investment Partners (Australia) Limited	1.9
	GAM International Management Limited	2.2
	GMO Australia Limited	2.6
	EnTrustPermal Limited	0.4
		7.1
Total		100.0

*Super Investment Management Pty Limited ABN 86 079 706 657 (Australian Financial Services Licence 240004) is a wholly owned company of REST. Super Investment Management Pty Limited, like other investment managers of REST, receives a fee for its investment management services. REST deals with Super Investment Management Pty Limited on an arms-length basis. Past performance is not an indication of future performance.

Indemnity insurance

The Fund, the directors and officers of the Trustee are covered by professional indemnity insurance primarily through Zurich Australia Insurance Limited.

Advisers and service providers

The following advisers assist the Trustee to provide members with professional service and management. The advisers have been appointed on the basis of quality and cost effectiveness.

Administration and accounting

Australian Administration Services Pty Limited

Credit manager

Industry Funds Credit Control Pty Ltd

Custodian

State Street Australia Limited

External auditor

PricewaterhouseCoopers

Group life and income protection insurance

AIA Australia Limited
Hannover Life

Internal auditor

KPMG

Investment consultant

JANA Investment Advisers Pty Ltd

Legal advisers

Allens
Clayton Utz
Corrs Chambers Westgarth
Hall & Wilcox
Herbert Smith Freehills
King & Wood Mallesons
Lander & Rogers
MinterEllison
Norton Rose Fulbright Australia
Turks Legal
Watson Mangioni
Gilbert and Tobin
Venebles Lawyers

Tax agent

PricewaterhouseCoopers

Trustee liability insurance

Zurich Australia Insurance Limited

Employers in arrears

The Trustee has entered into agreements with certain employers under which employers are required to make superannuation contributions to REST on behalf of their employees. Sometimes employers* are late in making their superannuation contributions as required under the agreement with the Trustee. While often it is an administrative oversight, we take breaches seriously and will seek to draw the employer's attention to their obligations.

During 2016-17, REST referred a number of employers* to Industry Funds Credit Control Pty Limited (IFCC), which collected \$21,903,842 in arrears from employers. As at 30 June 2017, a number of employers continued to be overdue in paying employee super contributions by at least 90 days. Legal action may be initiated if contributions remain unpaid after the IFCC contacts the employer.

Eligible Rollover Fund (ERF)

REST has a broad power, provided by legislation, to transfer a member's benefits to an Eligible Rollover Fund (ERF). REST may roll over a member's benefits to its ERF if a member's account balance is less than \$4,000, and REST has attempted to contact the member by mail or electronic means and the correspondence has been returned unclaimed; or no contributions or rollovers have been paid into a member's account for 12 months.

*This applies only to employers who have signed the agreement in the employer application.

REST's ERF is AUSfund:

AUSfund

Locked bag 5132,
Parramatta NSW 2124.
Phone 1300 361 798

Email admin@austfund.net.au
Web ausfund.com.au

When member benefits are transferred into an ERF, they may be affected because:

- the person ceases to be a REST member and will no longer have any insurance cover within REST
- the person becomes a member of AUSfund and will be subject to its governing rules (if REST can provide AUSfund with contact details, AUSfund will send the AUSfund PDS to the member)
- the fees and costs AUSfund charges are different to REST's, and investment returns may be insufficient to cover the fees and costs
- AUSfund will invest benefits in a diversified investment strategy, which may provide lower returns than REST's investment option(s).



Temporary residents

A temporary resident who is not a citizen of Australia or New Zealand may withdraw their superannuation benefits only under limited conditions. Six months after the temporary resident departed Australia or their temporary visa has expired, the Australian Taxation Office (ATO) can require their superannuation fund to transfer their super to the ATO as unclaimed moneys. The temporary resident can claim the money from the ATO, but REST is not required to and will not notify a member if we are required to transfer the member's superannuation benefit, nor will we provide an exit statement. For more information, visit rest.com.au

Unclaimed and lost member accounts

In some circumstances, your account balance will be treated by REST as unclaimed money or as a lost member account.

REST transfers any unclaimed and lost member account balances to the ATO every six months. Once a member's account balance is transferred to the ATO, the member will no longer be a member of REST, and any insurance cover within REST and other REST benefits will cease. There may be other reasons for the Trustee to transfer a member's account balance to the ATO. See ato.gov.au for more information.

Compliments and complaints

If a member has a compliment, we would love to hear it. If a member has any concerns or complaints, please contact us straight away and we will make every effort to resolve the problem quickly.

Members can make a formal complaint to REST online or by phone, email or letter.

To lodge a complaint online

Visit our rest.com.au and click on 'Contact us' or ask our virtual agent Roger on the homepage for more information.

To lodge a complaint by phone

Members can contact us on **1300 300 778**. Our Contact Centre is open from 8am to 10pm, Monday to Friday.

To lodge a complaint by mail

Please write 'Complaint' on the envelope and the letter, and address the envelope to:

The Trustee Services Officer

REST Industry Super
PO Box 350
Parramatta NSW 2124

REST is required to consider a complaint or dispute within 90 days of receiving it. However, in some circumstances we may not be able to resolve the issue within this period.

If the Trustee has not made a decision within 90 days of receiving a member's enquiry or complaint, the member may write and request our written reasons for the Trustee's failure to make a decision within that period. We are required to give written reasons for not making a decision within 90 days of the member's enquiry or complaint within 28 days of receiving this follow-up request.

We will notify the member of the Trustee's decision on the enquiry or complaint once the Trustee has made that decision. For decisions on complaints relating to payment of Death benefits, the Trustee must give the complainant written reasons for the decision. For decisions

relating to other complaints, the member may request written reasons for our decision. The Trustee must give the member the reasons within 28 days of receiving the member's request.

If the Trustee fails to respond to the member within 90 days, or if the member is not satisfied with the outcome, the member may make a complaint to the Superannuation Complaints Tribunal (SCT).

Superannuation Complaints Tribunal

The SCT is an independent body set up by the Federal Government to settle certain disputes between members and their super funds. The SCT can become involved only after the Trustee's efforts to resolve the dispute have failed; that is, members must first follow REST's dispute procedures. The SCT will attempt to help resolve disputes between members and funds, but in some instances the SCT may need to make a binding ruling. The SCT does not charge members for its services and can be contacted on **1300 884 114**. Strict time limits apply to disputes brought to the SCT. Members should check the time limits to ensure that any complaints are lodged with the SCT within time.

How to contact REST

To contact REST, use the details on the back page, or write to us at:

The Trustee Services Officer

REST Industry Super
PO Box 350
Parramatta NSW 2124



Financial Statements 2017

The abridged financial statements set out below are an abbreviated version of the full version of REST financial statements for the year ended 30 June 2017. If you would like a copy of the audited fund accounts and the

auditor's report, please visit our website at rest.com.au/annualreport or write to us at REST Industry Super, PO Box 350, Parramatta NSW 2124.

Statement of financial position	2017 (\$ million)	2016 (\$ million)
Securities		
Australian listed shares	9,773.7	8626.2
Australian bonds	1,712.2	1,432.3
Discount securities	3,265.7	2,914.7
Overseas listed shares	12,545.8	11,778.8
Overseas bonds	2,852.9	1,798.9
Other		
Unlisted unit trusts	14,126.0	11,782.7
Derivatives	429.0	548.0
Cash/other	1,907.9	1,416.8
Direct property	906.2	856.9
Total investments	47,519.4	41,155.3
Amount receivable	259.7	227.1
Other assets	53.3	64.7
Total assets	47,832.4	41,447.1
Less		
Liability for taxation	735.8	523.9
Derivatives	188.2	353.4
Other liabilities	948.0	838.6
Total liabilities	1,872.0	1,715.2
Net assets available for member benefits	45,960.4	39,731.2
Less Reserves	(354.7)	(302.9)
Closing balance of member benefits	45,605.7	39,428.3

Income statement	2017 (\$ million)	2016 (\$ million)
Superannuation activities		
Investment Income	1,602.9	1,182.8
Changes in assets measured at fair value	3,427.4	(277.5)
Other investment income	34.6	44.6
Total superannuation activities income	5,064.9	949.9
LESS		
Investment expenses	239.1	196.5
General administration expenses	178.5	162.1
Total expenses	417.6	358.6
Net result from superannuation activities	4,647.3	591.3
Less: Net benefits allocated to Members' accounts	(4,252.5)	(545.3)
Surplus / (shortfall) before income tax	394.8	46.0
Income tax (expense) / benefit	(382.6)	43.4
Surplus / (shortfall) after income tax	12.2	89.4

Statement of changes in member benefits	2017 (\$ million)	2016 (\$ million)
Opening balance of member benefits	39,428.3	37,198.3
Contributions:		
Contributions by employers	3,713.0	3,306.9
Contributions by members	672.3	495.0
Rollovers	1,073.2	1,004.9
Income tax on contributions	(418.9)	(381.5)
Net after tax contributions	5,039.6	4,425.3
Benefits to Members/Beneficiaries	(2,608.3)	(2,328.9)
Insurance premiums charged to Members' accounts	(795.8)	(670.4)
Insurance benefits credited to Members' accounts	289.4	258.7
Net benefits allocated to Members' accounts	4,252.5	545.3
Closing balance of member benefits	45,605.7	39,428.3

Every member who is part of a Defined Benefit fund receives an AQ Update from REST which details the Defined Benefit financials annually. This is sent around November.

Reserves

REST has a number of reserves, including an operational risk financial requirement reserve, capital reserve, group life insurance reserve, administration reserve and partnership development fund reserve. As at 30 June 2017, the total reserves were valued at \$354.7 million.

These reserves are maintained and used in accordance with REST's reserving policy - for example, to meet any contingencies, and to provide for future capital requirements or insurance and administration payments. REST currently has adequate provisions in its reserves.

Movement in REST's reserves

Year	\$ million
2015	14.4
2016	10.7
2017	51.8

Unit price adjustments

REST reserves the right to adjust unit prices in accordance with its reserving policy without prior notice and includes transferring funds from investment option earnings to reserves which may impact the respective unit prices. During the year, unit prices were reduced by 0.01% and transferred to the ORFR reserve to maintain the reserve at the target amount of 0.25% of net assets available for member benefits.

Good. Better. REST

rest.com.au



REST Super, Corporate and Select

☎ 1300 300 778
(Monday to Friday 8am - 10pm AEST)

Roger (24/7)

Live Chat
(Monday to Friday 8am - 10pm
and Saturday 9am - 6pm AEST)

Acumen

☎ 1300 305 779
(Monday to Friday 8am - 6pm AEST)

Roger (24/7)

Live Chat
(Monday to Friday 8am - 6pm
and Saturday 9am - 6pm AEST)

REST Pension

☎ 1300 305 778
(Monday to Friday 8am - 6pm AEST)

Roger (24/7)

Live Chat
(Monday to Friday 8am - 6pm
and Saturday 9am - 6pm AEST)

