

# Challenger Retirement Fund Annual Report

Fund Information  
Statement for  
the year ended  
30 June 2019

**Issuer**

Challenger Retirement and Investment Services Limited  
(ABN 80 115 534 453) (AFSL 295642)  
(RSE Licence Number L0001304)

**Challenger Retirement Fund**

(ABN 87 883 998 803)  
(RSE Registration Number R1055863)

---

# Contents

<b>About the Fund</b>	<b>1</b>	<b>Additional information</b>	<b>5</b>
<b>The Trustee</b>	<b>1</b>	Improving member outcomes	<b>5</b>
<b>How we invest your money</b>	<b>2</b>	Claiming a tax deduction (Challenger Guaranteed Personal Superannuation only)	<b>5</b>
<b>Challenger Guaranteed Allocated Pension, Challenger Guaranteed Personal Superannuation and Challenger Guaranteed Term Allocated Pension</b>	<b>2</b>	Temporary residents departing Australia	<b>5</b>
Investment options	<b>3</b>	Superannuation contributions surcharge	<b>5</b>
Guaranteed Cash option	<b>3</b>	Lost members, inactive low-balance accounts and small accounts	<b>5</b>
Investment earnings	<b>3</b>	Approved Eligible Rollover Fund	<b>6</b>
Investment performance to 30 June 2019	<b>3</b>	Complaints	<b>6</b>
Guaranteed Fixed Rate option	<b>4</b>	<b>Superannuation update</b>	<b>6</b>
Investment earnings	<b>4</b>	Transfer balance cap	<b>6</b>
Investment performance	<b>4</b>	Capped defined benefit income streams	<b>6</b>
<b>Other Plans</b>	<b>4</b>	Superannuation death benefits	<b>7</b>
Challenger Term Life (under Super)	<b>4</b>	Total superannuation balance	<b>7</b>
Challenger Retirement Fund Guaranteed Lifetime Pension Plan	<b>4</b>	Superannuation Guarantee	<b>7</b>
Challenger Guaranteed Income Pension Plan	<b>4</b>	Concessional contributions	<b>7</b>
		Non-concessional contributions	<b>7</b>
		Government contributions	<b>8</b>
		Spouse superannuation contributions	<b>8</b>
		Downsizing contributions	<b>8</b>
		First home super saver scheme (FHSSS)	<b>8</b>

---

## About the Fund

The **Challenger Retirement Fund (Fund)** is a regulated superannuation fund and Registrable Superannuation Entity (R1055863) as defined in the Superannuation Industry (Supervision) Act 1993 (**SIS**). The trustee, Challenger Retirement and Investment Services Limited (**Trustee**) is an RSE Licensee (L0001304) in accordance with SIS.

When you invest you become a member of the Fund. The Fund is governed by a trust deed dated 2 September 1993, as amended from time to time (**Trust Deed**).

It is the intention of the Trustee to manage the Fund in compliance with the Trust Deed, SIS, the Corporations Act 2001 (**Corporations Act**) and guidelines administered by the Australian Prudential Regulation Authority (**APRA**) and the Australian Securities and Investments Commission (**ASIC**). The Trustee has not been subject to any penalties under SIS, and the Fund is operating in accordance with the SIS regulations.

Each year the Trustee must lodge a return with APRA. An APRA return for the year to 30 June 2019 has been lodged in accordance with this requirement.

The assets of the Fund are invested in life insurance policies issued by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL No. 234670) (**Challenger Life**) to the Trustee. Consequently, the Trustee is not required to include details of the Fund accounts, the auditor's report and information on each investment with a value of more than 5% of the total assets of the Fund or a statement of Fund assets in this Annual Report. Copies of APRA returns, audited accounts, any auditors' reports and the Trust Deed are available to members on request.

Challenger Term Life (under Super) insurance cover is provided to some members through a life insurance policy issued by MetLife Insurance Limited (ABN 75 004 274 882) (AFSL No. 238096) to the Trustee.

## The Trustee

The Trustee of the Fund is Challenger Retirement and Investment Services Limited (ABN 80 115 534 453) (also referred to as 'we', 'us' and 'our').

The Trustee must comply with its duties under the Trust Deed and general law, which includes holding the assets of the Fund and protecting the rights and interests of Fund members. Under the Trust Deed, the Trustee has extensive powers in respect of the Fund; however, it must exercise its powers in compliance with superannuation legislation and the general law. The Trustee's responsibilities include managing and administering the Fund and arranging for payment of benefits. The Trustee may use delegates to assist in carrying out its duties.

The Trustee is required to exercise its discretions using the standard of care expected of a superannuation fund trustee. The Trustee is indemnified by Fund assets in respect of any loss that is not caused by the Trustee's dishonesty or, intentional or reckless failure to exercise a reasonable degree of care and diligence. Additionally, the Trustee has indemnity insurance cover in place.

You can contact the Trustee for additional information about the Fund by calling our Investor Services team on 13 35 66.

---

## How we invest your money

The investment objective of the Fund is to provide members with a guaranteed rate of return or a guaranteed income stream so that members can plan for their retirement with certainty.

The Fund's investment objective is achieved by investing the assets of the Fund in life insurance policies issued by Challenger Life (through its Statutory Fund No.2).

Through the life insurance policies, Challenger Life contractually undertakes and guarantees to make the payment of the interest and capital amount to the Fund.

Challenger Life allocates the money invested by the Trustee to a fund with money from other investors who have also bought a life policy issued by Challenger Life. Challenger Life adds to this fund from its own money. This is known as a statutory fund and is regulated under the Life Insurance Act 1995 (Cth) (**the Act**). Challenger Life is required to keep the fund at a minimum level needed to meet its guarantees to all investors, including the Trustee. If it falls below the required level, Challenger Life can be required to top up the fund with its own money. APRA actively supervises this requirement and has extensive powers to intervene that are designed to ensure that Challenger Life can meet its guarantees even during times of volatile or adverse movements in the broader financial markets.

## Challenger Guaranteed Allocated Pension, Challenger Guaranteed Personal Superannuation and Challenger Guaranteed Term Allocated Pension

### **Important information about your investment. Please read this carefully.**

In the longer term the rate of return for guaranteed investments is likely to be less than the return on investments that have a risk of providing a negative return from time to time e.g. investment options with a higher growth profile, such as shares. This may have the effect of providing you with a lower benefit in the longer term.

You may wish to consider or talk to your financial planner about other superannuation arrangements that may provide a greater return over the long term.

Before deciding to alter your superannuation arrangements, you should consider your financial circumstances, needs, objectives and any exit penalties or other fees that may apply.

## Investment options

This is only relevant to Challenger Guaranteed Allocated Pension, Challenger Guaranteed Personal Superannuation and Challenger Guaranteed Term Allocated Pension. Information regarding the Term Life (under Super), the Guaranteed Income Pension Plan and the Challenger Retirement Fund Guaranteed Lifetime Pension Plan products is on page 4.

The investment return in each option invested through the Guaranteed Personal Superannuation product is credited after the deduction of any tax payable on Fund earnings. This tax, if any, is remitted to the Australian Taxation Office (**ATO**). No tax is payable in respect of investment return supporting pension payments and therefore the investment return through the Guaranteed Allocated Pension and Term Allocated Pension products does not have tax deducted from it.

The investment return in each option invested in the Guaranteed Allocated Pension supporting a transition to retirement (**TTR**) income stream that is not in the retirement phase is credited after tax until the earlier of the member turning age 65 or the member notifying the fund Trustee in writing that they meet another condition of release.

Where a TTR income stream is in the retirement phase no tax is payable in respect of the investment return on assets supporting the income stream.

There are two investment options available for these products, the Guaranteed Cash option and the Guaranteed Fixed Rate option.

### Guaranteed Cash option

<b>Investment objective</b>	To provide a stable return
<b>Who should invest</b>	Investors seeking a low-risk investment with a stable return
<b>Minimum suggested investment timeframe</b>	No minimum
<b>Risk profile</b>	Very low

## Investment earnings

For members invested in the Guaranteed Cash option, the investment return is determined by Challenger Life each Monday and is fixed for the following week. The return is credited daily, and is calculated by multiplying the daily equivalent of the applicable rate to the relevant account balance each day.

### Investment performance to 30 June 2019

#### Guaranteed Personal Superannuation – Cash

1 Year	1.24% p.a.
3 Year	1.28% p.a.
5 Year	1.53% p.a.
10 Year	Not applicable
Since inception	2.17% p.a.

#### Guaranteed Allocated Pension – Cash

1 Year	1.46% p.a.
3 Year	1.50% p.a.
5 Year	1.80% p.a.
10 Year	Not applicable
Since inception	2.56% p.a.

#### Guaranteed Personal Superannuation – Cash (CNA)\*

1 Year	0.85% p.a.
3 Year	0.86% p.a.
5 Year	1.11% p.a.
10 Year	2.14% p.a.

#### Guaranteed Allocated Pension – Cash (CNA)\*

1 Year	1.00% p.a.
3 Year	1.01% p.a.
5 Year	1.30% p.a.
10 Year	2.52% p.a.

Investment performance for the Guaranteed Term Allocated Pension – Cash (CNA)\* option has not been provided as no members of the Fund were invested in this option during the reporting period.

Guaranteed Personal Super – Cash (CNA)\* and Guaranteed Allocated Pension – Cash (CNA)\* were terminated on 1 April 2019.

\*closed to new applications.

## Guaranteed Fixed Rate option

<b>Investment objective</b>	To provide a fixed rate of return for a set period of up to 10 years
<b>Who should invest</b>	Investors seeking a low-risk investment with a fixed return for a known period of time
<b>Minimum suggested investment timeframe</b>	For the term you select
<b>Risk profile</b>	Very low

### Investment earnings

For the Challenger Guaranteed Allocated Pension and Challenger Guaranteed Term Allocated Pension members, investment return is calculated daily and credited to each member account monthly, in arrears.

For Challenger Guaranteed Personal Superannuation members, investment return is credited to the relevant account on each anniversary of the start of the chosen term and is calculated by multiplying the term's fixed rate to the account balance at that time.

### Investment performance

If you have chosen to invest in the Guaranteed Fixed Rate option, the fixed rate that applies to your investment is shown on your investment confirmation.

We are unable to provide details of general investment performance as rates vary from time to time and will depend on the term of the investment, payment frequency and when the investment (or re-investment) is made.

To obtain the current fixed rates on offer please contact your financial adviser or call our Investor Services team on 13 35 66.

## Other Plans

### Challenger Term Life (under Super)

Challenger Term Life (under Super) is life insurance provided through the Fund. Investment earnings and performance are not relevant for this type of product.

The Trustee has committed to the Insurance in Superannuation Voluntary Code of Practice (**Code of Practice**). The Code of practice commenced on 1 July 2018, and funds have until 30 June 2021 to fully comply. Additional information regarding the Code of practice can be found at Challenger's website, [www.challenger.com.au/strongersuper](http://www.challenger.com.au/strongersuper).

For additional information relating to this product, contact Metlife's Client Services team on 1300 555 625 which administers the product on our behalf.

This product is closed to new applications.

### Challenger Retirement Fund Guaranteed Lifetime Pension Plan

We are unable to provide details of general investment performance for the Pension Plan as performance will differ depending on each member's individual circumstances.

For additional information relating to this product, contact our Investor Services Team on 13 35 66.

These members were transferred into the Fund on 29 May 2014. This product is closed to new applications.

### Challenger Guaranteed Income Pension Plan

We are unable to provide details of general investment performance for Challenger Guaranteed Income Pension Plan as rates vary from time to time and will depend on the term of the investment, payment frequency and when the investment was made.

For additional information relating to this product, contact our Investor Services Team on 13 35 66.

This product is closed to new applications.

## Additional information

### Improving member outcomes

Effective 1 April 2019 members' interests in the Challenger Guaranteed Allocated Pension – Cash (**CNA**) and Challenger Guaranteed Personal Superannuation – Cash (**CNA**) investment options were terminated and members' interests were directed to the Challenger Guaranteed Allocated Pension – Cash and Challenger Guaranteed Personal Superannuation – Cash investment options respectively. As there are no fees or commissions charged in the new cash options, members benefited from a greater investment return. The investment return received from 1 April 2019 is 0.5% p.a. greater than if members had remained invested in the now terminated cash options (less any applicable Government taxes).

### Claiming a tax deduction (Challenger Guaranteed Personal Superannuation only)

Contributions you personally made to superannuation during the financial year may be eligible for a tax deduction.

For confirmation of whether your personal contributions to the Fund are eligible for a tax deduction (a personal deductible contribution), please contact your financial adviser. If you intend to claim a tax deduction for your personal super contributions, you must send to us a 'Notice of intent to claim or vary a deduction for personal super contributions' before you lodge your tax return for the year the deduction is to be claimed and in all circumstances before the end of the financial year following the year the contribution was made. In addition, the notice must be completed before starting an income stream, rolling the money out of the Fund or making a lump sum withdrawal. Upon receiving your completed notice we will send you an acknowledgement letter. You will need the acknowledgement letter before you claim a tax deduction. Notices are available at [challenger.com.au](http://challenger.com.au) or by calling Investor Services on 13 35 66.

### Temporary residents departing Australia

A temporary resident is defined as a holder of a temporary visa under the Migration Act 1958. Generally former temporary residents are entitled to receive any super contributions paid by their employer once they leave Australia. This payment is called a departing Australia superannuation payment (**DASP**).

We have an obligation to pay unclaimed superannuation of a former temporary resident to the ATO. If you were a temporary resident and your benefit has been transferred to the ATO, you must claim it directly from the ATO. If your benefit has not been transferred to the ATO, you can claim it directly from us. We are not obliged to provide any notification or an exit statement to you if your funds have been transferred to the ATO because you were a former temporary resident. Additional information regarding DASP can be found at the ATO website, [www.ato.gov.au](http://www.ato.gov.au).

### Superannuation contributions surcharge

Any surcharge liabilities that have been transferred from your previous fund may be deducted from your account.

### Lost members, inactive low-balance accounts and small accounts

We may consider you a 'lost member' if you are uncontactable. This may happen if we send you written communication that returns unclaimed and we have not received a contribution or rollover from you for at least 12 months. If you are a lost member and your account balance is less than \$6,000, or you are a lost member, your account has been inactive for 12 months and we do not have the information needed to make a payment to you, we may be required to transfer your account balance to the ATO.

We may consider your account to be an 'inactive low-balance account' and transfer it to the ATO if you have a balance under \$6,000 unless in the previous 16 months:

- your account has received a contribution or rollover;
- you have changed an investment option;
- you have made or amended a binding beneficiary nomination; or
- you have provided written notice to Challenger that you do not wish for your Challenger super fund to be an inactive low-balance account.

## Approved Eligible Rollover Fund

If the balance of your account falls below \$800, we may request that you contribute additional funds, or withdraw the amount, or, if you are not able to withdraw the remaining balance, we may roll it over to the Fund's nominated Eligible Rollover Fund (**ERF**), which is AUSfund (RSE R1000795). You can contact AUSfund by visiting its website, [ausfund.com.au](http://ausfund.com.au).

If all money you have invested in the Fund is transferred to the ERF you will cease to be a member of the Fund and we will cease to have any responsibility to you in respect of the amount transferred. Instead, you will become a member of the ERF and be subject to its governing rules.

## Complaints

As part of our commitment to providing quality service to our clients, we endeavour to resolve all complaints quickly and fairly. Our policy is to acknowledge any complaint within five business days of receiving it and investigate, properly consider and decide what action (if any) to take and to communicate our decision to you within 45 days (or 30 days in relation to privacy complaints). If you have a particular complaint, please do not hesitate to contact us by calling our Investor Services team on 13 35 66 or by writing to:

Complaints Resolution Officer  
Challenger Retirement and Investment Services Limited  
GPO Box 3698  
Sydney NSW 2001

If you are not happy with our response or how the complaint has been handled (of if we have not responded within 45 days), you may contact the following external dispute resolution scheme:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
Tel: 1800 931 678  
Website: [www.afca.org.au](http://www.afca.org.au)  
Email: [info@afca.org.au](mailto:info@afca.org.au)

AFCA provides fair and independent financial services complaint resolution that is free to consumers. There are some time limits for lodging certain complaints including those related to a death benefit. Please consult the AFCA website to find out if or when the time limit relevant to your circumstances expires.

**For complaints relating to Challenger Term Life (under Super) contact Metife's Client Services Team on 1300 555 625.**

## Superannuation update

The following information is a superannuation update which includes a summary of any changes which may impact Challenger Guaranteed Personal Superannuation, Challenger Guaranteed Allocated Pension, Challenger Guaranteed Term Allocated Pension, Challenger Guaranteed Pension Plan, Challenger Retirement Fund Guaranteed Lifetime Pension Plan and Challenger Term Life (under Super) members.

### Transfer balance cap

A limit applies on how much superannuation can be transferred to an income stream in retirement phase. This is known as the 'transfer balance cap' (**the cap**) and is subject to indexation. The cap was \$1.6m for 2018/2019 and remains unchanged for 2019/20.

The initial amount invested into a Challenger Guaranteed Allocated Pension in the retirement phase will be reported to the ATO and count towards the cap. Where an existing Challenger Guaranteed Allocated Pension was payable at 30 June 2017, the value of the income stream at that time counted towards the cap.

A Challenger Guaranteed Allocated Pension is an income stream in the retirement phase unless it is a TTR pension, the member is under 65 and has not notified the Fund they have met an eligible condition of release such as retirement, terminal medical condition or permanent disablement. In cases where the cap is exceeded, the excess amount along with any excess earnings will be required to be rolled back to a superannuation account or withdrawn from superannuation. Where the ATO notifies Challenger an excess amount is to be withdrawn, it must be completed within 60 days.

### Capped defined benefit income streams

Challenger Guaranteed Term Allocated Pensions, Challenger Guaranteed Income Pensions Plans and Challenger Retirement Fund Guaranteed Lifetime Pension Plans commenced before 1 July 2017 are generally known as capped defined benefit income streams. These income streams count towards the transfer balance cap but were assessed based on an annualised amount of the first payment from 1 July 2017, multiplied by either the term remaining (rounded up), or a factor of 16 if it is a lifetime income stream. Each financial year, amounts paid will be assessed against the defined benefit income cap (\$100,000 p.a. for 2019/20 which remains unchanged from 2018/19). 50% of all payments from capped defined benefit income streams above the defined benefit income



cap will count towards your assessable income for the year. Pay as you go withholding will apply on the assessable income amount where the Trustee has a valid TFN for you. Where the Trustee does not have a valid TFN for you, the assessable income amount will be taxed at the highest marginal rate (plus applicable Government levies).

## Superannuation death benefits

On the death of a member, a superannuation fund is required to pay a death benefit as a lump sum and/or a retirement phase income stream to an eligible beneficiary. A death benefit income stream must be treated as being in the retirement phase. It can be rolled from one superannuation fund to another retaining its treatment as a death benefit income stream and cannot be added to a superannuation accumulation account.

Death benefit income streams will also count towards the beneficiary's transfer balance cap. The amount will generally be based on the purchase price of the death benefit income stream and will count on the day it commences unless it is payable to a reversionary beneficiary. In that case, an amount will count towards the reversionary's transfer balance cap 12 months after the member's date of death, based on the value as at the time of reversion.

## Total superannuation balance

Your total superannuation balance is generally calculated at 30 June of the previous financial year (i.e. for 2019/20 financial year it will be 30 June 2019). This value is used to determine your eligibility to:

- make a non-concessional contribution and bring forward your non-concessional contributions cap;
- make contributions under the work test exemption;
- carry forward any unused concessional contributions cap amounts;
- receive the Government co-contribution; and
- claim the tax offset for spouse contributions.

You can view your total superannuation balance via your my.gov.au account which is linked to the ATO.

## Superannuation Guarantee

The Superannuation Guarantee (**SG**) rate is currently at 9.5% of ordinary time earnings. During the 2018/19 financial year the SG rate was payable on earnings of up to \$54,030 per quarter increasing to \$55,270 per quarter for the 2019/20 financial year.

The SG rate will remain unchanged until 1 July 2021, at which time it will increase by 0.5% each financial year until it reaches 12% on 1 July 2025.

## Concessional contributions

For the 2018/19 financial year, individuals of all eligible ages were able to make concessional contributions (which include employer, personal deductible and salary sacrifice contributions) of up to \$25,000 and this remains unchanged for 2019/20.

From 1 July 2018, individuals have been able to carry-forward unused amounts of their concessional contributions cap for a maximum period of 5 years. Individuals can use accrued unused amounts from 1 July 2019 to make additional concessional contributions in a financial year if their total superannuation balance is below \$500,000 on 30 June of the year prior.

For the 2018/19 financial year the income threshold at which a higher income individual pays additional tax of 15% on certain super contributions, known as Division 293 tax, was \$250,000 per annum and this remains unchanged for 2019/20.

If this tax applies, you will receive a notice from the ATO which you can pay directly or arrange to have it deducted from your superannuation account.

## Non-concessional contributions

During the 2018/19 financial year, the cap on non-concessional contributions (**NCCs**) was \$100,000. For those under age 65 at any time during the 2018/19 financial year an amount of up to \$300,000 could have been contributed during the year, by bringing forward up to two future years' worth of NCCs subject to their total superannuation balance. These caps remain unchanged for 2019/20.

NCCs can only be made by those with a total superannuation balance under the general transfer balance cap of \$1.6m (subject to indexation) as at 30 June of the previous financial year.

---

## Government contributions

To be eligible, individuals with an adjusted taxable income of \$37,000 or less during the financial year who made a concessional contribution to super may be eligible for the low income superannuation tax offset (**LISTO**) of up to \$500. The amount is generally payable in the following financial year.

Additionally, eligible individuals who make a NCC to super may be entitled to a maximum co-contribution of \$500 where their income is below an income threshold. For 2018/19 the maximum is payable for eligible individuals with income equal to or less than \$37,697, phasing out once income reached \$52,697. For 2019/20, the maximum is payable until income exceeds \$38,564, phasing out once income reaches \$53,564.

## Spouse superannuation contributions

You may be eligible to claim a spouse contribution tax offset if you made contributions during 2018/19 to a spouse's eligible super fund and in that period, the sum of your spouse's assessable income, total reportable fringe benefits and reportable employer super contributions was less than \$40,000.

Your spouse must also have a total superannuation balance less than \$1.6m on 30 June 2018 and not exceed their current non-concessional cap to be eligible. The offset is 18% of the lesser of \$3,000 reduced by \$1 per \$1 of a spouse's income above \$37,000 and the total contribution made for the spouse, up to a maximum of \$540.

## Downsizer contributions

This contribution type allows eligible individuals to contribute some of the proceeds of selling their home to superannuation. From 1 July 2018, individuals aged 65 or older who sell their eligible home after owning it for 10 years or more can contribute up to \$300,000 to superannuation without having to meet the work test or having the amount count towards their contributions caps. Please send us a 'Downsizer contribution into super' form (available from [www.ato.gov.au](http://www.ato.gov.au)) when making, or prior to making, your contribution. If making multiple downsizer contributions, you must provide a form for each contribution. All downsizer contributions must be made to your super fund within 90 days of receiving the proceeds of sale (usually the date of settlement).

## First home super saver scheme (FHSSS)

This contribution type allows individuals to save for their first home. Voluntary contributions made from 1 July 2017, along with associated earnings have been able to be released under this scheme from 1 July 2018. You can apply to have a maximum of \$15,000 of your voluntary contributions from any one financial year to be released under the FHSSS, up to a total of \$30,000 in contributions across all financial years.

To access these amounts, you can apply for a FHSSS determination and a release, available online via your [my.gov.au](http://my.gov.au) account linked to the ATO.



**By phone**

13 35 66

**Adviser Services**

1800 621 009

**By email**

[info@challenger.com.au](mailto:info@challenger.com.au)

**By mail**

Challenger Life Company Limited

Reply Paid 3698

Sydney NSW 2001