



Member Update.

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A message from the Trustee

Dear Member

Welcome to the 2014 Member Update. I hope you enjoy reading it and find it valuable.



FINANCIAL MARKETS

We recently spoke to our investment manager, Russell Investments, for an update on future market expectations. In their view, the Australian economy remains relatively well placed compared to many of its global counterparts but domestic growth is expected to remain below trend next year, as mining investment continues to decline while the non-mining sectors find it difficult to fill the gap. Read more about market activity and outlook on pages 3-5.

TAL works hard to make sure that investment returns meet your needs and expectations. For example, on page 7 we discuss our decision to make changes to the underlying Australian shares exposure to enhance returns and reduce investment risk.

SUPERANNUATION UPDATES

We discuss a number of important changes to superannuation on pages 6-7. These changes cover the Superannuation Guarantee contribution rate, the Medicare levy and the Low Income Super Contribution scheme.

INSURANCE IN SUPERANNUATION

A key strategy for the Fund is to help you protect your current and future financial wellbeing. So we are pleased to offer a number of competitively priced and market leading TAL insurance products through the Fund. Read more on page 9.

OUR COMMITMENT TO THE AUSTRALIAN COMMUNITY

At TAL we aim to do more than provide superannuation and insurance products, we aim to enhance and protect your lifestyle not only through the products we sell, but importantly through the knowledge we share with you. We want to equip you with the knowledge you need to make more informed financial and lifestyle decisions. I encourage you to explore our new content hub, A Voice for Life at www.tal.com.au/voice-for-life where you'll find many helpful articles.

CHANGES TO THE TRUSTEE BOARD

Finally, and most importantly, we have recently appointed three independent directors to the Trustee Board. These appointments mark a new phase in the governance of the Fund. Read more about the new Directors on page 12.

Thank you for investing with us.

Yours sincerely

Brett Clark

Director, TAL Superannuation Limited
Deputy Group CEO and CEO TAL Life, TAL Group

Market update

The financial year ended 30 June 2014 exceeded expectations, equity markets performed well and there was no significant sell off in bond markets. Domestically the Australian economy is finely balanced, while global economies are mostly improving. Equity market valuations and bond yields tell us that the medium term outlook is subdued, so, lower returns are anticipated going forward. Volatility is also expected to remain high.

It was an eventful year, both in Australia and overseas. The Australian economy grappled with competing dynamics of the end of the mining investment boom on one hand, and the overheating housing market on the other. Overall, economic growth in Australia has been moderate but steady, which has been the envy of much of the developed world over recent years. A succession of geo-political emergencies around the globe, and reappraisals of the future growth prospects of key economies, mean we are in turbulent and uncertain times. However, despite the uncertainties, most financial markets remained surprisingly calm and strong.

In Australia, the official interest rate is settled at record lows, and has not varied from a rate of 2.5% for over a year. The Australian share market closed the year 17% higher, benefitting from the low interest rates, signs that Chinese growth is stabilising and a strong lead from major developed markets. The financial sector recorded the biggest returns and consumer staples was the only sector not to post double-digit gains for the period.

Internationally, financial markets have also been calm. The US economy in particular has made significant progress in repairing itself in the years since the Global Financial Crisis. Other regions, such as Japan and Europe, are experiencing more fragile recoveries (but recoveries nonetheless). The Chinese economy is moderating in its rate of growth compared to prior years, but remains strong.

Source: Russell Investments, October 2014



ARC MASTER TRUST WEBSITE

We're pleased to announce that we'll soon be introducing new and improved functionality to provide you with real time online account management access. In addition to current functionality, you'll be able to:

- create a new direct debit arrangement
- view and print correspondence
- view, add and update beneficiary details.

Currently on the ARC website www.arcmt.com.au you can:

View your personal superannuation account details:

- account balance
- investment strategy
- insurance cover
- transactions

View other information:

- up-to-date investment information including unit prices, performance figure and actual asset allocation
- superannuation news
- superannuation education articles
- forms and disclosure documents

To activate your online login, visit the website: www.arcmt.com.au and follow the prompts. You will need your unique User ID. This is your 'Customer Number' shown on your annual statement cover letter.

The Australian economy – Set to soar? Or descend?

Insights from the investment manager, Russell Investments

By Graham Harman, Senior Investment Strategist, Asia Pacific, Russell Investments



The Financial Crisis caused plenty of anxiety when it struck these shores in 2008, but it's been more than 20 years since Australia has experienced a recession. As the economy takes on some important challenges this year and into 2015, it's timely to ask – is our luck about to run out?



On the face of it, there is plenty of cause for concern. First on the list is the end of a period of heightened activity, associated with a surge in capital investment supporting the mining boom. Those days are now well and truly behind us, and investment spending will likely be dropping, both this year and next, by an amount equal to a full percentage point of our national income.

In the wake of the mining investment boom and indeed, partly as a result of that expansion of production – we are seeing the prices of key exports such as iron ore and coal, sagging ominously. May's Federal budget was arguably a "crises budget". As a consequence public finances are tight and we can expect little stimulus from the Government sector.

Partly as a result of these headwinds, the unemployment rate in Australia has been rising recently, and is now higher than the US jobless rate for the first time in many years. In our view, job uncertainty and the budget have both impacted on consumers who have remained cautious despite the record low interest rates. Consumer confidence has been persistently weak since the budget and retail sales figures are uninspiring as a result.

Fortunately, there are a number of supportive factors at work, which we believe will act as a buffer in the face of above-negative forces to keep the Australian economy on a (more or less) steady path in the year ahead. Firstly the housing sector has been one of the few areas of real strength in the economy. In particular the level of housing starts has been strong, though there are some signs that it may be running out of steam by 2015.

Importantly, while mining investment and mineral prices are falling, the volume of Australia's resource exports has remained strong. More generally, the global economy is in a recovery phase outside the US, and that trend will also provide support for Australia. The Australian corporate sector remains in reasonable shape, following five years of relentless cost-cutting. A falling Australian dollar (while not in itself a positive) would act as a powerful stabiliser and inject much-needed oxygen into such important industries as tourism, education, and manufacturing.

To summarise – the Australian economy may not exactly fly spectacularly in the year ahead, but rumours of its demise are, in our view, overstated.

WHAT HAPPENS NEXT?

The broad macro-economic environment for the 2015 financial year will be a lower return/higher volatility market environment compared to 2013 and 2014, as company earnings continue to play 'catch up' with share market prices. In other words, returns for share markets and other risk assets this year are likely to be more modest than those seen in 2013 and 2014. We expect continuing high volatility, not least due to the significant geo-political flash points around the world.

Here in Australia, the economy remains relatively well placed compared to many of its global counterparts. However, domestic growth is expected to remain below trend this year as mining investment continues to decline and as the non-mining sectors struggle to pick up the slack.

Changes to superannuation in 2014

CHANGES TO THE SUPERANNUATION GUARANTEE RATE INCREASES

There has been an adjustment to the timetable for increasing the superannuation guarantee (SG) rate to 12% - by pausing it at 9.5% for financial years up to and including 2020-2021, after which it will increase by half a percentage point each year until it reaches 12% from 1 July 2025. The following table shows the new SG rates:

| Period | SG Rate |
|----------------------------|---------|
| 1 July 2014 – 30 June 2021 | 9.5% |
| 1 July 2021 – 30 June 2022 | 10.0% |
| 1 July 2022 – 30 June 2023 | 10.5% |
| 1 July 2023 – 30 June 2024 | 11.0% |
| 1 July 2024 – 30 June 2025 | 11.5% |
| 1 July 2025 onwards | 12.0% |

LOW INCOME SUPERANNUATION CONTRIBUTION (LISC) WILL BE ABOLISHED 1 JULY 2017

The super tax refund for lower-income earners is available until the 2016-2017 financial year. It will be abolished effective 1 July 2017.

BUDGET UPDATE

On 13 May 2014, the Federal Government delivered its budget for 2014-2015. The major changes to superannuation announced in this budget were:

Withdrawal of excess non-concessional contributions allowed

Individuals who made non-concessional superannuation contributions after 1 July 2013 which exceeded the non-concessional contributions cap will be able to withdraw the excess contributions. The excess non-concessional contributions will not be taxed if withdrawn; only the associated earnings will be taxed at the individual's marginal tax rate. Individuals who choose to leave their excess non-concessional contributions in the fund will continue to incur the excess non-concessional contributions tax.

Increase of the Medicare levy

As announced in the previous budget, the Medicare levy increased from 1 July 2014 by 0.5% to 2%. This increase is to help fund DisabilityCare Australia. Depending on your circumstances, you may be eligible to pay a reduced Medicare levy (eg. if your income is below a certain threshold), or not pay the Medicare levy at all (eg. if you're a temporary resident in Australia). However, if your income is above a certain threshold and you (or any of your dependants) don't have private patient hospital cover, you may need to pay a surcharge. The Australian Taxation Office (ATO) website www.ato.gov.au features calculators to help you in determine your Medicare levy.

Introduction of a Temporary Budget Repair Levy

From 1 July 2014 to 30 June 2017, a 2% Temporary Budget Repair levy (TBR) will be charged on the part of a person's taxable income which exceeds \$180,000 a year. The TBR is projected to raise \$3.1 billion over the forward estimates and will increase other tax rates, which are based on the top personal tax rate, to 49% from 1 July 2014 to 30 June 2017. The other tax rates affected include:

- Excess non-concessional contributions tax (where the individual chooses not to withdraw the excess non-concessional contributions)
- Tax on no-tax file number contributions income
- Tax payable on the excess untaxed rollover amount from a superannuation fund.

Yearly superannuation contribution caps

There are limits on how much you or your employer can contribute to your superannuation in a financial year. These caps may change every financial year and are classified as concessional or non-concessional. If you exceed the caps, you may be liable for extra tax. The caps depend on your age and on the type of contributions:

Concessional contributions

include SG, Salary Sacrifice and personal contributions for which an allowable tax deduction has been claimed. For the 2014 -2015 financial year, the concessional contributions cap is:

- \$35,000 per year if you were 49 years old or older on 30 June 2014
- \$30,000 per year if you haven't reached age 49 by 30 June 2014.

Non-concessional

contributions include personal after-tax contributions, spouse contributions and personal contributions for which you didn't claim a tax deduction if you're self-employed. The non-concessional contributions cap for the 2014-2015 financial year is \$180,000, regardless of your age.

Increase of the pension age

The budget proposed that the eligibility for the Age Pension should increase to age 70 by 2035 for those born on or after 1 January 1966.

Details of these and other budget changes can be found on the Australian Government Budget website at www.budget.gov.au

SUPERANNUATION UPDATES FROM TAL

Change to Australian Share Exposure

On 10 October 2014, TAL changed its underlying Australian shares exposure from the Russell Australian Shares Fund to the Russell After-Tax Australian Shares Fund. The Trustee believes this change is in your best interests because:

- there is no change in fees for members
- there is no material change in asset allocation
- investment returns are expected to increase.

Member protection rebate

The Government removed the requirement for member protection from 1 July 2013. The member protection rebate applied to accounts with a closing balance of less than \$1,000 containing Award or Superannuation Guarantee contributions. For these accounts, administration fees charged in excess of the investment earnings were rebated back to the account.

As advised in the 2013 Member Update, TAL continued to provide the rebate for the 2013-2014 financial year. However, from 11 November 2014, TAL is no longer providing this rebate.

MySuper

From 1 January 2014, TAL stopped accepting contributions into your ARC Master Trust account unless you had made an Investment Election ie. you notified the Trustee in writing how you want your future contributions invested. You can make an Investment Election online via your ARC website access or by completing an Investment Election Form. This form is available on our website www.arcmt.com.au/arc under the PDS/Documents/Forms page or by calling us on 1300 209 088. Note that TAL still accepts rollovers from other superannuation funds regardless of whether you have made an Investment Election or not.

Total and Permanent Disablement

From 1 July 2014, the definition of Total and Permanent Disablement (TPD) has changed. For more information, please refer to the Other Important Information document which is available on the ARC website www.arcmt.com.au

This update is of a general nature only and does not consider your particular objectives, financial situation and needs. We strongly recommend you speak to a financial adviser when making decisions about your superannuation. If you don't already have a financial adviser, contact us on 1300 209 088 and we'll put you in touch with one.

A Voice for Life

THE MEANING OF A VOICE FOR LIFE

As a business, TAL wants to help Australia sleep better at night. How can we do that? Not only through the products we sell, but importantly through the knowledge we share with you about the value of life insurance. And so our new content hub, A Voice for Life, was born www.tal.com.au/voice-for-life

ITS PURPOSE

We want to equip you with the knowledge you need to make more informed financial and lifestyle decisions and ultimately, sleep better at night. At the same time we'd like to remind people about the important societal role that life insurance can play in protecting the lives we create and the future we imagine. In doing so, we want our voice to be heard as leaders in the life insurance industry.

WHAT YOU CAN GET FROM IT

As well as articles, animations and blog posts, you'll find lots of interesting stats, facts and myths about life insurance. Did you know that people who consider themselves risk-takers are also the most insured? Or that income protection insurance can cost around the same amount as a CBD sandwich per week? These are the sorts of snippets to help you make more informed financial and lifestyle decisions.

Here's a recent article from *A Voice for Life* which aims to support your financial literacy.

HOW TO MAKE SENSE OF LIFE INSURANCE

Essential to raising the financial literacy of Australian consumers is a broader understanding of the four main types of life insurance products and the roles they play. Here's a quick snapshot.

1. Life Insurance: in the event that you die, life insurance cover simply makes a lump sum payment to a named beneficiary, your estate or your family to ensure any outstanding mortgage can be paid off, and ongoing living expenses plus future educational needs can adequately be met.

2. Income Protection: by paying up to 75% of your salary, income protection ensures you can continue paying your rent or mortgage and everyday expenses in the event that you're unable to work due to injury, illness or accident.

3. Critical Illness Insurance: in the event that you are diagnosed with certain diseases causing grave ill health, critical illness insurance pays you an agreed amount to ensure you can stop work and concentrate on returning to health and work. This insurance is not available through superannuation.

4. Total and Permanent Disability (TPD) Insurance: in the event that you're permanently unable to work due to injury, accident or illness, TPD insurance will pay a lump sum to either clear existing debts and/or reinvest to generate a regular income stream to live on, and pay for any ongoing rehabilitation.

For further information on this and other topics, head to www.tal.com.au/voice-for-life



Three ways to get TAL insurance

As life insurance specialists, TAL has a very simple ambition – to make life insurance a well understood and valued part of people's lives.

Part of our ambition is to make life insurance not just accessible, but easy to obtain. We give you the option to find the right cover for you, in the way that best suits your needs:

THROUGH YOUR SUPERANNUATION

Insurance taken out as part of your superannuation is a tax-effective way of protecting you and your family.

Insurance options available through ARC Master Trust are: Death, Death & TPD and Income Protection.

Benefits:

- Easy: premiums are deducted automatically from your account
- Flexible: you can increase your cover to suit your needs and situation (subject to health evidence requirements)
- Affordable: insurance cover is taken out at group rates.

To apply for cover, or to increase your cover, please complete a Personal Statement form (available at www.arcmt.com.au under the PDS/Documents/Forms page) and return it to us for assessment.

It's important to note that new or increased cover will not commence until you are notified in writing. In some situations, applications for insurance cover may be declined.

You should refer to the PDS and Other Important Information about the eligibility, cancellation, conditions and exclusions of ARC's insurance cover before deciding if it is appropriate for you. Go to www.arcmt.com.au under the PDS/Documents/Forms page.

If you structure insurance through superannuation, the cost of premiums paid may gradually reduce your superannuation over time, leading to a lower balance at retirement. Accordingly, both your retirement and protection objectives should be kept in mind when structuring insurance through superannuation.

FROM AN ADVISER

We're passionate about the value of quality financial advice. That's why we give you the option to access our products through an independent financial adviser. They have the expertise to help you choose the insurance cover that best suits you, while also ensuring your insurance cover remains up to date should your circumstances change.

Benefits:

- Comprehensive cover, tailored to your needs and budget
- Assistance with completing the application
- Ability to update as your circumstances change

If you don't have a financial adviser, we can help you find one. Simply contact us on 1300 209 088 and we'll give you the details of one near you.

DIRECTLY FROM US

We are the market leader in direct life insurance. When you buy insurance directly from us, you'll go through Insuranceline, our direct insurance brand.

Insuranceline offers simple insurance that's very easy to apply for – just a few minutes over the phone or online and you're covered. No medical tests or complicated forms.

Benefits:

- Easy to understand product
- Apply online or over the phone in minutes
- No medical tests

Protect yourself and your family today – visit the Insuranceline website www.insuranceline.com.au or phone 13 77 87.

Talk to the experts

We're passionate about the value of financial advice. So, we think it's important you speak to your financial adviser before you make any decisions relating to your superannuation and/or insurance. If you don't have a financial adviser, we can help you find one. Simply contact us and we can put you in touch with one.

Financial advisers can help you safeguard your superannuation. By talking through ways you can grow and protect your superannuation, and even how to find any lost superannuation.

They can also assist you with deciding where your superannuation benefits should go if you die.

Superannuation death benefits generally do not form part of your Estate. Under superannuation law and the Trust Deed for the TAL Superannuation and Insurance Fund, the Trustee may have the final say in the payment of your death benefit. If this is the case, the Trustee is required to pay your death benefits to your dependants (which can be your spouse, children or any financial dependants) and/or your legal personal representative in amounts determined at its discretion.

That's why it's important to have an up-to-date beneficiary nomination, which provides guidance to the Trustee about your intentions. Your annual statement will show if you have a beneficiary nomination or not. Please contact us as soon as possible to nominate or update your beneficiary details.

It's also important to have an up-to-date Will, just in case the Trustee decides to pay your death benefit to your Estate. This may happen if you have no dependants at the time of death.



ASFA'S SUPER GURU

You can also visit ASFA's Super Guru website (www.superguru.com.au) which features:

- valuable information about the laws and rules governing superannuation
- interesting news articles on superannuation and related topics
- calculators and tools to help you maximise your superannuation account
- tips and advice on maintaining and managing your superannuation.

News from TAL

WHO PROVIDES OUTSTANDING VALUE? WE DO.

TAL was named a joint 2014 winner for CANSTAR's overall Outstanding Value Life Insurer Australia award. This award acknowledges which life insurance providers offer outstanding value for consumers across life insurance, TPD, trauma and income protection.

NEW DIRECTORS FOR TAL SUPERANNUATION BOARD

Three new independent directors have been appointed to the Board of TAL Superannuation Limited (TASL), the Trustee for the TAL Superannuation and Insurance Fund (Fund). These are the first appointments of independent directors to the Trustee Board of the Fund.

Experienced board director Peter Lewinsky has been appointed as the new independent Chair of the Trustee Board, while Anne Templeman-Jones has been appointed independent Director and will chair TASL's Remuneration Committee. Roslyn Ramwell has been appointed independent Director and will chair TASL's Audit, Compliance and Risk Management Committee.

TAL APPOINTS NEW GROUP CEO

Brett Clark, current TAL Life CEO, was recently appointed TAL Group CEO, effective from 1 April 2015. This appointment coincides with Jim Minto's planned retirement from the role, and as a Director of the Trustee, in April next year.

From 1 October 2014, Brett has taken on an interim role of Deputy Group CEO. During this time he will retain all existing responsibilities as TAL Life CEO, while working closely with Jim to ensure current plans are delivered and the next stage of TAL's evolution is built.

Contact us

If you have any questions about this Member Update, please contact us:



Customer Service on 1300 209 088, Monday to Friday, 8:30am – 5:30pm (AEST/AEDT)



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Follow TAL



Privacy: More information on how TAL collects, uses and discloses your information is contained in our privacy policy available at www.tal.com.au/Privacy-Policy or on request. The Office of the Australian Information Commissioner (www.oaic.gov.au) has useful information about the privacy rights of individuals and steps to protect online privacy. We have updated our website to provide some information about steps our customers can take to protect their personal information and this is available at www.tal.com.au/security. It is important that the information held about you is complete, accurate and up to date, so please let us know if any of your contact details have changed.

Disclaimer: The information contained in this Member Update is general information only and is not intended to be legal, taxation or personal financial advice. It does not take into account your individual objectives, financial situation or needs. As a result, we recommend that you consult your financial adviser or registered tax adviser for specific advice before acting upon the information provided. For general information, contact TAL on 1300 209 088.

TAL Superannuation Limited ABN 69 003 059 407 AFSL 237851

TAL Superannuation and Insurance Fund ABN 20 891 605 180

TAL Life Limited ABN 70 050 109 450 AFSL 237848

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