

Highlights of the Year

Vision awarded licence!

SEPTEMBER 2005

Vision Super is one of the first funds to be awarded an RSE (Registrable Superannuation Entity) licence by APRA (Australian Prudential Regulation Authority), well ahead of the 1 July 2006 cut off date. The licence confirms Vision Super meets APRA's rigorous standards for regulation and risk management.

Metro seminar series completed

OCTOBER 2005

Vision Super completes a series of 30 Wealth Creation and Retirement seminars for over 800 members and their partners in the Melbourne metropolitan area.

Vision goes Platinum!

NOVEMBER 2005

Vision Super awarded a Platinum rating, the highest rating from the leading ratings agency, SuperRatings. This places us in the top 15% of super funds, offering 'the best value for money.'



Employer presentations begin

NOVEMBER 2005

Annual review presentations of Vision Super for executive management within our major sponsoring employers begin. Individual visits were made to 130 major sponsoring employers between December 2005 and June 2006.

Discounted health insurance for members

DECEMBER 2005

Vision Super enters into an arrangement with HBA that allows members and their families to get a 5% discount off their health insurance. Well over 1,000 members took up the offer in the first 6 months.



Fees capped

JANUARY 2006

Administration fees charged on Personal plans and Vision Super's post retirement products are capped on the first \$300,000 of individual account balances. This gives members another reason to consolidate their money with Vision Super.

New Member Education Program launched

FEBRUARY 2006

The program gives members access to an expanded range of seminars; 'Budgeting and Planning', 'Understanding Investments', 'Wealth Creation for Retirement' and 'Getting the most out of your Super'. With ongoing support from employers, the Member Education team has delivered 350 workplace seminars during the year.

Employee Induction Booklet released

APRIL 2006

Following feedback from employers, a simple document that Human Resources staff can give to new employees providing an overview of Vision Super called "What's best for my super now I have a new job..." was produced. It is an 8-page booklet designed to give new staff a profile of Vision Super, together with key facts about insurance, investments, fees and the range of additional benefits available to members.

Regional seminar series completed

MAY 2006

Vision Super completes its tour of regional Victoria, presenting 30 Wealth Creation and Retirement seminars (for almost 1,000 members and their partners) along with personal consultations.



Assets exceed \$3.4 billion

MAY 2006

Members' funds under management break the \$3.4 billion barrier for the first time. The larger the fund, the more this helps us to benefit from economies of scale and extend our services to you.

Federal Budget Proposals announced

MAY 2006

"A plan to simplify and streamline superannuation" announced with proposals to overhaul the current superannuation system to improve retirement incomes and increase incentives to work and save.

Members receive co-contribution windfall

JUNE 2006

Members receive a windfall. Vision Super received over \$7.6 million in co-contributions for members from the Federal Government. Co-contributions of up to \$1,500 a year are available for all members earning under \$58,000. All members have to do is make personal after tax contributions to their super fund to be eligible.



Double digit investment returns

JUNE 2006

Another year of double-digit investment returns. Our flagship Balanced Growth Fund (the default option) returned a net 12.91% for the year to 30 June.



A year of growth

JUNE 2006

Vision Super benefits from Choice of Fund. The number of employers joining the fund has increased and our member contributions are up 44% for the year.

From the Chairman and CEO

2005/06 was another good year for Vision Super members and participating employers.

Our Balanced Growth investment option, in which the vast majority of our members' retirement savings are invested, returned 12.91%. This means that in the past three years these members have received a total return of more than 44%, a record for any three-year period in the Fund's history.



Michael D Tilley
Chairman



Rob Brooks
CEO

The triennial actuarial investigation covering the three years to 31 December 2005 showed that the LASF Defined Benefit plan has recovered from the record falls in the world's capital markets during 2001-2002 and is now in a sound financial position.

During the year we also responded positively to requests from our participating employers to introduce a phased retirement income product for defined benefit member employees over age 55, and conducted over 360 information seminars for members. Our Client Relations Team personally presented the Fund's "2005 Annual Performance Review" to the executive management teams of 130 of our major employers.

The Fund has performed strongly under the new Choice of Fund legislation welcoming over 300 new employers and with member contributions increasing by a record 44% over the first year of its operation.

One of our most significant partnerships, with immediate benefit to members, was with HBA. Vision Super members and their families can now receive a 5% discount off their health insurance premiums if they join HBA, or are already a member. Well over 1,100 members took up the offer in the first 6 months. We are pleased to advise that HBA will now be extending their offer to Vision Super members to include a 10% discount on home, car and contents insurance (more details on the last page).

This year's Vision Super Management Scholarship was awarded to Vivian Arekion from the City of Whitehorse. The scholarship is awarded annually to FinPro members who undertake further education as part of their professional development. Previous winners include Ruth Kneebone from the Rural City of Wangaratta and Dean Miller from Golden Plains Shire Council.

The other noteworthy event during this financial year was the 2006 Federal Budget, where the Government announced plans to radically overhaul Australia's superannuation system, including the removal of tax on retirement benefits for those over age 60. Once enacted, these plans will simplify superannuation and retirement planning and once again confirm superannuation as the most tax effective way to save for retirement. The Budget proposals raise a number of questions, options and opportunities that will directly affect our members. As details emerge about the proposed legislation Vision Super will hold a series of free information seminars throughout metropolitan and regional areas.

We will continue working hard to help you get the most out of your partnership with Vision Super and will keep you informed of developments.

A handwritten signature in black ink, appearing to read "M. D. Tilley".

Michael D Tilley
Chairman

A handwritten signature in black ink, appearing to read "Rob Brooks".

Rob Brooks
Chief Executive Officer

Operations

Defined benefit plan update

The actuarial review for 31 December 2005 was completed in March 2006. The actuarial investigation addressed two key questions:

- What was the Defined Benefit Plan's financial position as at 31 December 2005?
- Are current funding arrangements adequate?

The review determined that the plan had recovered from the impact of the record falls in the world's capital markets during 2001-2002 and is now in a sound financial position. The recovery was due to several factors, particularly the additional funding in 2003 and strong investment performance since April 2003.

At 31 December 2005 the LASF Defined Benefit Plan had an actuarial surplus of approximately \$23 million. This equates to approximately 1% of the present value of the Plan's total benefit liabilities (\$2,194.4 million).

Defined benefit statistics

For the period 1 January 2003 - 31 December 2005

- Salaries grew by 5.7% p.a. (by comparison the increase in the Australian Average Weekly Ordinary Time Earnings (AWOTE) was 5.2% p.a.)
- Active defined benefit membership decreased by 1,782 (18.7%) from 9,544 at 31 December 2002 to 7,762 at 31 December 2005.
- The number of pensioners decreased by 413 (6.4%) from 6,440 to 6,027 over the same period
- The average age of defined benefit members is 50.7 years and 77.9 years for pensioners.
- The average salary for defined benefit members is \$51,347 and the average annual pension is \$4,756

Separate defined benefit arrangements are made for City of Melbourne and Parks Victoria.

Investment performance

The rate of return (net of tax and investment expenses) earned on the Defined Benefit Plan assets for the period from 1 January 2003 to 31 December 2005 was 12.25% p.a. Investment performance exceeded salary growth by 6.6% p.a. and CPI by 9.6% p.a.

The investment performance target was to exceed salary growth by 4.5% p.a. and CPI by 5.5% p.a. This target was therefore achieved.

Although the plan is currently in a sound financial position, it will continue to be affected by future salary growth, inflation, investment earnings, pensioner mortality and death and disability claims experience. These factors are beyond the Trustee's control and can adversely affect the funding position.

The Report on the Actuarial Investigation as at 31 December 2005 is available on the Vision Super Employer Secure website at www.visionsuper.com.au.

Annual accounts

To illustrate how the Fund performed in 2005/2006, we provide below a summary of the unaudited financial statements. The full Audited Financial Statements and the Auditor's Report will be available upon request from October 2006.

Financial Report					
Changes in Net Assets For the year ended 30 June			Net Assets As at 30 June		
	2005/2006	2004/2005		2005/2006	2004/2005
	\$000	\$000		\$000	\$000
Net assets at beginning of the year:	2,962,791	2,556,525			
Income			Assets		
Investment revenue	416,105	372,510	Investments	3,482,126	2,992,684
Contributions by employers	197,042	183,292	Other assets	14,749	21,859
Contributions by members	95,565	66,227	Total	3,496,875	3,014,543
Other revenue	528	420			
Total	709,240	622,449	Less Liabilities		
			Income tax payable	9,388	16,115
Outgoings			Provision for deferred tax	35,032	27,481
Benefit payments	153,666	149,114	Other liabilities	11,601	8,156
Investment expenses	14,378	10,365	Total	56,021	51,752
Administration expenses	9,875	8,567			
Other expenses	3,390	3,667	Net Assets	3,440,854	2,962,791
Income tax	49,868	44,470			
Total	231,177	216,183			
Net Assets at end of the year:	3,440,854	2,962,791			

Note: The 2004/2005 financial statements have been audited and are available on our website at www.visionsuper.com.au

Employer contribution rates for defined benefit plans have been determined by the Trustee on the advice of the Actuary. Based on the assumptions made by the Actuary about the Fund's future experience, benefits are fully Funded as they accrue. The item 'Other assets' in the Statement of Net Assets includes contributions payable by Employer for past service of members of the Vision Super Defined Benefit Plan.

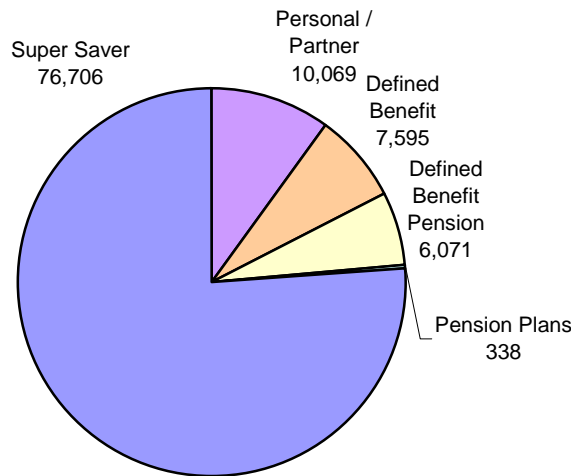
Snapshot of the year

As at 30 June 2006

- Investments \$416 m ↑12%
- Contributions \$293 m ↑17%
- Benefit Payments \$154 m ↑3%
- Expenses \$27 m ↑17%
- Tax \$50 m ↑14%
- Total Assets \$3,441 m ↑16%
- Management Expense Ratio (MER) 0.78%
- Total members grew to 100,779
- Over 300 new participating employers joined the fund

Membership data

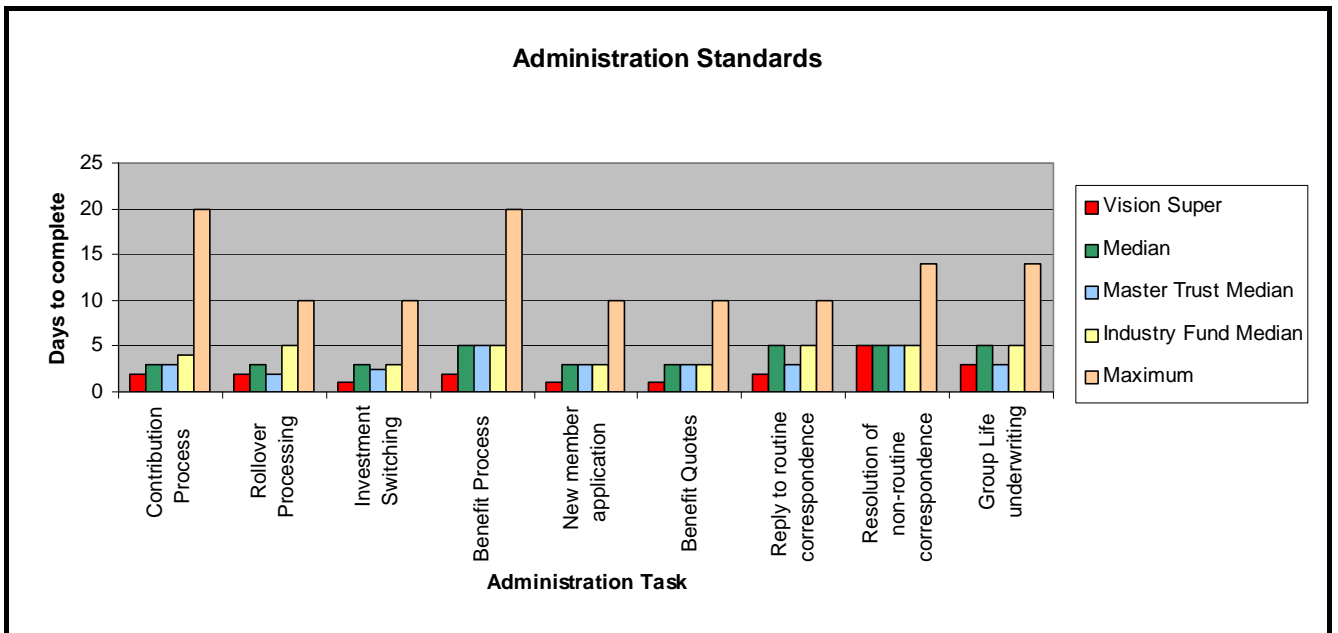
As at 30 June 2006 there were 100,779 members in the fund. Net membership increased 2,175 over the financial year. The breakdown of the membership is shown in the chart below.



Administration efficiency

Vision Super was awarded a Platinum rating by SuperRatings which places us in the top 15% of super funds, offering 'the best value for money'. Their "Rating and Benchmarking Report 2005" compares Vision Super's administration standards with those of other rated funds. The results are in the chart below which shows the number of days taken to complete various standard administration tasks.

Vision Super is consistently one of the best performing super funds in the industry across a range of administrative functions, completing most administration tasks in a shorter time period than both the median super fund and the median industry fund. Across all criteria, Vision Super performs better than the median manager, the median master trust manager and, most importantly, the industry fund median.



This illustrates that Vision Super's in-house administration provides members and employers with administration services that are above industry averages.

Employer Services

The past year has seen an expansion of the Client Relations Team. As the super landscape continues to change, employers increasingly need support in dealing with issues that are outside of their core businesses. Our Client Relations Team strives to help alleviate the administrative burdens of superannuation on our employers so they can focus on their main business activities.

Employer services available to our participating employers include:

- Superannuation consulting to Local Government
- Payroll training services
- Employer hotline
- Legislative updates
- Onsite member education seminars
- Financial Planning Seminars
- Publications and Fact Sheets

In order to better service our employers we added another staff member to the Client Relations Team. Scott Johnson joined Vision Super in March 2006 and has been actively visiting employers the past few months. Scott joins Vision with a background in financial planning and has worked in the financial services industry for 20 years.

Some of the highlights for the year include:

Annual review presentations

Last year, Vision Super introduced annual reviews of the fund for executive management within its major sponsoring employers.

Individual visits were made to 130 major sponsoring employers between December 2005 and June 2006. They were attended by at least one Client Relations and one Senior Executive Officer. On the employer side, 25% of reviews were attending by their CEO in addition to finance and HR executives.

The format comprised a review of our operations and employer services together with questions designed to extract feedback from employers. Key outcomes were:

- A general level of satisfaction with both our administration and member services,
- Desire for assistance with phased retirement strategies, and
- Frustration with the extra work caused for payroll departments by a small number of members exercising choice.

As a result, development and communication of phased retirement strategies and introduction of clearing house facilities will be the major employer service initiatives for 2006/07.

Payroll training

Over 100 payroll and HR staff attended the two training sessions held at our office in Melbourne. The feedback has been very positive. Sessions cover updates on legislation, an overview of Super Saver, the Defined Benefit Plan and insurance and a wealth education update. If you or your staff didn't get to attend one of the training sessions, we plan on holding more training sessions in the next financial year.

New education materials

At the request of employers an induction booklet for new employees was introduced. This booklet does not replace a Product Disclosure Statement but does provides an overview of Vision Super for new staff in order to help them better understand Vision Super and its services when they join their new employer. We also made our fact sheets available to members on the website. These were previously handed out at information sessions but in an effort to provide easy access to information we've put them in the public area of the website. The fact sheets cover a range of issues and can be found at www.visionsuper.com.au/publications.asp.

Audit function for online contribution remittances

This was introduced to provide employers with a checking mechanism on the contribution payments being paid into the fund. It allows a third party to monitor the contributions being made by their payroll areas. Training can be provided on this to any of your relevant staff.

Vision Super Golf Day

Representatives from 29 employers attended our inaugural golf day, kindly sponsored by Bridgewater & Associates. The day was a huge success and a great opportunity for employers across the state to get together and enjoy a day on the green.

Vision Super Online – easy and convenient administration

Vision Super Online is a great source of information and can help ease the administration burden of superannuation.

Use the website to:

- Remit contribution files
- Update your employees details
- Run reports
- Find updates on the defined benefit fund
- Download Super Saver User Guide to help you through administrative tasks
- Pay non-Vision contributions through the clearing house facility

Client Relations Team Contact Details

Eric Ferraro – Manager Client Relations

☎ 03 9911 3153

📞 0417 014 945

✉ eferraro@visionsuper.com.au

Scott Johnson – Account Manager

☎ 03 9911 3126

📞 0438 038 306

✉ sjohnson@visionsuper.com.au

Investment Update

Background

Vision Super is a manager of investment managers, using a combination of specialist investment managers to manage the assets of the defined benefit plan (and lifetime pensions) and the various investment options available to members in the accumulation plans. Details of the Investment Managers used by Vision Super at 30 June 2006 are shown at the end of this section.

The Trustee has overall responsibility for the investment of fund assets. Vision Super has an in-house investment team comprising a Manager, Investments and 3 analysts who manage our cash portfolio in-house and review investments and managers continuously. The Manager, Investments reports on the performance of the Vision investment options, asset class pools and underlying managers at monthly Board meetings.

We use the services of an asset consultant, Frontier Investment Consulting, for strategic investment advice and assistance with manager selection. Likewise Pinnacle Property Group provides specialist advice on property investment.

Investments for the defined benefit and lifetime pension assets are managed as a separate portfolio. Vision Super provides a comprehensive range of investment options for members in our accumulation accounts to select from. Accumulation accounts includes members of Super Saver and individual investors in our personal plans and pension products.

Defined Benefit Plan Portfolio

The investment strategy takes into account expected risk and return, the need for diversification and liquidity and the current and future liabilities of the Fund. The current and target asset allocation of the portfolio is shown below.

Defined Benefit & Pension Portfolio Strategic Asset Allocation		
Asset Class	30/06/06 Allocation (%)	Target Allocation (%)
Australian Shares	24.0	24.0
International Shares	25.0	24.0
Direct Property	7.5	7.5
Alternative investments		
• Private Equity	3.0	3.0
• Infrastructure	9.5	12.0
• Opportunistic Property	2.0	2.5
• Absolute Return Strategies	9.0	7.0
Fixed Interest	17.5	17.5
Cash	2.5	2.5
Total	100.0	100.0

As announced last year, Vision Super is progressively moving the portfolio's strategic asset allocation to take into account the nature and timing of its changing liabilities. This involves an increased weighting to alternative investments, designed to provide the portfolio with an improved risk/return profile. The bulk of this process has been completed.

- Exposure to traditional fixed interest investment has been reduced from 23.5% to 17.5%.
- The previous weighting of 30% to Australian and 20% international shares will be equalized at 24% each.
- This has allowed additional assets to be allocated to alternative investments.
- Assets will progressively be moved to their target allocation within alternative investments as suitable investment opportunities arise.

Defined Benefit Plan Performance

The return (net of tax and investment expenses) earned on the Defined Benefit Plan assets for the actuarial review period from 1 January 2003 to 31 December 2005 was 12.25% p.a. The actuarial target was for portfolio returns to exceed salary growth by 4.5%p.a. Performance thus exceeded the actuarial target by 2.1% p.a.

The following table shows the performance of the defined benefit portfolio compared to the actuarial targets for beating salary growth over time.

Actuarial review period	Actuarial target	Actual salary growth (%)	Actual target (%)	Investment return (% p.a.)	+ / - (%)	Result
1990 - 1992	Salary growth + 2%	5.2	7.2	9.6	2.4	✓
1993 - 1995	Salary growth + 2.5%	4.0	6.5	8.8	2.3	✓
1996 - 1998	Salary growth + 3.5%	5.9	9.4	13.4	4.0	✓
1998 - 2000	Salary growth + 3.5%	4.5	8.0	9.6	1.6	✓
1 July 2000 - 31 December 2002	Salary growth + 3.5%	5.4	8.9	0.1	-8.8	✗
2003-2005	Salary growth + 4.5%	5.7	10.2	12.3	2.1	✓

With the exception of the period ending December 2002, when there was a sustained fall in world and then Australian share markets, the portfolio has consistently exceeded target.

Accumulation Fund (Super Saver) Investment Options

Employees and members can choose from a range of different investment options. Should a Super Saver member not wish to make a choice, their super is invested in the default fund, Balanced Growth. At the end of June 2006, 87% of members' accumulation assets were invested in Balanced Growth. This figure is consistent with industry average allocations to default funds. With a net return at 30 June 2006 of 12.94% p.a., members who have been in Balanced Growth over the last 3 years have received a total return of 44%.

Vision Menu options are diversified investment funds, the asset allocation for which is rebalanced back to benchmark every month.

Member Mix enables members to invest directly into a range of sector funds. Members thus manage their own asset allocation, without Vision Super doing monthly rebalancing.

Sustainable investment options are invested according to an index created by Sustainable Asset Management (SAM). SAM assesses companies according to an index that awards points to companies that take account of social, economic and environmental factors.

Details of the various Vision Menu options are shown on the following table.

Benchmark Asset Allocations at 30 June 2006									
Options	Defensive			Growth				Defensive / Growth Mix (%)	
	Cash (%)	Fixed Interest (%)	Alternative Assets (%)	Australian Shares (%)	Int'l Shares (%)	Property (%)	Alternative Assets (%)		
Vision Menu options									
Cash	100	0	0	0	0	0	0	100	0
Fixed Interest Plus	20	40	10	10	10	5	5	70	30
Balanced Conservative	5	35	10	18	18	5	9	50	50
Balanced Growth	2.5	17.5	5	28	28	7.5	11.5	25	75
Shares Plus	0	13	2	32.5	32.5	7.5	12.5	15	85
Just Shares	0	0	0	50	50	0	0	0	100

The following chart compares the investment option performance for the Vision Super Menu options to their investment objectives, which are set by the Trustee. Results with ✓ represent periods where Vision Super performance has exceeded its performance objective. Results with ✗ represent periods where Vision Super performance has failed to exceed its performance objective. While fund returns were positive, returns were below objective due to negative returns in global and Australian Shares over the period.

Performance Versus Investment Objectives to 30 June 2006										
Options	Performance Objective	1 Year			3 Years			5 Years		
		Objective return (%)	Net return (%)	Result	Objective return (% p.a.)	Net return (% p.a.)	Result	Objective return (% p.a.)	Net return (% p.a.)	Result
Vision Menu options										
Cash	CPI	4.00%	4.85%	✓	3.00%	4.74%	✓	2.90%	4.53%	✓
Fixed Interest Plus	CPI + 2.0%	6.00%	7.00%	✓	5.00%	8.02%	✓	4.90%	6.18%	✓
Balanced Conservative ^C	CPI + 3.5%	7.50%	9.05%	✓	N/A	N/A	N/A	N/A	N/A	N/A
Balanced Growth	CPI + 4.0%	8.00%	12.91%	✓	7.00%	12.93%	✓	6.90%	7.20%	✓
Shares Plus	CPI + 4.5%	8.50%	13.51%	✓	7.50%	13.92%	✓	7.40%	6.75%	✗
Just Shares	CPI + 5.0%	9.00%	17.72%	✓	8.00%	16.08%	✓	7.90%	5.50%	✗
Vision Menu Sustainable options										
Fixed Interest Plus ^B	CPI + 2.0%	6.00%	7.17%	✓	5.00%	7.74%	✓	N/A	N/A	N/A
Balanced Conservative ^C	CPI + 3.5%	7.50%	9.50%	✓	NA	N/A	N/A	N/A	N/A	N/A
Balanced Growth ^A	CPI + 4.0%	8.00%	12.90%	✓	7.00%	11.85%	✓	N/A	N/A	N/A
Shares Plus ^B	CPI + 4.5%	8.50%	14.23%	✓	7.50%	13.03%	✓	N/A	N/A	N/A
Just Shares ^B	CPI + 5.0%	9.00%	18.70%	✓	8.00%	14.72%	✓	N/A	N/A	N/A

^A Sustainable Balanced Growth commenced 1 October 2001

^B Sustainable Fixed Interest Plus, Shares Plus & Just Shares commenced 1 January 2002

^C Balanced Conservative & Sustainable Balanced Conservative commenced 1 April 2005

Investment Managers at 30 June 2006

At 30 June 2006, a total of \$3.48 billion was invested on behalf of Vision Super members, an increase of \$486 million on last year. The specialist fund managers Vision Super uses to invest your money are displayed here using two separate tables.

Traditional Investments

In the table to the right, managers that invest in traditional listed shares, property, fixed interest, and cash markets are displayed. The second table below lists the specialists appointed to manage Vision Super's alternative investments. Alternative investments are an increasingly important part of our investment strategy, adding significantly to the diversification of Vision Super's investment options.

What makes Alternative Investments different?

Alternative investments are different because:

- They are not listed on any stock exchange;
- They are not valued every day;
- They are usually less liquid and less well researched than other investments;
- Money is typically invested over 2 to 4 years;
- Investment is usually for a set period, between 7 and 12 years; and
- Capital and profits are returned to investors as each investment is realized.

Alternative Investments

	30 Jun 2005		30 Jun 2006	
	(\$million)	(%)	(\$million)	(%)
TRADITIONAL GROWTH INVESTMENTS				
Australian Shares				
GMO - Value Tilt	137.5	15.0%	160.4	17.9%
Intech - High Alpha Trust	0.0	0.0%	103.9	11.6%
Schroder - Growth Tilt	140.3	15.2%	161.1	17.9%
Macquarie - Enhanced Index	443.8	48.2%	371.2	41.3%
Warakirri - Small Companies Fund	90.9	9.9%	101.8	11.3%
WestLB Mellon - Market Neutral Long/Short	107.2	11.7%	-	0.0%
	919.7	100.0%	898.4	100.0%
Sustainable Australian Shares				
SAM Sustainability Leaders Australian Fund	5.3	100.0%	7.8	100.0%
	5.3	100.0%	7.8	100.0%
International Shares				
Bank of Ireland - Value Core	133.0	19.0%	-	0.0%
Baillie Gifford - Long Term Global Growth	0.0	0.0%	110.3	12.0%
Brandywine - Value Approach	0.0	0.0%	116.6	12.7%
State Street - Index Plus Strategy	294.8	42.1%	325.0	35.4%
Turner - Small Cap Core Equity	68.3	9.8%	70.2	7.7%
Lloyd George - Emerging Markets	52.8	7.5%	75.4	8.2%
Intech High Opportunities Trust	0.0	0.0%	45.5	5.0%
HFA - Long/Short Unconstrained	0.0	0.0%	61.8	6.7%
Wellington - Neutral Core	146.1	20.8%	116.8	12.7%
Bridgewater - Currency Overlay	5.9	0.8%	(4.1)	-0.4%
	700.9	100.0%	917.5	100.0%
Sustainable International Shares				
SAM Sustainability Leaders International Fund	5.2	100.0%	8.4	100.0%
	5.2	100.0%	8.4	100.0%
Property				
AMP Capital Investors - Property Unit	82.7	38.7%	96.1	39.0%
Colonial - Direct Property Investment Fund (Retail)	19.1	9.0%	20.0	8.1%
Industry Super Property Trust - Core Fund	89.8	42.1%	104.1	42.2%
QIC - Shopping Centre Fund (Retail)	21.8	10.2%	26.4	10.7%
	213.4	100.0%	246.6	100.0%
TRADITIONAL DEFENSIVE INVESTMENTS				
Cash				
Vision Super	140.9	100.0%	108.3	100.0%
	140.9	100.0%	108.3	100.0%
Fixed Interest				
Alliance Bernstein - Domestic Fixed Income	175.9	29.0%	135.7	23.3%
Hastings - High Yield Fund	59.2	9.8%	77.3	13.2%
Members Equity - Super Loans	11.1	1.8%	10.9	1.9%
Bridgewater - Global Bond Fund	194.0	31.9%	174.2	29.9%
Western - International	167.1	27.5%	184.8	31.7%
	607.3	100.0%	582.9	100.0%
Total Traditional Investments	2,592.7	100.0%	2,769.9	100.0%

	30 Jun 2005		30 Jun 2006	
	(\$million)	(%)	(\$million)	(%)
ALTERNATIVE GROWTH INVESTMENTS				
Infrastructure				
IFM Australian & International Infrastructure	140.9	51.8%	184.2	34.6%
Regional Infrastructure Fund	12.0	4.4%	11.6	2.2%
Regional Telecommunications	5.4	2.0%	-	0.0%
Australian Private Equity				
IFM Australian Private Equity Funds II & III	13.5	5.0%	24.3	4.6%
ABN AMRO - Capital Australia Fund II	0.0	0.0%	26.7	5.0%
Industry Fund Banking Trust	8.9	3.3%	12.4	2.3%
ING - Private Capital Fund No.1	13.0	4.8%	9.3	1.8%
Quay Partners - Australia 2 & 3 Funds	2.7	1.0%	7.3	1.4%
Macquarie Alternative Investment Fund IV	0.0	0.0%	4.8	0.9%
International Private Equity				
IFM International Private Equity Fund I & II	40.7	14.9%	58.6	11.0%
Montagu Newhall III.	0.0	0.0%	2.9	0.5%
LGT Capital Partners AG - Crown European	0.0	0.0%	2.5	0.5%
ABN AMRO - Emerging Europe	0.0	0.0%	10.5	2.0%
Private Equity Trust	0.0	0.0%	9.9	1.9%
Opportunistic Property				
APN - Development Fund No.1	1.1	0.4%	1.4	0.3%
Colonial - Opportunistic Partnership No. 1	2.2	0.8%	0.2	0.0%
Eureka - Property Fund No.1	1.1	0.4%	3.4	0.6%
Macquarie - Asia & Europe Funds II	0.0	0.0%	14.3	2.7%
Investa - Enhanced	0.0	0.0%	17.1	3.2%
Gresham - Property Mezzanine Fund No. 2	1.7	0.6%	3.7	0.7%
Absolute Return				
Bridgewater - All Weather Fund	29.0	10.6%	126.8	23.8%
	272.2	100.0%	531.9	100.0%
ALTERNATIVE DEFENSIVE INVESTMENTS				
IFM - Australian Social Infrastructure A	21.7	17.0%	28.6	16.1%
Quellos - Absolute Return Fund	52.7	41.3%	74.9	42.3%
Warakirri - Absolute Strategy Fund	53.3	41.7%	73.8	41.6%
	127.7	100.0%	177.3	100.0%
Total Alternative Investments	399.9	100.0%	709.2	100.0%

What do our alternative fund managers invest in?

- Infrastructure, which is investment in public or privately owned facilities (e.g. roads) and utilities (e.g. gas and electricity).
- Private Equity which is investment in private companies, typically to fund the development or structuring of a company.
- Opportunistic Property, which is investment in various commercial, industrial and residential property developments.
- Absolute Return Strategies are investments in funds that aim to provide a positive return for the investor, rather than investing with the intention of beating a particular share or bond market index.

Member Services

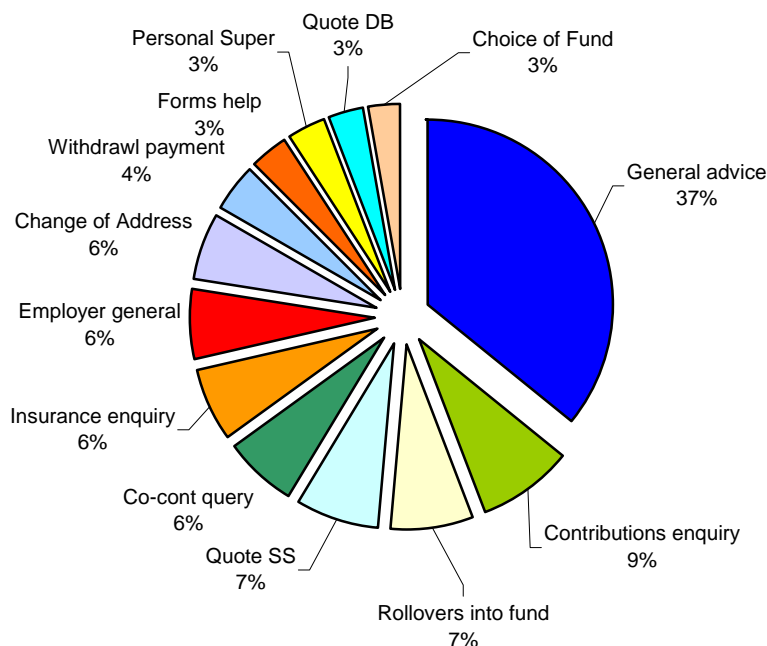
With so many changes happening in superannuation Australians can find the system confusing and hard to navigate through. Providing members with access to timely information in easy to understand language is a priority at Vision Super. Members are provided with education through several channels including 24-hour online access, free general advice from the hotline, printed materials and quarterly newsletters, onsite education seminars and access to financial planning advice with no additional cost to members. We want members to utilise all of the information channels available to them and speak with a Vision Super consultant when they have questions rather than go to their payroll / HR areas with these queries.

This past year has seen many improvements to our Member Services area. Gayle Anderson joined the team as Manager Member Services. Gayle has over 25 years experience in the superannuation industry including roles as Fund Secretary and Employer Trustee before developing her passion for ensuring effective communication to members. Gayle's first initiative in the area was to launch a new series of seminars on topics such as 'Budgeting & Planning', 'Wealth Creation', 'Getting the Most out of Super' and 'Understanding Investments'. Many employers have had our consultants out to their sites and a record number of members have attended the education series.

Some of the statistics include:

- 351 member seminars were conducted at employer sites
- Over 100 employers had seminars at their worksites
- 6,173 members attended the seminars
- 44% of seminars were conducted in the regional areas
- The call centre took 40,420 calls up from 36,479 last year. This means 1 in 2.5 members are calling our Members Services consultants. Chart below shows the type of calls the hotline took over the financial year.
- All our financial planners, wealth education and call centre consultants not only work for Vision Super, they are also members of Vision Super. So your employees will always speak to a Vision Super member when they contact the fund.

Vision Super Call Centre - Breakdown of calls 2005/6



Perhaps one of the most valuable services that Vision Super provides to employers is the call centre. This allows employers to refer staff queries directly to Vision Super, reducing the amount of time spent on administration and avoiding potential problems associated with giving personal advice to members.

Meet the Member Services team

**Dianne Abley**

Member Education Consultant

☎ 03 9911 3167

📞 0418 507 643

✉ dabbley@visionsuper.com.au

Norm Schinck

Member Education Consultant

☎ 03 9911 3123

📞 0417 050 038

✉ nschinck@visionsuper.com.au

Gayle Anderson

Manager Member Services

☎ 03 9911 3187

📞 0438 081 489

✉ ganderson@visionsuper.com.au

Legislation update

2005/06 was another big year for changes in superannuation. The financial year started with the introduction of Choice of Fund to eligible working Australians and ended with significant proposed changes in the 2006 Federal Budget.

Choice of fund

From 1 July 2005 eligible working Australians could choose where they wanted their superannuation contributions paid. Exceptions to this were employees who were covered by State Awards or Agreements (which detailed what superannuation fund/s their employer would use) or were members of certain defined benefit funds or were covered by certain agreements under the Victorian Employee Relations Act (1992).

Vision Super has seen very little activity from its membership due of Choice with less than 0.25% of membership exercising choice and leaving the fund. Many members who have left their employers have chosen to stay with Vision and as a result almost 400 new employers joined the fund during the year.

Also introduced from 1 July 2005 was portability, which allows members to move their superannuation balances from one fund to another without having to wait 6 months from the date of the last employer contribution. Again portability does not apply to members of the defined benefit plan. As with choice of fund, Vision Super has seen very little movement in member's balances due to portability.

If you require more information on any of these changes contact our Client Relations Department.

Contribution splitting

Contribution splitting was announced in the 2005 Federal Budget as a retirement planning strategy. Members who have made 'splittable contributions' to a super fund can elect to transfer all or part of those contributions made each year into their spouse's account. Contribution splitting only applies to contributions paid on or after 1 January 2006.

Splittable contributions can include 'taxed' or 'untaxed' contributions and there are limits on the maximum amount that can be split in a financial year. Defined benefit members cannot split employer or personal contributions made in respect of their defined benefit, but can split any contributions in addition to these amounts.

The effectiveness of contribution splitting may be reduced by the extensive changes to superannuation outlined in the 2006 Federal Budget.

Clearing house

Vision Super will shortly be releasing a clearing house solution to employers who are making multiple superannuation fund payments. The clearing house removes the administration burden of making multiple fund payments by providing simple straight through processing of your contribution file. If you currently are making payments to multiple funds and would like more information on our clearing house contact our Client Relations Department.

Phased retirement

The aging workforce is an issue that concerns employers who are trying to manage the potential skills shortage that can result from the pending retirement of employees who are currently aged 50 and over.

In the policy document *A more flexible and adaptable retirement income system* released on 25 February 2004, the Federal Government announced a number of enhancements to the retirement income system. One such enhancement is to allow people who have not retired from the workforce access to their superannuation as a "non-commutable income stream" (NCIS) once they reach their preservation age (currently 55 years). Non-commutable means that members cannot convert any of the income stream to a lump sum.

Vision Super already offers a non-commutable income stream product for accumulation members, which is essentially an Allocated Pension offered on the more restrictive basis required by the new rules. This means that Vision Super members with accumulation style benefits can already access this product if they wish to adopt more flexible working arrangements. However, there are significant issues associated with providing Defined Benefit members access to a similar facility.

The Board of Vision Super has developed a strategy that enables phased retirement to be offered to Defined Benefit members. This is aimed at improving the options available to employers to offer employees more flexible working arrangements.

Employers received a report in late June outlining the issues and the way Vision Super is dealing with them to provide employers and defined benefit members with access to Phased Retirement arrangements. This has not generally been communicated to members, as there is a cost to the employer in a similar manner to redundancy.

If you would like a copy of this report or if you or your staff have any questions in relation to this issue, please contact our Client Relations Department.

Co-contributions

2005/06 saw a dramatic increase in co-contributions received from the Government, which increased to \$7.6 million from \$3.1 in million the previous financial year.

Contribution remittances by members were made even easier with the introduction of BPay as one of the available payment options. Members can now make contributions into the fund via BPay, direct credit, cheque or through payroll deductions.

The end of this financial year saw a record number of members making contributions to the fund and we expect the trend towards increased monies received from the government to continue.

Federal Budget update

The 2006 Federal Budget has some of the most significant changes proposed to superannuation in decades. Some of the highlights of the proposed changes include:

- Tax-free benefits for members over age 60 whether they are paid in income streams or lump sums.
- Members will no longer be forced to take their benefits at age 65 and can keep their money in the system for as long as they want, taking out as little or as much as they choose.
- Personal contributions paid from a member's after-tax income (undeducted contributions) will be limited to \$150,000 p.a. The cap may be averaged over a period of three years. Between 10 May 2006 and 1 July 2007 people can make up to \$1 million of after-tax contributions.
- Subject to transitional rules for those over age 50, existing aged based limits on deductible contributions will be replaced by a flat limit of \$50,000 p.a. Deductible contributions exceeding \$50,000 per year will be taxed at the top marginal rate.

The changes aim to 'simplify and streamline' superannuation by getting rid of the complexities faced by retirees, increasing retirement incomes, giving greater flexibility to how and when superannuation can be accessed and improving the incentives for older Australians to stay in the workforce. We will be providing more information on the budget changes as they are announced. If you would like information concerning the implications of the budget please contact our Client Relations Department.

Managing Vision Super

Vision Super Pty Ltd is the Trustee and Administrator of the Local Authorities Superannuation Fund. Vision Super has eight directors, four elected by the members, and four appointed on the nomination of the following employer associations:

- Municipal Association of Victoria (MAV) (two directors)
- Victorian Water Industry Association (VWIA) (one director)
- Victorian Employers' Chamber of Commerce and Industry (VECCI) (one director)

Each director has an alternate director appointed in the same manner. The term of appointment for directors and alternates is four years. The directors and their alternates as at 30 June 2005, are detailed below.

Employer Representatives	Member Representatives
Michael Tilley, VWIA	Bill Watton
John Warburton, MAV	Darrell Cochrane
Angela Emslie, VECCI	Tony Tuohey
Rob Spence, MAV	Wendy Phillips

Fund administration

- Chief Executive Officer - Rob Brooks
- Company Secretary - Andrew Barr (up to 31 July 2006)

Service Providers

Where appropriate, Vision uses the services of external service providers, as shown below.

Function	Service Provider
Administration	In-house
Systems development	Hansen Technology / In-House
Internal Auditor	KPMG
External Auditor	Ernst & Young
Taxation	Pricewaterhousecoopers
Actuary	Russell Employee Benefits
Legal	Freehills, Phillips Fox, Rigby Cooke
Asset consultancy	Frontier Investment Consulting
Property investment consultant	Pinnacle Property Group
Custodian	National Custodian Services

- External auditor - Ernst & Young
- Internal auditor - KPMG
- Master Custodian - National Custodian Services Ltd

Company Secretary Andrew Barr has resigned his position effective 31 July 2006. His replacement will be Paul Curtin.

Committees of the Board

The Board has a number of Committees comprising directors, management and external advisors.

Audit and Compliance Committee

(Chair – John Warburton)

Reviews and makes recommendations to the Board on the Fund's internal controls, organisational risks, corporate governance issues, statutory reporting and general audit performance.

Benefits Committee

(Chair – Angela Emslie)

Assesses applications for death and disability benefits and makes recommendations to the Board on policies affecting benefits.

Investment Committee

(Chair – Tony Tuohey)

Analyses, reviews and makes recommendations to the Board on investment strategy, performance and manager appointments.

Additional benefits for members

Vision Super online

Members have access to their personal benefit information, interactive financial modelling tools and a wealth of content to help them plan ahead to maximise retirement incomes. Members can also find all the forms and documents they need to make investment changes, or change their personal details.

Discounted health insurance

Since November 2005 all Vision Super Members can receive a 5% discount on health insurance through HBA. The discount is available whether or not they are existing members of HBA. Members of HBA are also entitled to a 10% discount on car and home insurance and 15% on travel insurance. Over 1,000 members have taken advantage of the offer.



Home loans and banking

All Vision Super members have access to a range of low cost banking services through Members Equity Bank. Some of the benefits of Members Equity Bank include:

- A CANNEX 5 star rating for superior value
- 0.25% discount on home loans with no hidden costs
- A savings and transaction account that earns high interest on every dollar over \$3,000
- One of Australia's cheapest credit cards
- One of Australia's lowest fixed rate personal loans.



Low cost business loans are also available to participating Vision Super employers.

Financial planning services

Vision Super offers financial planning services to members free of charge. The Superannuation Planning and Retirement Services team is available to help your employees develop superannuation strategies including:

- Income Streams
- Pre retirement advice
- Superannuation strategies including rollovers and pensions
- Tax treatment of superannuation
- Centrelink issues
- RBL Strategies

Members just need to ring Member Services to get more information

An advertisement for Vision Super with a yellow background. It features a penguin illustration and an information icon. The text provides contact details for member services.

Need more help? 

To find out more about our products and services contact us on:

Super Hotline 9911 3222
Regional Hotline 1300 300 820
Fax 9911 3299

Email advisory@visionsuper.com.au
Web www.visionsuper.com.au

P0 Box 18041
Collins Street East
MELBOURNE VIC 8003

Level 5, 1 Spring Street
Melbourne Vic 3000

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