

# 2014 ANNUAL REPORT



Cape Otway lighthouse, Great Ocean Road.

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Some of the Vision Super open day team.

In this Annual Report, the term "Vision Super" is used to describe the Vision Super group, which comprises Vision Super Pty Ltd, Pooled Super Pty Ltd and the superannuation entities for which they are trustee respectively (unless the context otherwise requires). The term "Trustee" refers to Vision Super Pty Ltd in its capacity as trustee of the Fund or Funds, as the case may be. The term "Trustees" refers to Vision Super Pty Ltd and Pooled Super Pty Ltd in their capacity as trustees for the relevant superannuation entities. The term "Fund" or "Funds" is also used to refer to the Local Authorities Superannuation Fund and/or the Vision Superannuation Fund (as the case may be), and the term "PST" refers to the Vision Pooled Superannuation Trust.

## VISION SUPER OVERVIEW

## Future driven

With a firm focus on our members' future needs, Vision Super is dedicated to offering exceptional personal service and best value for money at every stage of members' working and retirement lives.

Our aim: to offer more for less to members and employers alike by continually reducing operating costs, growing to provide economies of scale, improving response times and streamlining processes.

### Members first

In everything we do, Vision Super puts members first. We strive every day to deliver superior products and services and produce better outcomes for our members, giving them confidence today and security tomorrow.

The Fund is run only to benefit members. We don't pay commissions or bonuses to our staff, and our profits go to our members and not shareholders. The net result: more benefits for our members in retirement.

### Who we represent

Vision Super is the industry fund for local government, community services and the water industry. Although our background is local authorities, we now have members and employers representing a vast range of industries.

**Anyone can join, no matter what their industry affiliation is.**

### Continual improvement and innovation

We are a top-performing self-administered fund that bends over backwards to help members grow their super, perform transactions easily, and improve their ultimate retirement outcomes. To this end, we consult with our members regularly and openly to improve our services and processes based on their feedback, adopting new ideas and approaches that help improve the way we work with and serve them.

### Communication and service

Vision Super understands that not everyone communicates in the same way, so we offer a wide range of service options. Members can call or email us, sit down with a Vision Super Financial Planner, attend an open day or stop by our Melbourne office - the choice is always theirs.

Our secure member website, Vision Online, provides online access to their accounts and control over their super 24/7.

We're especially proud of our personal service. When members call us, they talk to a friendly Member Services consultant in our Melbourne office, not an outsourced call centre or a computer. Giving members the best super experience possible and doing everything we can to help them help themselves is our absolute commitment.

### Super help in person

We're particularly focused on giving members more help in person through more frequent open days and seminars. Members can come along to chat with our qualified super specialists, and explore topics such as how much super they'll need for a comfortable retirement, their investment strategies, Centrelink options, and more.

## Ten years!

SuperRatings has awarded Vision Super a Platinum rating for offering "best value for money" to our members ten years in a row. Only 14 super funds in Australia have achieved a 10 year Platinum rating.



### Advice that's always in members' best interests

If members need personal advice, Vision Super's Financial Planners are available for them one-on-one to prepare a financial road map for their future. Unlike planners at the big banks, ours are never paid commissions or bonuses for recommending particular products. No matter what the current rules for financial advisers are, our Financial Planners will always act in members' best interests – that's our guarantee.

### Performance to be proud of

Vision Super's investment strategy is focused on providing solid long-term performance. And that's just what we're doing.

Our investment performance is in the top five in Australia and we've been awarded the highest Platinum rating by independent super research company SuperRatings ten years in a row.

Vision Super Balanced Growth, where most of our members are invested, has outperformed the benchmark (the median fund return of SuperRatings at 30 June 2014) over the short and long-term.

See page 22 for more details about Vision Super's investment performance.

## FINANCIAL YEAR HIGHLIGHTS

# 2013/14 financial year in review

The following highlights the year in review.

## Key events by date

### November 2013

Awarded a SuperRatings Platinum rating for the ninth year in a row. This rating puts Vision Super in the top funds in Australia for value for money. We've since been awarded a ten year Platinum rating in October 2014.

### January 2014

Initiated a comprehensive organisational review to determine areas for streamlining and improvement. All operations analysed thoroughly, from staffing levels and skill sets, to management structure, external supplier contracts, internal system utilisation, and investment manager remuneration and selection.

### February 2014

Sponsored the Vision Super reverse triathlon in Maryborough - an event we've been sponsoring since 2009. The event is attended by elite triathletes and provides the fund with an opportunity to be associated with a community event that promotes health and wellbeing.

### April 2014

Once again recognised by SuperRatings as one of 15 super funds worthy of the Infinity brand, having demonstrated a strong and genuine commitment to our environment and social responsibilities as drivers of business.

### May 2014

Held first Vision Super open day in Ballarat with over 230 members attending seminars and meeting with our Client Engagement team to get their super sorted.

### May 2014

Through our "Costs down" project, identified \$6 million per annum in operational and investment cost savings. This will translate into 15% lower expense ratios over time and means even more net benefits to members.

### June 2014

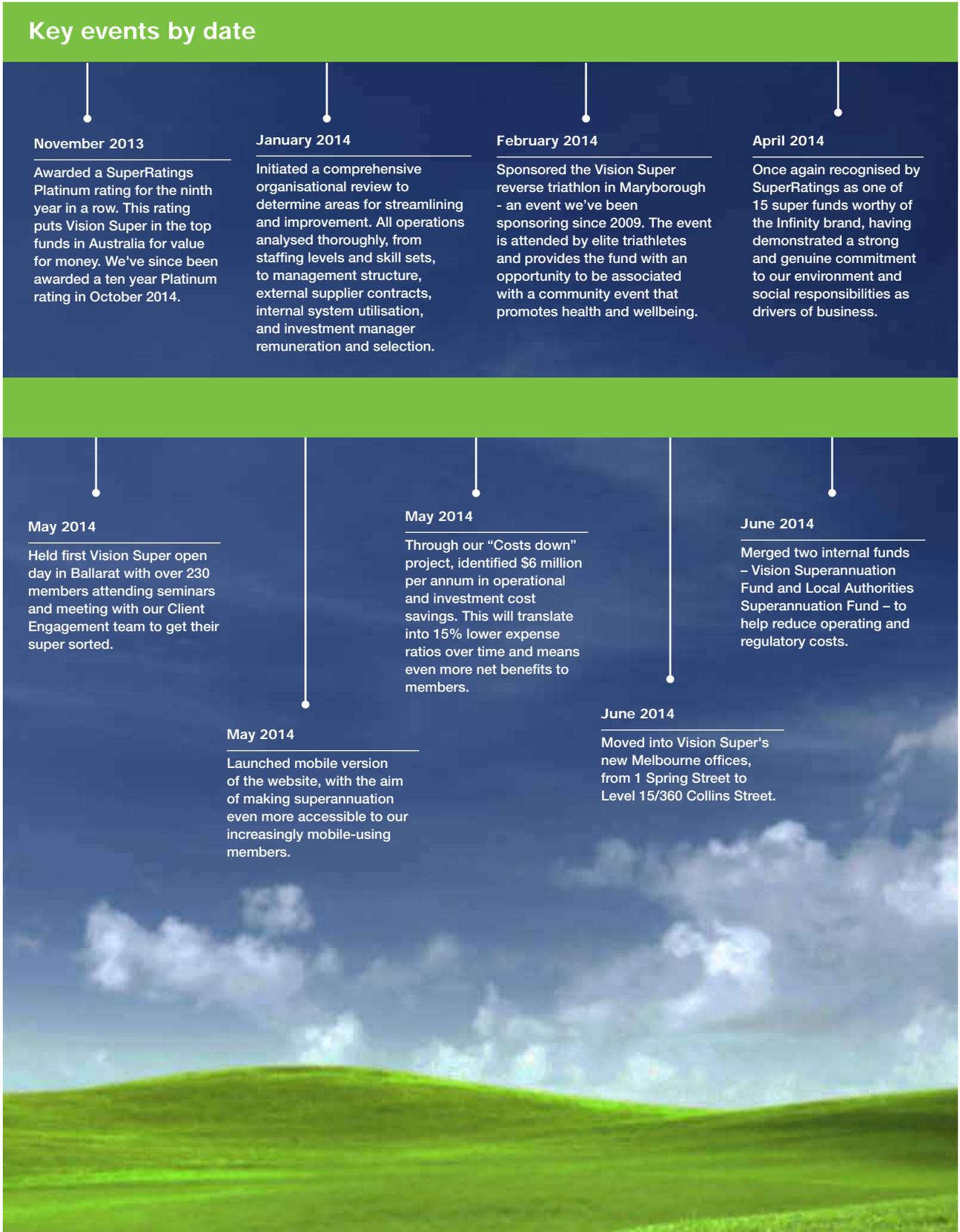
Merged two internal funds - Vision Superannuation Fund and Local Authorities Superannuation Fund - to help reduce operating and regulatory costs.

### May 2014

Launched mobile version of the website, with the aim of making superannuation even more accessible to our increasingly mobile-using members.

### June 2014

Moved into Vision Super's new Melbourne offices, from 1 Spring Street to Level 15/360 Collins Street.



## CHAIRMAN'S REPORT

# Dear members

On behalf of the Board and Executive team, I am pleased to present this Annual Report, in what has been a year of significant change and solid progress.

This year a comprehensive organisational review of the Vision Super group has been completed and the Board's 2013-16 Strategic Plan is now well underway. Key appointments have been made to the Executive Management team, and additional changes to the Board structure started last year have now been finalised.

As part of the organisation-wide review, two key appointments were made to the Executive Management team.

The first was the appointment of Stephen Rowe as Vision Super's new CEO. Stephen has extensive financial services experience, including seven years as CEO of First Super and most recently as the general manager of Super SA, the South Australian Public Sector Superannuation Scheme.

The second was the June appointment of Michael Wyrsh as Vision Super's Chief Investment Officer (CIO). Michael was a Senior Investment Consultant at Frontier Advisors, a major Australian asset consulting firm, for over 16 years. The Board created this new CIO role to extend our investment expertise in the management of over \$7 billion in retirement savings.

These new appointments and other staff changes have brought in new ideas and a range of additional industry skills and expertise that will be invaluable in the times ahead. The changes underscore the Board's commitment to growing the Fund and offering superior services and products to members and employers.

Another noteworthy change ratified by the Board during the past financial year was the merging of the Vision Superannuation Fund (VSF) with the Local Authorities Superannuation Fund (LASF) on 30 June 2014.

The Trustee signed off on the merger after consulting with the Australian Prudential Regulation Authority (APRA), who assessed that VSF members receive equivalent rights in LASF.

This merger is an integral step toward Vision Super's long-term goal of reducing costs, avoiding duplication and providing economies of scale.

The Board underwent further change this year with my appointment as Chair on 1 July 2014, replacing Peter Wilson. Peter made an invaluable contribution to both the Board and the Fund during his tenure, and will continue to serve as a Vision Super director and Chair of the Audit Risk and Compliance Committee.

I am also very pleased to announce the appointment of Joanne Dawson as an independent director of the Fund. The Board conducted an extensive search and chose Joanne for her substantial financial services background, both as an adviser and a director. Joanne has had a successful career in finance and wealth management and has gained valuable experience on a variety of boards, including her current director positions on Templeton Global Growth Fund Limited, Catholic Church Insurance Limited and the Victorian Teachers Mutual Bank.

Selecting an independent director highlights Vision Super's commitment to the highest standards of corporate governance.

With Vision Super's internal changes plus the ongoing changes in the superannuation industry as a whole, it's important to monitor continually the potential risks to the Fund, and push the organisation forward to achieve our committed strategic goals. To keep Vision Super on track, the Board holds regular strategic planning days, with this year's held on 29 August.



Fund executives and Board members used the opportunity to re-examine and monitor progress on the 2013-16 Vision Super Strategic Plan, pinpoint areas where goals needed review or refinement and identify additional product options and delivery models. Member growth and member retention in particular continued to be a key focus.

The recommendations arising out of the planning day were put to the Board's directors and formally adopted on 26 September.

I'd like to take this opportunity to thank my fellow directors, sponsoring employers and members for your continuing support over the year. In particular, the Board acknowledges the hard work and commitment of the entire Vision Super staff group. The high degree of professionalism and care staff demonstrated during the last year is a testament to the integrity and strength of our most important resource: our employees.

A handwritten signature in black ink that reads "Brian Parkinson". The signature is written in a cursive, slightly slanted style.

Brian Parkinson  
Chairman

## CEO'S REPORT

# Growth and enhancement

I'm pleased to present the Annual Report for the 2013/14 financial year.

The day I took on my new role as CEO of Vision Super, I understood that, with the increasing challenges facing the super industry, sitting still was not an option. Increased competition and rapid legislative change mean we must adapt faster than ever to maintain our competitive edge.

I'm particularly proud of what Vision Super staff have achieved this year as we undertook significant changes in our business and organisation. It's great to feel the momentum as we work towards reducing fees and costs for members, streamlining our operations, enhancing services, and growing our membership base.

One of the year's highlights has been Vision Super's exceptional investment performance. Double digit returns and top rankings in the latest SuperRatings results have produced an excellent outcome for our members.

Our default Balanced Growth option ranked number 5 out of the 47 funds rated for the financial year to 30 June 2014 with a return of 13.72%; and our top performer, the Balanced Option, ranked number 3 out of 71 funds rated.

Our investment strategy is focused on providing our members with solid long-term performance, and our results speak for themselves: Vision Super is one of Australia's top performing super funds.

Another important measure of super fund performance is independent review. So I am pleased to report that in October, SuperRatings awarded Vision Super their highest Platinum rating for the tenth year in a row.

SuperRatings is an Australian superannuation research company that benchmarks super funds' products and services based on the value for money they offer to their members across investments, fees, insurance, administration, advice and governance. Platinum funds are those that offer the best value for money.

We can never, however, afford to rest on our laurels. This year Vision Super undertook a comprehensive organisational review designed to pinpoint areas where we could improve and streamline. All our operations were analysed thoroughly, from staffing levels and skill sets, to management structure, external supplier contracts, internal system utilisation, and investment manager remuneration and selection.

Already the organisational review has produced around \$6 million per annum in operational and investment cost savings. This will translate into lower expense ratios over time and more net benefits to members.

Internally, a 'People and Culture' team was established to help make Vision Super a workplace that rewards initiative, creativity and passion, and delivers more for our members and for our people. The team, working with staff, formulated a set of key values that will guide company and staff behaviour going forward: improving the way we operate, encouraging excellence and enriching interactions with members and employers. Our six key values are Excellence, Results, Service, Integrity and respect, Empowerment, and Innovation and improvement. To find out more about these, see page 10.

Open days were another strategic initiative resulting from the review - introduced to give members easier access to the superannuation services they need. Open days offer members the chance to talk face-to-face with super specialists at regional and metropolitan events. Five open days have already been held in Camberwell, Ballarat, Bendigo, Banyule and Shepparton, and they've been met with enthusiasm from members and the general public. Over 900 visitors have taken advantage of the opportunity to get their super sorted by superannuation specialists in friendly local surroundings.

Check your local paper and the Vision Super website to see when and where the next open days will be held. All Vision Super members and the general public are welcome to attend these free events.

I'd like to point out one more area where Vision Super has proven itself a forward-looking leader in the superannuation industry.

Vision Super was the first super fund in Australia to successfully send contributions in the new SuperStream data format. SuperStream transports superannuation into the digital age by allowing employers to make contributions electronically. Data is sent in a message format to the fund, and contribution payment delivered through the banking system. It provides a simpler, more consistent and streamlined method of preparing contributions, and in many cases, a single channel for interacting with multiple funds.

Developing and testing the new SuperStream format has been a big undertaking for all super funds. Vision Super was a driving force in the effort and worked closely with the ATO to roll out contribution payments via the new method.

I'd like to thank everyone who has had contact with the Fund over the year for your support and assistance. In coming years, the strategies formulated during our organisational review will continue to drive operational improvements across all areas of the business: streamlining operations and reducing costs, implementing growth strategies and business enhancements, strengthening existing relationships, and building new relationships with employers and members to grow the Fund's investments and membership base.

You'll find more detail about our activities and accomplishments in the pages that follow.



Stephen Rowe  
CEO



## CLIENT ENGAGEMENT ACTIVITIES

## Helping members and employers

Vision Super has a long and proud history of helping members achieve their retirement goals. We've been providing superannuation and retirement services to our members and employers since 1947.



**Our goal is to do more every day for our members to make their super work harder, so they can achieve their retirement goals - and more for our employers to make it as easy as possible for them to do business with us.**

Both at our office and in the workplace, our Vision Super staff help members and employers navigate the many complexities surrounding super to get the best possible results.

### More help for members

Vision Super prides itself on having a dedicated in-house contact centre. The people who answer our phones are Vision Super members themselves, and are some of the most highly qualified contact centre staff in the industry.

As well as providing invaluable information and advice over the phone, we run regular open days around Victoria and seminars at our employers' work places.

To help us continue to perform as a top rated fund, we also continually ask our members for feedback on our services, including surveying members who phone us or who attend an event or a financial planning meeting. The feedback we receive is consistently positive and heartening. A sample of what members say is highlighted here.

### More help for employers

In our efforts to provide superior service to employers, we've made some specific enhancements to our client service model this year.

We introduced an Employer Hotline dedicated to answering queries from employers on anything that arises as part of processing superannuation, from making contributions to updating employee details. The new Hotline ensures that staff are always on hand to help our employers when they need it.

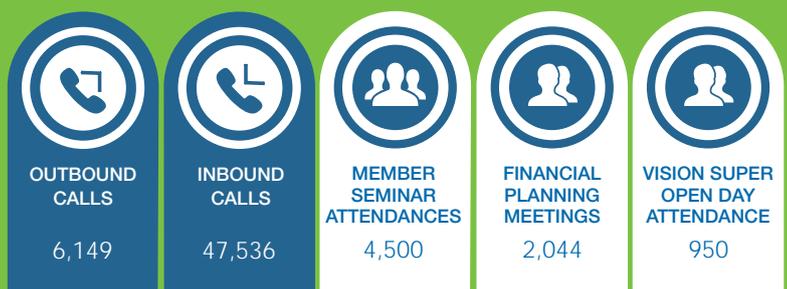
Every employer also has a dedicated employer engagement consultant who can take care of all their needs, from helping them get ready for SuperStream, to arranging staff seminars during business hours that educate employees and equip them to make informed super decisions.

Through our efforts and enhancements this year, we've been able to connect with and help more members, and more employers, than ever before.

## What our members say

We continue to receive positive feedback from members who meet and speak with us.

- // The team member took the time to listen and explain answers to my questions.
- // I needed some forms very quickly and the customer service officer very quickly worked out what I needed and forwarded them to me via email.
- // The information I requested was provided in a friendly manner and was accurate and speedy.
- // There were useful solutions to my situation/needs explained that I would not have come up with myself and will pursue.
- // Didn't feel pressured and left feeling informed.
- // Comprehensive provision of information regarding my retirement options with a view to maximise the return. My planner was very professional... he gave my wife and I the confidence in the plan he put to us and because of this we have decided to invest our savings with Vision Super.



**CLIENT ENGAGEMENT ACTIVITIES**

## Open days

Vision Super open days are a new initiative, launched in May 2014. These free events give members the opportunity to discuss their super with superannuation and financial specialists in their local area. Run monthly, they've proven to be a huge success.

So far over 900 members have attended five open days, where they spoke with staff specialists and attended seminars on a variety of topics, including planning for retirement, growing your super, and Centrelink.

Vision Super members and staff at our open days.



If you are an employer interested in hosting an open day, please contact Employer Services on 1300 304 947.

## FUND MEMBERSHIPS

## Memberships and associations

Vision Super has a policy of active engagement within our industry as well as with our members.

The organisations to which Vision Super belongs seek to:

- Influence the outcomes of public policy debates and legislative and regulatory changes
- Maintain the skills and professional development obligations of Vision Super directors and employees
- Improve the standards of fund governance generally and corporate environmental, social and governance (ESG) issues in investments specifically.

Vision Super supports:

- **Association of Superannuation Funds of Australia (ASFA)**, the main industry body for the superannuation sector
- **Australian Council of Super Investors (ACSI)**, which seeks improvements in the ESG performance of companies and super funds
- **Australian Institute of Superannuation Trustees (AIST)**, which represents the not-for-profit superannuation sector
- **ESG Research Australia**, which has the single objective of encouraging better investment decision making through better research

- **Fund Executives Association Ltd (FEAL)**, which supports the professional development of superannuation professionals
- **Investor Group on Climate Change**, a group of institutional investors focusing on the impact of climate change on investments
- **United Nations Principles of Responsible Investment (PRI)**, Vision Super is a signatory to the six Principles.



## Industry sponsorship and support

As the industry fund for local authorities, community services and the water industry, Vision Super also seeks opportunities to engage with our sponsoring employers.

We maintain a program of strategic alliances and support for the associations representing our employer industries. These foster a healthy, ongoing dialogue with both existing and potential employers.

Our activities range from workplace meetings and seminars to attendance at board, management, council and committee meetings, presentations at industry conferences and special interest groups and membership in payroll user and enterprise bargaining discussion groups.

In the last year we have worked closely with (in alphabetical order):

- **Australian Services Union**, the trade union that operates across multiple industries including local government and water

- **FinPro**, the association for finance professionals in local government
- **Institute of Water Administration**, a forum for water industry professionals
- **LGPro**, the association for local government professionals
- **Municipal Association of Victoria**, the main body for Victoria's 79 councils
- **Municipal Works Officers Association**, representing Works Officers
- **VicWater**, the peak industry association for Victorian water businesses.

Key sponsorship activities throughout the year included:

- **Ignite**, a leadership induction program for new supervisors, team leaders and coordinators in local government

- **The Vision Super Central Goldfields Reverse Triathlon**, an event that is publicised across regional Victoria
- **The Vision Super FinPro Scholarship**, for developing future leaders in finance
- **VicWater Finance Conference**, updating delegates on current financial issues
- **Water Aid Ball Victoria**, WaterAid enables the world's poorest people to gain access to safe water sanitation and hygiene education.

Special Interest Groups (SIG), such as payroll user groups - Vision Super is a regular presenter and participant at these forums.

The Vision Super sponsorship policy provides guidelines for consideration and acceptance of sponsorship opportunities.

## CORPORATE CULTURE

# Our values - 'Do the right thing'

Over the past year, Vision Super has been on a mission to enrich our corporate culture and make Vision Super a workplace of choice, as well as a pleasure for members and employers to do business with.

Our values were developed, written and endorsed from start to finish by our staff.

The process started with a survey about values and attitudes that most staff completed. The values were then refined at a series of workshops with employees held in late 2013. The effort culminated in the elected People and culture working group – four staff representatives and the CEO, Stephen Rowe – finalising the values, and embarking on a program to embed them into our corporate culture.



## OUR PRINCIPLES

## Our commitment

Every business decision made by Vision Super, every investment or operations strategy put in place, every staffing or Board appointment - everything we do is grounded in a single, overarching principle: putting members' interests first.

### We're in it for the long-term

From the way we manage investments to the way we treat every member who talks with us, we look to the long-term impact of our actions.

That might mean forsaking short-term investment gains, or advising a member to take action that benefits them and not Vision Super.

Whatever we do, Vision Super is all about creating a better future for our members, and it's that future that guides our behaviour.

### We're competitive, but careful

Our goal is to be a top-performing fund, an acknowledged industry leader, a provider of superior products and services, and ultimately, offer better returns to our members than our competitors. But we never let our ambitions lead us off course.

We're always transparent about risks and costs as well as potential rewards. We're diligent about controls that protect the assets entrusted to us. And we hold ourselves to the highest standards of fiduciary responsibility.

### We treat members' money like our own

We manage members' assets with prudence and care and do everything we can to keep costs at a minimum.

### We put our own money on the line

Vision Super employees are also Vision Super members - and because of that, each of us is all the more dedicated to making member benefit our top priority.

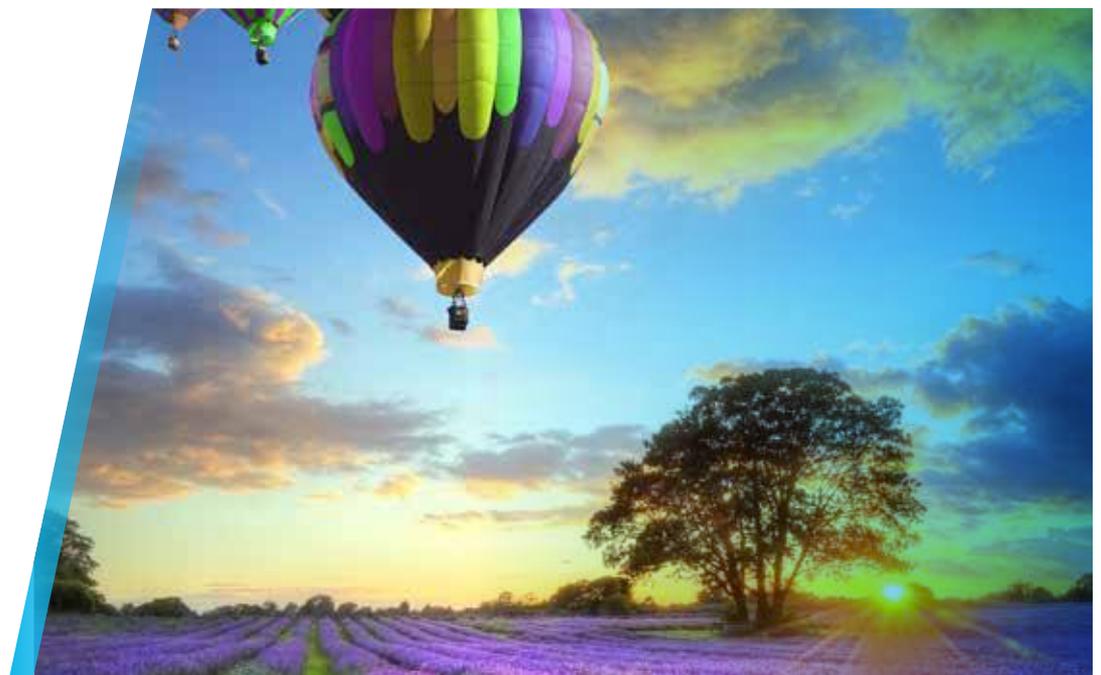


### We celebrate and benefit from diversity

Our members and employers are an exceptionally diverse lot. We believe diversity in our own ranks makes us infinitely better at serving them.

We recognise that everyone has a unique way of making a difference to our success and member outcomes, so we embrace diversity in our own team - diversity in age, gender, origins, culture, race, sexual orientation, beliefs, physical abilities and even in individual's unique personalities and working styles.

We believe that those differences make us more flexible, sensitive and responsive to our diverse member needs.



## INVESTMENT PHILOSOPHY

## Our investment beliefs

Decisions about the investment portfolio on behalf of members and sponsors are guided by the following set of investment beliefs.

The Defined Benefit Plan and MySuper option have specific beliefs tailored to their unique circumstances. Further investment beliefs are common to all options across the whole of the Fund.

The Fund is committed to fostering healthy debate, a diversity of views and transparency within the context of these beliefs.

### Defined Benefit Plan

- Belief 1** We believe that meeting the real long-term target returns (after fees and taxes) is most important. We integrate an element of downside risk management into our investment processes.
- Belief 2** We believe our primary risk is the need to make additional calls on employers to fund liabilities.
- Belief 3** We believe that maximising net returns is more important than fees in their own right. We have a strong awareness of overall fees paid.
- Belief 4** We consider investment decisions in the context of the investments required to meet the long-term nature of the liabilities of the Defined Benefit Plan.
- Belief 5** We believe that diversification is an important source of risk reduction.
- Belief 6** We believe that passive management (where available) is our default position for investing, with evidence required to justify and engage in active management. The higher the cost of active management, the greater the level of conviction required.

### MySuper option

- Belief 1** We believe that real long-term returns to members are most important.
- Belief 2** We believe that our primary risk is not meeting our real return objectives for members.
- Belief 3** We believe maximising net returns is more important than fees in their own right. We are fee conscious and we aim to capture benefits from our scale to achieve fee reductions on behalf of our members over time.
- Belief 4** We consider these decisions in the context of the MySuper option with its members in aggregate having a long-term investment horizon.
- Belief 5** We believe that diversification is an important source of risk reduction. Asset class diversification is our major source of diversification.
- Belief 6** We believe that passive management (where available) is our default position for investing. Evidence is required to justify and engage in active management. The higher the cost of active management, the greater the level of conviction required.

### Whole of Fund

- Belief 7** We believe that environmental, social and governance (ESG) issues and sustainability considerations are important within the context of optimising net risk-adjusted returns.
- Belief 8** We believe that managing money on behalf of other people requires us to have high standards of openness and transparency.
- Belief 9** We believe that we can capture additional returns from accessing the illiquidity risk premium and being a patient investor.
- Belief 10** We believe that effective decision making is facilitated by appropriate delegation and reporting governance structures.



## SUSTAINABILITY

## Our commitment to sustainable investments

Vision Super recognises the importance of integrating sustainability and social responsibility into our everyday operations.

**We are a member of the national CitySwitch Green Office program and practise green energy practices in the office wherever possible.**

We are also active members of a number of organisations promoting sustainability in the superannuation industry such as the Principles for Responsible Investment (PRI) and the Investor Group on Climate Change (IGCC).

We encourage our fund managers to incorporate environmental, social and governance (ESG) considerations into their investment and decision-making processes and we expect our chosen investment managers to consider social, labour standards and environmental considerations in their investment decisions on behalf of the Fund. We have significant investments in alternative assets, including a number of renewable energy sector assets.

When appointing new investment managers, the Trustee also takes into account if they have signed up to the PRI or will do so prior to their appointment. This does not ensure that our managers will not invest in diversified mining companies with coal exposure, however, Vision Super does not invest directly in any unlisted companies that have coal exposures.

We recognise that global warming is an existential threat to humanity and one that we collectively can take steps to address. However, this is not a simple issue and we wish to take action that both meets our legislative requirements and is effective. We note that carbon dioxide produced from coal is not the only, or even the most potent, source of greenhouse gas emissions. Any company that sources energy from coal fired (or gas fired for that matter) energy generation is to some extent complicit in and contributing to the problem. This also extends to governments that do not regulate or factor in the costs from the damage that greenhouse gas emissions cause. As such, the list of contributors to the problem extends

to almost the full range of our potential investment universe. Further, shutting down all coal supplies to coal fired power plants overnight would cause blackouts in many countries around the world and severely affect energy infrastructure. Electric grid systems that can only manage with a high percentage of base load power are another contributing factor.

At Vision Super the threat of global warming is a live issue and the Trustee is currently considering how we can most effectively meet our legislative obligations and contribute to an effective solution to this issue. For us, this is not a 'branding' issue but one for which we believe effective action is crucial. One of our core investment beliefs is that ESG issues and sustainability considerations are important within the context of optimising net risk-adjusted returns.



## DEFINED BENEFIT UPDATE

# Managing defined benefit obligations

The Vision Super group includes three defined benefit sub-plans: the Local Authorities Superannuation Fund (LASF DB Plan), City of Melbourne and Parks Victoria Plans.

The financial position of these sub-plans is a key focus for Vision Super. All are closed to new members, so membership is slowly decreasing as members gradually retire. As a result, the financial position of these sub-plans is becoming increasingly susceptible to volatility in the investment markets.

Vision Super monitors the financial position of each sub-plan closely. On a quarterly basis, the vested benefit index (VBI) of each sub-plan is calculated and made available to the relevant employers. A full actuarial review is undertaken every three years and actuarial valuations are undertaken annually between the triennial reviews.

To keep employers informed of the funding position of the three sub-plans, Vision Super regularly meets with employers and publishes the quarterly VBI information. For the September to March quarters, the quarterly VBIs are estimates as they are prepared internally by Vision Super. The VBIs for the 30 June quarter are prepared by Vision Super's Actuary.

### New prudential defined benefit standard

From 1 July 2013, a new defined benefit prudential standard SPS160 was introduced by APRA. Generally, if the VBI is under 100% for a particular sub-plan, Vision Super is required to develop a restoration plan for that sub-plan. The purpose of the restoration plan is to restore the VBI to 100% within three years.

Under the defined benefit prudential standard, funds are able to set a shortfall limit that is less than 100%. This enables funds to avoid the need for an automatic call when the VBI falls below 100%. Vision Super has set a shortfall limit of 97% for all three sub-plans.

A restoration plan will be required for a sub-plan if its VBI falls below 100% at the time the Vision Super annual actuarial valuation/reviews occur (typically 30 June). At any other time, the 97% shortfall limit will apply.

### Vision Super's VBI position

An actuarial review is currently underway as at 30 June 2014 for the Vision Super sub-plans and is expected to be completed by 31 December 2014.

The last actuarial review was at 31 December 2011. At that time, an actuarial shortfall occurred primarily due to:

- Lower than expected actual investment returns over the period of the review
- A lowering of the expected future investment returns over the future life of the sub-plans based on the current membership of the sub-plan and any life-time pension obligations.

This resulted in an actuarial shortfall of \$453 million plus tax for the LASF DB Plan and a funding call on the LASF DB Plan employers. The first payment of the funding call was due on 1 July

2013. With employers able to pay a discounted amount for earlier payment, over 70% of the funding call (including tax) had been paid by 30 June 2013. By 30 June 2014, the total payment was over 98%. The outstanding amount of the funding call relates to employers who have elected to enter into payment plans.

**Pleasingly, the VBI for the LASF DB plan was 103.4% as at 30 June 2014.**

At this stage, it does not appear that employers will be required to make a funding payment following completion of the current actuarial review. However, this will depend on investment performance.

### Working with our employers

With the financial position of the defined benefit sub-plans becoming increasingly susceptible to volatility in the investment markets, Vision Super has begun to investigate ways to decrease/limit the impact of that volatility for our defined benefit employers.

Vision Super will continue working with our employers to identify appropriate strategies that will help employers to manage their defined benefit funding obligations.

## BEST PRACTICE

## Best practice complaint resolution

At Vision Super, we view any complaint as an opportunity for improvement in the service we offer to members and employers.

Our process for managing complaints is candid and transparent, with the Board receiving a report on complaints at every Board meeting. Our aim is to provide a timely and satisfactory response to any complainant. However if a complainant is not satisfied with our response, they can lodge their complaint with the Superannuation Complaints Tribunal (SCT) - an independent body established by the Federal Government to conciliate and review unresolved member complaints and trustee decisions.



### Important contacts

#### SCT

Telephone: 1300 884 114

Website: [www.sct.gov.au](http://www.sct.gov.au)

#### Financial Ombudsman Service

Telephone: 1300 780 808

Website: [www.fos.org.au](http://www.fos.org.au)

#### The Office of the Australian Information Commissioner

Telephone: 1300 363 992

Website: [www.oaic.gov.au](http://www.oaic.gov.au)

### COMPLAINTS NUMBERS

#### For the 2013/2014 financial year

Number of complaints received	81*
Main area of complaints	Insurance
Percentage of complaints resolved within 90 days	96% (78)
Number of complaints referred to the SCT	9
Number of complaints resolved by the SCT	5

\* Insurance related complaints increased from 20 complaints last year to 31 complaints this year, reflecting an increase in activity on insurance claims by personal injury focused legal firms.

SCT complaints have reduced from 16% of all complaints last year to 11% this year.

### FUND GOVERNANCE FRAMEWORK

## Best practice governance

Our fund governance framework drives Board, management and staff behaviour, and helps us protect stakeholder interests.

Vision Super is the trustee of the Local Authorities Superannuation Fund (Fund). Pooled Super Pty Ltd is the trustee of the Vision Pooled Superannuation Trust (PST).

Together, the entities above are referred to as the Vision Super group or as Vision Super, as the context requires. Vision Super holds indemnity insurance to protect the Vision Super group from legal action.

The Fund and the PST are governed by trust deeds. These are available at: [www.visionsuper.com.au](http://www.visionsuper.com.au)

The governance framework for the Vision Super group houses a set of policies that drive best practice governance.

These policies include:

- Code of Ethics
- Conflicts Management Framework
- Board Charter
- Directors and Responsible Officers Policy.

Collectively, these policies drive the behaviours of the Boards, senior management and staff in maintaining the integrity of the Vision Super group and its operations. They also prescribe how, as an organisation, the Vision Super group can best protect the interests of its stakeholders through adherence to policies, practices, legislation and regulatory guidance.

The Vision Super group seeks to attain best practice governance through other measures, including the maintenance of:

- A gifts register
- Training register for each responsible officer
- A conflicts register.

The Vision Super group also undertakes further voluntary best practice standards. For example, it is a signatory to the Principles of Responsible Investing (PRI), and subscribes to the responsible investment philosophy underpinning the PRI.

We are also an equal opportunity employer. With 40% female senior executives and 37.5% (3/8) female managers, we have an impressive record of meeting gender equity goals.



## THE BOARD

# Overview of the Board

Commonwealth superannuation law generally requires that fund trustees have equal representation of employer and member representatives. As a progressive fund, Vision Super also has an independent director.

### Brian Parkinson/Chair

Brian Parkinson was appointed as a director of Vision Super in July 2010 on the nomination of the ASU, and became Chair on 1 July 2014. He was an alternate director from 1997 to 2010. Brian was Branch Secretary of the ASU – Victorian and Tasmanian Authorities & Services Branch until July 2014. He has been involved with local government and the union since 1973.



### Geoff Lake/Deputy Chair

BA (Hons) and LL.B (Hons)

Geoff Lake was appointed to the Vision Super Board in August 2009, on the nomination of the MAV, and became Deputy Chair on 1 July 2014. He has been a Councillor with the City of Monash since March 2000, and was Mayor from 2002 to 2004 and again in 2014. He was President of the MAV from 2004 to 2006 and continues to serve on the MAV Board.



### Peter Wilson

B.Comm (Hons), MA (Hons), Fellow CPA, Fellow of Australian Institute of Company Directors Fellow, Adjunct Professor in Management at Monash University, Fellow of AHRI, AM for services to workplace safety, and for community service.



Peter Wilson was appointed as a director of Vision Super on 1 July 2012, on the nomination VWIA. Peter has served as Chairman of Yarra Valley Water since 2008, and has been involved with the water industry for several years. He is National President of the Australian Human Resources Institute and Director and Secretary General of the World Federation of People Management. He holds a range of public and private directorship and advisory roles.

### Rob Spence

Grad Dip (Accounting and Finance)

Rob Spence was appointed as a director of Vision Super in 2003, on the nomination of the MAV. He served as Chair of the Vision Super Board from July 2011 to February 2013. Rob is Chief Executive Officer of the MAV and a former CEO of the City of Brimbank.



### Harriet Shing

BA (Hons), LL.B, M.A.

Harriet Shing was appointed to the Vision Super Board on the nomination of the ASU in July 2013. She is a Lawyer with the ASU – Victorian and Tasmanian Authorities and Services Branch, and has previously worked as a senior policy adviser and industrial relations specialist. She is highly experienced in industrial relations, employment law, equal opportunity, dispute prevention and resolution at local, state and federal levels. Harriet was previously an ASU nominated alternate director.



Please note that Harriet Shing resigned as a director in November 2014 and was replaced by Richard Duffy.

### Wendy Phillips

Wendy Phillips was appointed to the Vision Super Board in 1998 on the nomination of the ASU. She is a Home Care Worker employed by the City of Greater Dandenong. Wendy is Branch President (Honorary) of the ASU - Victorian and Tasmanian Authorities and Services Branch - and has been involved with the ASU since 1989.



### Russell Atwood

Bachelor's degree with majors in legal studies and economics

Russell Atwood was appointed as a director of Vision Super in July 2009, on the nomination of the ASU, after 11 years as an alternate director. He is Branch Executive President of the ASU – Victorian and Tasmanian Authorities and Services Branch.



### Graham Sherry

LL.B (Hons), B.Comm, Melbourne, OAM for service to the country through Employer Organisations and the AFL

Graham Sherry was appointed as a director of Vision Super on 28 September 2012, on the nomination of VECCI. Graham served as President of VECCI from 1999 to 2001, and has a long and continued involvement with employer organisations including the Melbourne Chamber of Commerce, the Australian Chamber of Commerce and Industry, and the Australian Thai Business Council. For over 40 years he has practised in many aspects of general commercial law.



### Joanne Dawson

B.Comm, MBA, Diploma of Financial Planning, CA

Joanne Dawson was appointed as an independent director of the Vision Super Board in August 2014. She is an experienced financial adviser and director.



## Board composition

Vision Super has nine directors, four appointed on the nomination of the Australian Services Union (ASU), 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,

and one independent director who is nominated and appointed by the Board.

Each member representative and employer representative director has an alternate director appointed in the same manner. The term of appointment for directors and alternates is usually four years.

The directors of Vision Super are also the directors of Pooled Super.



Melbourne's Yarra River.

## THE COMMITTEES

# Committees of the Board

The committees provide an open avenue of communication with auditors, management and the Trustees. Each committee provides specific functions to the Vision Super Board in respect of the Fund, and the Pooled Super Board, in respect of the PST. Together they are referred to as the 'Trustees'.

### Audit, Risk and Compliance Committee#

#### Chair / Peter Wilson

Members / Rob Spence, Wendy Phillips, Russell Atwood

The Audit, Risk and Compliance Committee assists the Trustees in fulfilling their audit, risk, compliance and governance responsibilities and provides an open avenue of communication between auditors, management and Trustees.

The Committee assists the Boards by providing an objective non-executive review of the effectiveness of Vision Super's financial reporting, risk management framework, compliance framework and governance framework.

The Committee met four times during the financial year.

### Benefits Committee\*

#### Chair / Rob Spence

Member / Wendy Phillips

The Benefits Committee assesses death and disability claims and makes recommendations to the Vision Super Board on policies affecting benefits.

The Committee reviews and recommends appropriate policy settings, as well as monitors the payment of discretionary benefits and any trends in these payments.

Where appropriate, the Committee will recommend the use of external expertise.

The Committee met 11 times during the financial year.

### Investment Committee#

#### Chair / Geoff Lake

Members / Peter Wilson, Harriet Shing, Russell Atwood, Joanne Dawson

The Investment Committee analyses, reviews and makes decisions within its delegated powers and/or recommendations to the Board on investment strategy, performance and manager selection.

The Committee provides a communication forum for investment related issues between directors, management, investment advisers, investment managers, and other related investment service providers.

The Committee met seven times during the financial year.

### Remuneration and Appointments Committee\*

#### Chair / Graham Sherry

Members / Harriet Shing, Geoff Lake, Brian Parkinson

The Remuneration and Appointments Committee serves as an independent and objective party making annual recommendations to the Vision Super Board on remuneration for Responsible Persons, Senior Management and other employees identified by the Committee.

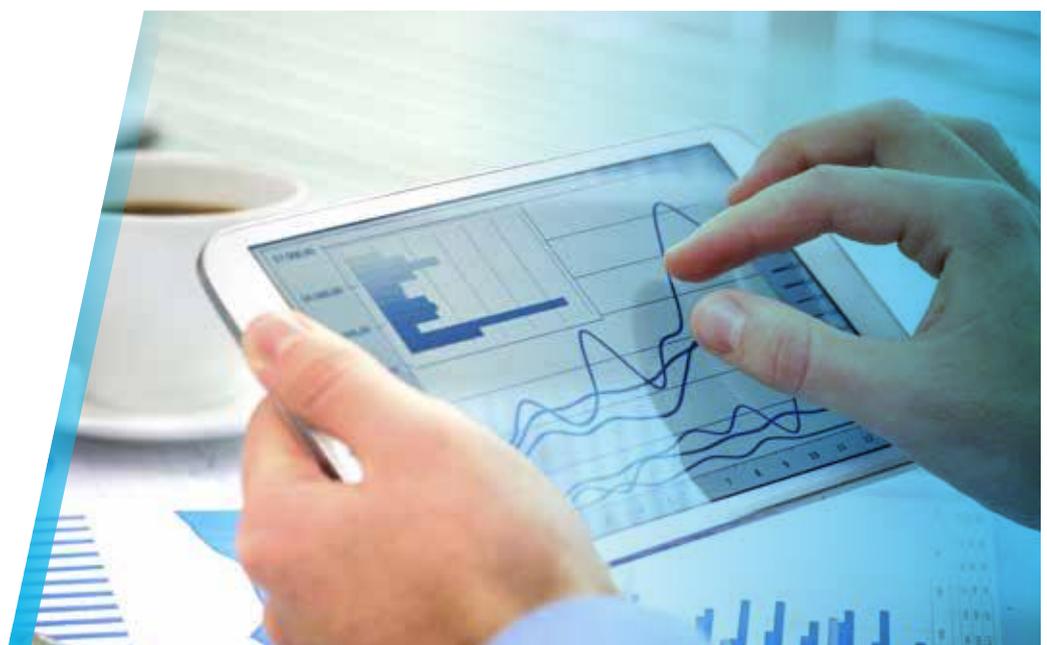
The Committee also ensures that appropriate measures are in place to meet the regulatory obligations of the Trustee.

The committee met twice during the financial year.

All committee appointments (including the chair of each of the committees) are on a rotational basis and are decided by a two-thirds majority vote of the Board. Membership is generally subject to an annual review.

# Joint committees

\* VSPL Committee only



## EXECUTIVE PROFILES

## Executive profiles

Over the course of the year, two new executives joined Vision Super. Stephen Rowe joined as CEO and Michael Wyrsh joined as CIO.



### Stephen Rowe

#### Chief Executive Officer

B.A (Hons) (Public Administration), MA Industrial Relations, Grad. Dip. Applied Finance and Investment, Grad. Cert. Financial Planning & Graduate AICD

Stephen Rowe manages the entire Vision Super team. Stephen has extensive senior management experience in both industry and public sector superannuation.



### Noelle Kelleher

#### Chief Financial Officer

B.Com, CA, CPA, FASFA, Member Australian Financial Reporting Council

The main purpose of Noelle Kelleher's role is to be accountable for financial matters of the Trustees, Fund and PST. Noelle provides strategic advice and assistance on all relevant matters pertaining to the Fund and PST.



### Michael Wyrsh

#### Chief Investment Officer

BSc(Hons) (Mathematics)

Michael Wyrsh is responsible for providing strategic investment advice to the Trustees, as well as for operational investment matters, providing investment advice and assistance to the CEO and Trustees as required.



### Peter Rowe

#### Chief Operating Officer

Adv Dip Fin Serv (Superannuation), Dip Fin Adv, FASFA

Peter Rowe has overall responsibility for superannuation administration, insurance, information technology, superannuation administration systems and providing strategic advice and assistance to the CEO in all superannuation matters, including policy and legislation and product design.



### Julia Pryor

#### General Counsel and Company Secretary

BA (Hons), LL.B (Hons), Exec MA (Hons)

Julia Pryor provides legal advice and guidance to Vision Super in relation to laws and governance standards affecting the organisation. She oversees the compliance activities for the organisation and provides advice on risk management. She is also the Company Secretary for the Vision Super group.



### Fiona Fleming

#### Head of Human Resources

MBA, Adv. Dip. Personnel Management

Fiona Fleming is responsible for the management of the Human Resources function. She provides strategic advice to the CEO and managers on all related matters.

## REMUNERATION

# Remuneration report

## Attracting and retaining staff

In the 2013/2014 financial year, Vision Super once again earned accolades as a leading industry super fund, including:

- Vision Super's MySuper product (Balanced Growth) being recognised as a "top five performing accumulation balanced option"
- 10 Year Platinum rating by SuperRatings

- Vision Super's Balanced Growth ranked number one out of thirty-one surveyed 'Employer Super Balanced Growth' options in Mercer's March 2014 investment survey.

These accolades not only underscore our reputation within the industry; they also play a significant role in our ability to attract and retain the high calibre staff that are instrumental to our success. Vision Super does not pay commissions or bonuses.

## Vision Super's remuneration governance and objectives

In accordance with the Australian Prudential Regulation Authority's (APRA) Prudential Standard 'SPS 510 – Governance', Vision Super has a Remuneration and Appointments Committee (the Committee), which consists of four members of Vision Super's Board, and a Remuneration Policy, which is regularly reviewed by the Committee.

The tables in this document have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and the relevant accounting standards.

DIRECTORS' REMUNERATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014		Short-term employee benefits				Post-employment benefits	Termination benefits	
Name	Title and commencement date	Salary and fees (\$) <sup>2</sup>	Short-term Incentives (\$)	Non-monetary benefits	Other short-term employee benefits	Superannuation and pension (\$)	Termination payments (\$)	Total (\$)
Peter Wilson <sup>1</sup>	Director & Chair 01/07/2012	99,726	-	-	-	9,225	-	108,951
Brian Parkinson	Director & Deputy Chair 01/07/2011	67,890	-	-	-	6,280	-	74,170
Rob Spence	Director 25/07/2003	49,863	-	-	-	4,612	-	54,475
Graham Sherry	Director 28/09/2012	49,863	-	-	-	4,612	-	54,475
Geoff Lake	Director 31/07/2009	49,863	-	-	-	4,612	-	54,475
Harriet Shing	Director 01/07/2013	49,404	-	-	-	4,570	-	53,974
Russell Atwood	Director 01/07/2009	49,863	-	-	-	4,612	-	54,475
Wendy Phillips	Director 31/07/1998	49,863	-	-	-	4,612	-	54,475
Steve Bird	Alternate Director 09/08/2012	-	-	-	-	-	-	0
Richard Duffy	Alternate Director 28/08/2012	2,500	-	-	-	231	-	2,731
Leigh Harder	Alternate Director 01/07/2007	-	-	-	-	-	-	0
Alison Lyon	Alternate Director 27/07/2012	-	-	-	-	-	-	0

<sup>1</sup> Peter Wilson's term as Chair ended on 30 June 2014.

<sup>2</sup> No director fees are paid to a sponsoring/nominating body.

The Committee's objectives include:

- Equitably rewarding employees, while taking into account their respective work demands, complexities, and challenges
- Linking performance to remuneration

- Reflecting market relativities to ensure attraction and retention of appropriately skilled staff
- Complying with the relevant law, APRA Prudential Standard, and the company's Enterprise Agreement obligations.

Where necessary, Vision Super will engage external remuneration consultants to provide independent and expert advice on the remuneration of its employees.

EXECUTIVES' REMUNERATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014		Short-term employee benefits				Post-employment benefits	Termination benefits	Total (\$)
Name	Title and commencement date	Salary and fees (\$)	Short-term incentives (\$)	Non-monetary benefits	Other short-term employee benefits	Superannuation (employer + salary sacrifice) (\$) <sup>8</sup>	Termination payments (\$)	
Stephen Rowe <sup>1</sup>	Chief Executive Officer 13/01/2014	151,943	-	-	-	24,980	-	176,923
Michael Wyrsh <sup>2</sup>	Chief Investment Officer 02/06/2014	18,482	-	-	-	1,710	-	20,192
Noelle Kelleher	Chief Financial Officer 16/05/2013	245,912	-	-	-	22,687	-	268,599
Julia Pryor	General Counsel and Company Secretary 03/12/2012	243,906	-	-	-	22,506	-	266,412
Peter Rowe <sup>3</sup>	Chief Operating Officer 01/03/1993	383,603	-	-	-	43,424	-	427,027
David Moxon <sup>4</sup>	General Manager Fund Development 09/03/2005	248,174	-	-	-	25,546	-	273,720
Graeme Smith <sup>5</sup>	Manager, Investments 12/10/1987	195,554	-	-	-	36,913	-	232,467
Annette Rush <sup>6</sup>	Manager Human Resources 27/01/2010	49,099	-	-	-	4,542	11,440	65,081
Richard Crow <sup>7</sup>	Manager Information Technology 02/03/1998	184,711	-	-	-	24,584	-	206,295

1 Stephen Rowe was appointed Chief Executive Officer on 13 January 2014.

2 Michael Wyrsh was appointed Chief Investment Officer on 2 June 2014.

3 Peter Rowe was Acting CEO from 1 July 2013 to 12 January 2014. He has been Chief Operating Officer since 13 January 2014. Peter was paid a \$50,000 one-off retention payment.

4 David Moxon ceased employment on 4 July 2014.

5 Graeme Smith reported to the CEO until 30 May 2014, but is no longer a direct report.

6 Annette Rush ceased employment on 16 October 2013. Annette's termination payment of \$11,440 represents unused leave entitlements that Annette had accrued during her employment with Vision Super.

7 Richard Crow ceased employment on 27 June 2014. However, Richard's termination payment was processed in July 2014.

8 Represents company contributions to superannuation as well as any additional super contributions made through salary sacrifice by Senior Executives.

#### NOTES

- Vision Super's Executives are remunerated on the basis of total fixed remuneration, comprising base salary plus superannuation. Vision Super does not provide any:

- Non-monetary benefits
- Short-term cash profit sharing or other bonuses
- Long-term incentives of any kind
- Share based payments of any kind
- Performance related benefits of any kind

and does not enter into any contracts for services with any director or executive officer.

- Fiona Fleming was not a direct report to the CEO for the 2013/2014 financial year.

## CIO'S REPORT

# Top five!

Vision Super delivered exceptional performance to members with the Balanced Growth investment option returning 13.72% for financial year ending 30 June 2014.

The Fund had a great year, making the top five in SuperRatings' Balanced Fund survey. This was also the fifth straight year of positive returns for the Balanced Growth option – the best year since 2007 when the global financial crisis had started.

For pension members, returns were even better at 15.5%, due to the more favourable tax treatment of pension assets.

Vision Super investment options performed well across the board, with seven out of nine options in the top ten and all options in the top quartile of funds rated.

All asset classes performed well over the financial year, driven by the continuation of very low interest rates around the world and the absence of inflationary pressures. Equities were the stand out performers for the second year running, with global equities the strongest performer. This was driven by a 'lower for longer' thematic - with markets realising interest rates would remain low for longer than they originally thought and risky assets such as equities repriced upwards as a result.

In the Eurozone, austerity continued over the 2013/14 year with the result that

inflation continued to decline with actual deflation occurring in some countries. The European economies are expected to remain stagnant over the year ahead and the ECB will likely need to inject further monetary stimulus into the economy to keep it afloat. Structural reforms remain slow in coming.

In Australia, the Reserve Bank of Australia cut rates early in the year from 2.75% to 2.5%, where they have remained since. Mining investment has declined noticeably over the last year, although it remains at a high level and has further to fall over the coming years, as projects reach completion and fewer new projects commence. Non-mining business investment remains low relative to its average share of economic activity over recent decades, and firms are reluctant to invest until they see a sustained up-tick in demand. In the markets, the prospect of a rise in US interest rates has been a headwind for the banks, as has the Financial Services Inquiry.

Australia has also been affected by events in China, where GDP growth appears to be slowing, albeit from very high levels.

Australia is affected more than most because of our reliance on China to buy our commodities, in particular iron ore and coal. One area where there has been a marked improvement is residential property investment, which is clearly in an upswing. The increase in investment is being underpinned by ongoing strength in the established housing market.

The US Federal Reserve saw a change in leadership during the year with Janet Yellen taking over from Ben Bernanke. The 'Fed' announced that it would be cutting back or tapering its quantitative easing program during the year. Starting its reduction in December 2013, the Fed is on course to finish its bond buying program in October 2014. After a severe 2013/14 winter slowed growth, the US economy has picked up steam in 2014 and is headed toward 3% p.a. real GDP growth. While there is some debate about how many job seekers in the US may come back to the market, it now seems likely that growth at this pace will lead to inflation pressures sooner rather than later, with interest rate rises to follow.



## INVESTMENT RETURNS JUNE 2014

Option	1 year (%)	1 year median <sup>1</sup>	Above median	5 years (% p.a.)	5 year median <sup>1</sup>	Above median	10 years (% p.a.)	10 year median <sup>1</sup>	Above median
Conservative <sup>1</sup>	8.40	6.74	✓	7.61	6.24	✓	6.17	4.51	✓
Balanced <sup>2</sup>	11.66	9.26	✓	9.12	7.34	✓	NA	NA	NA
Balanced Growth <sup>1</sup>	13.72	11.7	✓	8.99	8.76	✓	6.66	5.47	✓
Growth <sup>1</sup>	15.98	13.44	✓	10.05	9.49	✓	6.93	5.42	✓
Just Shares <sup>1</sup>	18.55	15.79	✓	10.97	10.10	✓	6.64	5.69	✓
Cash <sup>1</sup>	2.88	1.56	✓	4.06	2.63	✓	4.70	3.36	✓
Diversified Bonds <sup>2</sup>	5.36	4.92	✓	6.51	6.08	✓	NA	NA	NA
Australian Equities <sup>1</sup>	17.16	15.57	✓	10.88	10.08	✓	NA	NA	NA
International Equities <sup>1</sup>	20.47	17.07	✓	11.71	9.43	✓	NA	NA	NA

<sup>1</sup> Medium SuperRatings SR50 - Master Trust Medium Fund Crediting Rate Survey.

<sup>2</sup> SuperRatings Fund Crediting Rate Survey - Conservative Balanced (41-59).

The one area where we are yet to see a decent pick up in the economy is in companies' research and development expenditure. However this should come as demand increases. In total, the outlook for the US economy seems positive for 2014/15.

Overall, the 2013/14 year was characterised by continuing low interest rates and a rise in asset prices. Demand continued to be generally weak. Investors continued to favour investments with solid yields as the opportunities to invest in companies with strong growth prospects remained limited.

The US finally picked up steam toward the end of the year following a severe winter that held back growth and demand.

This should result in a pick up in business investment as companies respond to increasing consumer demand.

The 2014/15 year is likely to face some headwinds that were not present in the last year. We are likely to see interest rate rises

in the US while commodities prices are likely to remain under pressure as further supply comes on stream at a faster rate than demand can rise.

On the positive side, the impact of falls in the Australian dollar is likely to be positive for both our commodity producers and our overseas held assets. We are also likely to see further stimulus from central banks in Europe and Asia and a positive impact from the strength of the US economy.



**Michael Wyrsh**  
CIO

# 13.72%

In 2013/14 Vision Super's Balanced Growth option delivered a return of 13.72%. Over ten years returns averaged 6.66%.



'Wind Farm In Wonthaggi, Victoria, Australia' by Dalysporter available at [commons.wikimedia.org/wiki/File:Wonthaggi\\_Wind\\_Farm\\_Photo.jpg](https://commons.wikimedia.org/wiki/File:Wonthaggi_Wind_Farm_Photo.jpg) under a Creative Commons Attribution 3.0 licence.

## INVESTMENT POLICIES

# Rebalancing policy

Our rebalancing process ensures that the Fund and PST do not take unintended market risk that may prevent achievement of risk and return objectives for the underlying investment options.

**It is recognised that asset allocation will rarely, if ever, be aligned exactly with strategic asset allocation objectives.**

Vision Super aims to limit the fluctuation range to within +/-2.5% of the strategic asset allocation. However, during times of very significant market movements, asset allocations may be allowed to vary within the indicative ranges to manage investments through adverse or abnormal market conditions.

The activity of rebalancing to the strategic asset allocation is to be kept to a minimum, avoiding any unnecessary portfolio in order to minimise the impact of transaction costs and taxation on the portfolio. Rebalancing is undertaken by the Custodian on instruction from the internal investment team.

The internal investment team also implements any rebalancing required as a result of a change in strategic asset allocation, or other shorter-term portfolio tilt, agreed to by the Board.

### Valuation policy

Vision Super's policy is to value investments regularly so that transactions can be processed at values that are materially fair and equitable. For valuation purposes, investments and financial exposures are divided into four categories, based on whether the asset is listed or unlisted and whether it is held directly or indirectly (through a pooled vehicle). The valuation approach differs for each category. For example, listed securities held directly are

generally valued at their closing price on the relevant market, while unlisted assets held indirectly via pooled funds are valued by an approved valuation methodology.

Pooled Super, as trustee of the PST, is responsible for ensuring that the valuation policy is appropriate. Vision Super's CIO is responsible for applying the policy consistently across all portfolios.

## ADVISERS AND PROVIDERS

# Advisers and providers

Our advisers and service providers are instrumental in helping us achieve the best outcomes for our members

### FUND ADMINISTRATION

**Chief Executive Officer** Stephen Rowe

**Company Secretary** Julia Pryor

**External Auditor** Ernst & Young

**Internal Auditor** PwC Australia

### PRINCIPAL ADVISERS

**Fund Actuary** Russell Investments

**Investments** Frontier Advisors

**Lawyers** Rigby Cooke  
Greenfields Lawyers  
HWL Ebsworth

**Tax** KPMG  
CA King & Associates

### SERVICE PROVIDERS

**Computer facilities and development** Hansen Technologies

**Custodian** National Australia Bank  
Asset Servicing (NAS)

**Insurer** Commlnsure

**Insurance consulting services** Jardine Lloyd Thompson

**Professional indemnity insurer** AIG, Zurich Australia

**Hosting of Vision Super website** GoHosting

**Ongoing technical support for website** Salsa Digital

**Clearing House** Westpac Banking Corp.

## INVESTMENT POLICIES

## Investment strategy

Vision Super's strategy is to continue delivering strong long-term investment returns.

Vision Super has a long and successful history of managing members' assets and an active approach to setting investment strategies.

The Trustee determines the long-term Strategic Asset Allocation (SAA), formally reviewing the strategy annually.

The review considers factors such as current market pricing, the medium term outlook, any changes to the Fund's liabilities, changing member demographics and other risks. The Fund actuary also conducts a whole of fund review that looks at these factors plus expected cash flows and the

need for liquidity. The volatility of the Fund's portfolio within the PST is closely monitored by the Fund Trustee and the PSPL Board so that the long-term nature of the liabilities can be managed appropriately.

In particular, the defined benefit component of the fund is very sensitive to market movements; therefore it is particularly important to monitor defined benefit assets and liabilities regularly.

In 2007 Vision Super made a strategic decision to invest its assets in a pooled superannuation trust. By investing through the PST, Vision Super is able to spread its

costs over a larger pool of assets that includes money from other investor funds. Gratifyingly, in 2013/14 the funds under management continued to grow and further growth is expected in the future.

It is important to remember that over the longer-term, investments in the Fund must beat inflation. That is what our investment strategy is designed to achieve.



## INVESTMENT MANAGEMENT OVERVIEW

## Pooled Superannuation Trust (PST)

Vision Super's assets are invested in the PST through our appointed investment managers. The PST holds investments in a number of different single sector and premixed investment options.

### Investment management

Vision Super offers members a range of premixed and single sector investment choice options. The investment objectives and risks for each option vary according to the asset class mix that makes up the option. The objectives are reviewed annually, which involves careful consideration of past and expected future risks and returns.

A key strategic objective is to ensure that each investment option is invested in line with its target asset allocation ranges. During significant investment market movements, this can be difficult.

Financial markets go up and down at different times for different reasons and a fund's investment assets can quickly get out of balance. We rebalance our portfolios at times by redirecting contributions and at other times by reallocating cash between portfolios.

### Use of derivatives

Derivative instruments are used for gaining exposure to equities and bonds to assist with efficient implementation of our asset allocation. These positions are fully backed by cash at the asset class level, using an implementation manager for this purpose. External fund managers of discrete mandates are only authorised to use derivative instruments under agreed guidelines. These guidelines allow fund managers to use derivatives to control risk and reduce or increase exposure to investment markets. Fund managers are not authorised to use derivative instruments for the purposes of leveraging the portfolio or for speculation.

Vision Super invests in a number of pooled investment funds. As part of their active investment strategies, these pooled investment funds may use derivative instruments from time to time to leverage

their portfolios. Vision Super does not have additional liability associated with these pooled funds beyond the amounts invested. We do not use derivative instruments in managing the internal cash portfolio.

### Investment manager reviews

During the year the PSPL Board made changes to the appointed investment managers. Existing mandates of current investment managers also changed. As part of the annual review of the PST investment strategy, the PSPL Board agreed to appoint four new managers: Perpetual Investment Management Ltd - Small Companies; Vinva Investment Management Ltd - Australian Equities Long Only; Windham Capital - Risk Regime Strategy; and Franklin Templeton Multi-sector Bond Fund.

## INVESTMENT OPTIONS

# Asset allocations

Tables on these pages show the asset allocations of Vision Super's premixed and single sector investment options at 30 June 2014.

## Understanding the tables

Probability of a negative return allows members to select an option with a level of risk (sometimes called volatility) they are comfortable with. Figures in the tables are indications of long-term expectations. Investment markets go up and down and it is possible for negative returns to occur more frequently than shown.

Performance objectives are higher for pension than super products because they pay no tax on investment earnings. The performance objectives are not forecasts or predictions. They simply represent a benchmark against which the Trustee monitors performance. The probability of incurring negative returns is based on a standard risk measure.

### SINGLE SECTOR OPTIONS

#### Cash

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases for super (by 0.5% p.a. for pensions), over at least two thirds of all rolling three year periods.

**Probability of a negative return** The risk level of this option is very low. It is expected that there will be positive returns in almost 20 out of every 20 years. This means there is a risk of losing money in nil years in a 20 year period.

#### Diversified Bonds

**Performance objectives – Super\*, Pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases by 2% p.a. for super (3% p.a. for pensions) over at least two thirds of all rolling three year periods.

**Probability of a negative return** The risk level of this option is low. It is expected that there will be positive returns in almost 19.5 out of every 20 years. This means there is a risk of losing money in 6 months in a 20 year period.

#### Australian Equities

**Performance objectives – Super\*, Pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.5% p.a. for super (5% p.a. for pensions) over at least two thirds of all rolling ten year periods.

**Probability of a negative return** The risk level of this option is high. It is expected that there will be positive returns in almost 15 (i.e. 14.5) out of every 20 years. This means there is a risk of losing money in a little over 5 (i.e. 5.5) years in a 20 year period.

#### International Equities

**Performance objectives – Super\*, Pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.5% p.a. for super (5% p.a. for pensions) over at least two thirds of all rolling 10 year periods.

**Probability of a negative return** The risk level of this option is high. It is expected that there will be positive returns in almost 15 (i.e. 14.5) out of every 20 years. This means there is a risk of losing money in a little over 5 (i.e. 5.5) years in a 20 year period.

\* The earnings of super products are taxed.

\*\* The earnings of pension products are untaxed.

## PREMIXED OPTIONS

### Conservative

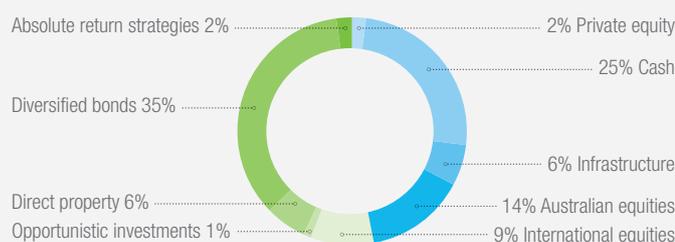
#### Performance objectives – Super\*, Pensions\*\*

To outperform (after fees and taxes) the rate of increase in inflation as measured by the Consumer Price Index by 2.5% p.a. for super (3.5% p.a. for pensions) over at least two thirds of all rolling 5 year periods.

#### Probability of a negative return

The risk level of this option is low. It is expected that there will be positive returns in almost 19 (i.e. 19.2) out of every 20 years. This means there is a risk of losing money in less than 1 (i.e. 0.8) year in a 20 year period.

#### Benchmark allocations



### Balanced

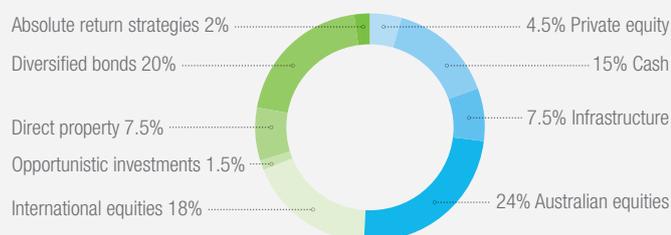
#### Performance objectives – Super\*, Pensions\*\*

To outperform (after fees and taxes) the rate of increase in inflation as measured by the Consumer Price Index by 3.5% p.a. for super (4.5% p.a. for pensions) over at least two thirds of all rolling 5 year periods.

#### Probability of a negative return

The risk level of this option is medium. It is expected that there will be positive returns in almost 18, out of every 20 years. This means there is a risk of losing money in a little over 2 years in a 20 year period.

#### Benchmark allocations



### Balanced Growth (Default)

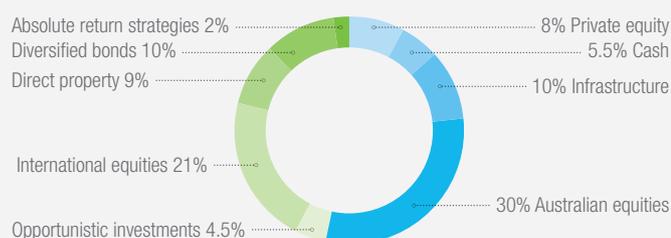
#### Performance objectives – Super\*, Pensions\*\*

To outperform (after fees and taxes) the rate of increase in inflation as measured by the Consumer Price Index by 4% p.a. for super (5% p.a. for pensions) over at least two thirds of all rolling 5 year periods.

#### Probability of a negative return

The risk level of this option is medium. It is expected that there will be positive returns in almost 18 (i.e. 17.6) out of every 20 years. This means there is a risk of losing money in a little over 2 (i.e. 2.4) years in a 20 year period.

#### Benchmark allocations



\* The earnings of super products are taxed.

\*\* The earnings of pension products are untaxed.

INVESTMENT OPTIONS

# Asset allocations

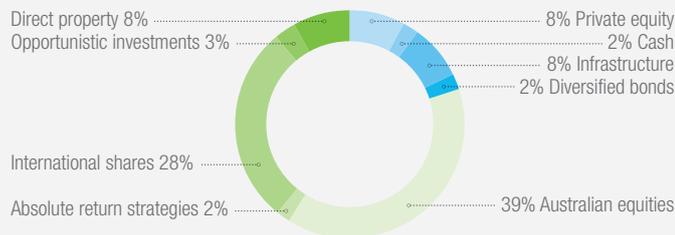
## PREMIXED OPTIONS

### Growth

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of increase in inflation as measured by the Consumer Price Index by 4.5% p.a. for super (5.5% p.a. for pensions) over at least two thirds of all rolling 10 year periods.

**Probability of a negative return** The risk level of this option is medium to high. It is expected that there will be positive returns in almost 17 (i.e. 16.7) out of every 20 years. This means there is a risk of losing money in a little over 3 (i.e. 3.3) years in a 20 year period.

#### Benchmark allocations



### Just Shares

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of increase in inflation as measured by the Consumer Price Index by 4.5% p.a. for super (5% p.a. for pensions) over at least two thirds of all rolling 10 year periods.

**Probability of a negative return** The risk level of this option is high. It is expected that there will be positive returns in almost 15 out of every 20 years. This means there is a risk of losing money in a little over 5 years in a 20 year period.

#### Benchmark allocations



\* The earnings of super products are taxed.

\*\* The earnings of pension products are untaxed.

## INVESTMENT MANAGERS

## Traditional investments

	30 JUNE 2014		30 JUNE 2013	
	\$ MIL	%	\$ MIL	%
<b>GROWTH INVESTMENTS</b>				
<b>Australian shares</b>				
Citigroup Futures Overlay - Australian Equities Active and Passive	0.2	0.0%	75.3	1.2%
Ellerston Capital Ltd - Overlay Australian Share Fund	182.5	2.5%	161.0	2.6%
Perpetual Investment Management Ltd - Small Companies	61.2	0.8%	-	-
Industry Funds Management - Enhanced Index Strategy	556.3	7.7%	563.7	9.0%
Integrity Investment Management - Australian Equities Fundamental	181.0	2.5%	156.2	2.5%
Invesco Australia Limited - Australian Small Companies	84.5	1.2%	58.0	0.9%
Kinetic Investment Partners Limited - Australian Small Companies	135.4	1.9%	115.4	1.8%
Vinva Investment Management Ltd - Australian Equities Long Only	157.3	2.2%	-	-
Schroders Investment Management Australian Limited - Growth Tilt	404.5	5.6%	347.1	5.5%
<b>Total Australian shares</b>	<b>1,762.9</b>	<b>24.4%</b>	<b>1,476.6</b>	<b>23.6%</b>
<b>International shares</b>				
Baillie Gifford Overseas Ltd - Long-Term Global Growth Equities	289.4	4.0%	213.4	3.4%
Citigroup Futures Overlay - International Equities Active & Passive	25.5	0.4%	42.1	0.7%
Colonial First State - Global Emerging Markets Leaders Fund	124.3	1.7%	112.3	1.8%
Generation Investment Management - Global Equity Fund	123.9	1.7%	104.9	1.7%
SSgA - Index Plus Strategy	383.0	5.3%	311.6	5.0%
Turner Investment Partners - Global Growth	161.7	2.2%	149.2	2.4%
Wellington International Management Company Pte Ltd - Global Value	316.3	4.4%	290.5	4.6%
<b>Total International shares</b>	<b>1,424.1</b>	<b>19.7%</b>	<b>1,224.0</b>	<b>19.6%</b>
<b>Currency</b>				
Millennium Global Investments Ltd - Active/Passive (terminated)	0.0	0.0%	-24.6	-0.4%
Adrian Lee Overlay - Active/Passive	13.8	0.2%	0.0	0.0%
<b>Total currency</b>	<b>13.8</b>	<b>0.2%</b>	<b>-24.6</b>	<b>-0.4%</b>
<b>Property</b>				
AMP Capital Investors - Property Unit	164.5	2.3%	156.6	2.5%
Eureka Fund Management - Core Property Fund 3	24.7	0.3%	58.0	0.9%
Industry Super Property Trust - Core Fund	103.6	1.4%	96.3	1.5%
QIC Properties Pty Ltd - Shopping Centre Fund (Retail)	52.2	0.7%	49.9	0.8%
Global Real Estate Index Trust Index Portfolio	32.0	0.5%	0.0	0.0%
<b>Total property</b>	<b>377.0</b>	<b>5.2%</b>	<b>360.8</b>	<b>5.0%</b>
<b>DEFENSIVE INVESTMENTS</b>				
<b>Cash</b>				
Internal management (Vision Super)	1,126.8	15.6%	1167.9	18.7%
<b>Total cash</b>	<b>1,126.8</b>	<b>15.6%</b>	<b>1167.9</b>	<b>18.7%</b>
<b>Diversified bonds</b>				
Brandywine Global Investment Management, LLC - Global Opportunistic Fixed Income	148.2	2.0%	96.8	1.5%
Hastings Funds Management Limited - High Yield Fund	18.7	0.3%	19.6	0.3%
Members Equity Portfolio Management Limited - Super Loans Trust	6.5	0.1%	9.0	0.1%
SSgA - Australian & International Passive Fixed Interest	652.9	9.0%	483.1	7.7%
Western Asset Management Company - Global Inflation Linked Bonds (terminated)	0.0	0.0%	73.3	1.2%
<b>Total diversified bonds</b>	<b>826.3</b>	<b>11.4%</b>	<b>681.9</b>	<b>10.9%</b>
<b>TOTAL TRADITIONAL INVESTMENTS</b>	<b>\$5,530.9</b>	<b>76.5%</b>	<b>\$4,886.6</b>	<b>78.1%</b>

Please note that where the total value of an investment portfolio (that is listed within one of the above investment classes) is less than 0.05% of the total value of the PST, a value of 0.0% has been entered into the corresponding '%' field.

## INVESTMENT MANAGERS

# Alternative investments

	30 JUNE 2014		30 JUNE 2013	
	\$ MIL	%	\$ MIL	%
<b>Infrastructure</b>				
IFM Australian & International Infrastructure	515.4	7.1%	506.1	8.1%
Hastings Funds Management Limited - Utility Trust of Australia	103.6	1.4%	96.9	1.5%
Regional Infrastructure Fund	12.9	0.2%	12.2	0.2%
<b>Total infrastructure</b>	<b>631.9</b>	<b>8.7%</b>	<b>615.2</b>	<b>9.8%</b>
<b>Private equity</b>				
IFM Australian Private Equity Funds II & III	22.9	0.3%	25.7	0.4%
Allegro Private Equity - Fund I	2.7	0.0%	7.3	0.1%
Generation Investment Management - Climate Solutions Fund	11.6	0.2%	16.7	0.3%
Greenspring Global Partners III & IV, L.P.	41.8	0.6%	45.0	0.7%
Hawkesbridge Private Equity Pty Ltd & Fund 3 (Trust C)	27.0	0.4%	25.3	0.4%
IFM International Private Equity Funds I, II & III	50.4	0.7%	55.0	0.9%
LGT Capital Partners AG - Crown European Private Equity PLC	31.2	0.4%	32.3	0.5%
Macquarie Alternative Investment Funds IV & V	31.2	0.4%	35.5	0.6%
Members Equity Bank & Industry Super Holdings Pty Ltd	21.9	0.3%	22.1	0.4%
Mid Europa Partners Emerging Europe Convergence Fund II, L.P.	9.0	0.1%	26.0	0.4%
Millenium Global Investments Ltd - Private Equity Europe & USD Hedge (Terminated)	0.0	0.0%	-9.9	-0.2%
Adrian Lee Overlay - Private Equity Europe & USD Hedge	7.4	0.1%	-	-
Pomona Australia Pty Ltd - ING Private Capital Fund 1 (Fund Term Completed)	0.0	0.0%	0.1	0.0%
Private Equity Trust #	117.3	1.6%	120.3	1.9%
Stafford Capital Partners - Private Equity 2, 3 & 4 Funds (Previously Quay Australia Partners)	31.4	0.5%	35.3	0.6%
Vencap 12 Limited	50.7	0.7%	41.7	0.7%
<b>Total private equity</b>	<b>456.5</b>	<b>6.3%</b>	<b>478.3</b>	<b>7.6%</b>
<b>Property opportunistic</b>				
APN Funds Management Ltd - Development Fund No. 1 (Fund Life Completed)	0.0	0.0%	3.3	0.1%
Eureka Funds Management - Property Funds No. 1, 2 & Loan Note Facility	4.4	0.1%	5.1	0.1%
Gresham Partners Limited - Property Mezzanine Funds No. 2, 3 & 4	8.5	0.1%	16.2	0.3%
Investa - Enhanced Fund (Fund Wounded Up)	0.0	0.0%	0.7	0.0%
Macquarie Wanda Real Estate Fund	40.3	0.6%	39.6	0.6%
Millenium Global Investments Ltd - Property Opportunistic Europe & USD Hedge (Terminated)	0.0	0.0%	-1.9	0.0%
Adrian Lee Overlay - Property Opportunistic Europe & USD Hedge	3.4	0.0%	-	-
Private Equity Trust - Property Opportunistic ##	100.0	1.4%	102.2	1.6%
Warakirri Asset Management Pty Ltd - Dairy Farm & Land Trust	39.3	0.5%	39.2	0.6%
<b>Total property opportunistic</b>	<b>195.9</b>	<b>2.7%</b>	<b>204.3</b>	<b>3.3%</b>
<b>Absolute return strategies</b>				
Bridgewater Associates Inc. - Pure Alpha Fund	81.2	1.1%	74.1	1.2%
<b>Total absolute return strategies</b>	<b>81.2</b>	<b>1.1%</b>	<b>74.1</b>	<b>1.2%</b>
<b>Multi-asset</b>				
Windham Capital - Risk Regime Strategy	157.1	2.2%	-	-
<b>Total multi-asset</b>	<b>157.1</b>	<b>2.2%</b>		
<b>Floating rate debt</b>				
Franklin Templeton Multi-sector Bond Fund	180.1	2.5%	-	-
<b>Total floating rate debt</b>	<b>180.1</b>	<b>2.5%</b>		
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>\$1,702.7</b>	<b>23.5%</b>	<b>1,371.9</b>	<b>21.9%</b>
<b>TOTAL</b>	<b>\$7,233.6</b>	<b>100.0%</b>	<b>6,258.5</b>	<b>100.0%</b>

# Adveq Management AG Europe III L.P., Lexington Capital Partners VI-B & Mesriow Financial Private Equity Partnership Fund III, L.P.

## BlackRock Asia & Europe Property Funds II & III (Previously Macquarie Global Property Advisors)

Please note that where the total value of an investment portfolio (that is listed within one of the above investment classes) is less than 0.05% of the total value of the PST, a value of 0.0% has been entered into the corresponding '%' field.

## SHAREHOLDING INFORMATION

# Top stock holdings

The stocks below represent the Top 20 listed companies the PST invests in on behalf of members, within Australia and overseas.

Vision Super's equity portfolio is well diversified, as demonstrated by the lists on this page. Diversification provides members with superior long-term returns from equities.

## PST (as at 30 June 2014)

		TOTAL NET ASSET VALUE	ASX 200 INDEX	OVER/ UNDER WEIGHT
COMPANY RANKING		%	%	%
<b>AUSTRALIAN EQUITY PORTFOLIO – COMBINED</b>				
1	BHP BILLITON LIMITED	7.1	8.7	-1.5
2	NATIONAL AUST BANK	5.5	5.8	-0.3
3	WESTPAC BANKING CORP	5.2	7.9	-2.7
4	COMM/WLTH BANK AUST	5.0	9.8	-4.8
5	WOOLWORTHS LTD	4.7	3.3	1.4
6	ANZ BANKING GROUP	4.7	6.9	-2.2
7	WOODSIDE PETROLEUM	2.6	2.2	0.5
8	RIO TINTO LTD	2.5	1.9	0.6
9	WESFARMERS LIMITED	2.5	3.6	-1.1
10	ORIGIN ENERGY LTD	2.4	1.2	1.2
11	BRAMBLES LIMITED	2.0	1.1	0.9
12	TELSTRA CORP LTD	2.0	4.9	-2.9
13	QBE INSURANCE GROUP	1.7	1.0	0.7
14	MACQUARIE GROUP LTD	1.5	1.4	0.0
15	TRANSURBAN GROUP	1.4	1.1	0.4
16	SANTOS LIMITED	1.2	1.0	0.2
17	ORICA LIMITED	1.2	0.5	0.7
18	ASX LIMITED	1.0	0.5	0.5
19	BORAL LIMITED	1.0	0.3	0.7
20	ALUMINA LIMITED	1.0	0.3	0.7
<b>TOTAL</b>		<b>56.4</b>	<b>63.4</b>	<b>-7.0</b>

## PST (as at 30 June 2014)

		TOTAL NET ASSET VALUE	MSCI INDEX	OVER/ UNDER WEIGHT
COMPANY RANKING		%	%	%
<b>INTERNATIONAL EQUITY PORTFOLIO – COMBINED</b>				
1	AMAZON.COM INC	3.75	0.39	3.36
2	ILLUMINA INC	3.37	0.07	3.30
3	GOOGLE INC	3.27	1.01	2.26
4	FACEBOOK INC	2.35	0.39	1.96
5	INDITEX	2.28	0.10	2.18
6	APPLE INC	2.05	1.78	0.26
7	SALESFORCE.COM INC	1.60	0.10	1.50
8	KERING	1.59	0.05	1.54
9	INTUITIVE SURGICAL INC	1.49	0.05	1.44
10	TESLA MOTORS INC	1.44	0.06	1.38
11	NOVOZYMES A/S	1.31	0.04	1.28
12	ATLAS COPCO AB	1.14	0.06	1.08
13	WHOLE FOODS MARKET INC	1.03	0.04	0.99
14	EBAY INC	1.00	0.19	0.81
15	LINKEDIN CORP	0.89	0.05	0.83
16	AIA GROUP LTD	0.85	0.19	0.66
17	TRIPADVISOR INC	0.84	0.04	0.80
18	BURBERRY GROUP	0.76	0.03	0.73
19	ARM HLDGS	0.71	0.07	0.65
20	EXXON MOBIL CORP	0.71	1.34	-0.63
<b>TOTAL</b>		<b>32.45</b>	<b>6.05</b>	<b>26.40</b>

## FINANCIALS

# Financial management

Prudent financial management underpins our efforts to achieve Vision Super's strategic objectives, in particular maintaining our low cost (value) focus and ensuring the net benefit delivered to members is maximised.



## Net benefit

Our aim is to maximise the net benefit we deliver to our members. Continuous review of financial controls and procedures forms part of Vision Super's commitment to risk management and keeping costs low and within budget.

## Annual budget process

The annual budgeting process integrates with the annual business planning cycle. Together they establish expenditure and financial frameworks that commit Vision Super's financial resources to business-as-usual activities and strategic initiatives. The annual budget is reviewed and endorsed by the Boards.

## Annual financial reports

The Vision Super annual financial reports are prepared by the Vision Super Finance team. The reports are based on Vision Super's general ledger balances and custodian investment and taxation reports, together with members' funds information sourced from Vision Super's administration systems.

The reports include a Statement of Financial Position, Operating Statement and Statement of Cash Flows, and Notes to these Financial Statements. The reports also include a Trustee Declaration, Auditor's Independence Declaration and Auditor's Report. The reports are prepared in accordance with Australian Accounting Standards, legislative requirements and the requirements of the relevant Trust Deeds.

The reports are available on the Vision Super website at: [www.visionsuper.com.au](http://www.visionsuper.com.au).

## Financial statement inputs

Independent and internal reviews are conducted to support the Financial Statements. Six key inputs support the completeness and accuracy of the Financial Statements:

### 1) Existence and valuations of investments

Vision Super's assets are invested in the PST through our appointed investment managers. The PST holds investments in a number of different single sector and premixed investment options.

An independent audit of the PST's investments held in the name of the Custodian and reflected in the PST's Statement of Financial Position and Notes to the Financial Statements is completed.

### 2) Investment administration controls

An independent audit of the internal controls and procedures the Custodian has over the PST's custody, investment administration, unit registry and related information technology services is completed. The internal controls and procedures audited support investment-related information reflected in the PST's Financial Statements and Notes to the Financial Statements and that of the Funds.

### 3) Member administration controls

An independent audit of the internal controls and procedures the administrator has over superannuation member administration is completed. The internal controls and procedures audit supports information reflected in the Financial Statements and Notes to the Financial Statements.

### 4) Tax review

A review of the key tax numbers in the Statements of Financial Position and Operating Statements is completed by Vision Super's Internal Tax Specialist in conjunction with our tax advisers and external auditor.

Inhouse tax expertise assists in maintaining comprehensive tax management and accuracy of tax expense within the Fund and the PST.

### 5) External audit clearance

Vision Super's external auditor conducts an independent audit of the Financial Statements and Notes to the Financial Statements to provide an opinion as to whether the Financial Statements are presented fairly.

### 6) Internal audit

Vision Super's internal auditor completes reviews of internal controls and procedures over key Fund transactions represented in the Financial Statements and Notes to the Financial Statements.

## Members' funds

The majority of Vision Super's net assets support members' funds, with the balance supporting the group life and contingency funds. Members' funds represent benefits accrued to members at 30 June 2014.

### Any surplus is retained within Vision Super.

## Superannuation Surcharge

The Government Superannuation Surcharge Tax is a tax which applied to higher income earners prior to 1 July 2005. If the Trustee paid a surcharge on your behalf during the year it will appear on your Member Statement. The liability for any surcharge paid is borne by the affected members against their respective benefits.

## FINANCIALS

# Statement of financials

FOR THE YEAR ENDED 30 JUNE 2014 - LASF

## Statement of net assets

AS AT 30 JUNE 2014

	LASF	
	2014	2013
	\$000	\$000
<b>ASSETS</b>		
Cash at bank	16,737	48,754
Other receivables	1,074	3,143
Prepayments	-	1,500
Contributions receivable	10,805	166,275
Deferred tax assets	5	8
<b>Investments</b>		
Units in Vision Pooled Superannuation Trust	6,889,588	5,384,465
<b>Total assets</b>	<b>6,918,209</b>	<b>5,604,145</b>
<b>LIABILITIES</b>		
	LASF	
	2014	2013
	\$000	\$000
Benefits payable	21,878	15,961
Other payables	3,491	535
Amounts held in trust	383	392
Current tax liabilities	63,899	95,254
Deferred tax liabilities	1,495	24,951
<b>Total liabilities (excluding net assets available to pay benefits)</b>	<b>91,146</b>	<b>137,093</b>
<b>Net assets available to pay benefits</b>	<b>6,827,063</b>	<b>5,467,052</b>

## Statement of changes in net assets

AS AT 30 JUNE 2014

	LASF	
	2014	2013
	\$000	\$000
<b>INVESTMENT REVENUE</b>		
Changes in net market value of investments	629,554	610,926
Net investment revenue	<b>629,554</b>	<b>610,926</b>
<b>CONTRIBUTIONS REVENUE</b>		
Employer contributions	315,759	337,120
Member contributions	82,580	59,255
Transfer from other funds	929,288	86,733
Total contributions revenue	<b>1,327,627</b>	<b>483,108</b>
<b>OTHER REVENUE</b>		
Group life insurance proceeds	6,597	3,469
Other revenue	629	2,880
Total other revenue	7,226	6,349
<b>Total revenue</b>	<b>1,964,407</b>	<b>1,100,383</b>
<b>EXPENSES</b>		
Benefits paid	520,245	422,609
General administration expenses	27,053	21,016
Group life insurance premium expense	16,236	14,360
Superannuation contributions surcharge	11	8
	563,545	457,993
<b>Change in net assets before income tax</b>	<b>1,400,862</b>	<b>642,390</b>
Income tax expense	40,851	44,467
<b>Change in net assets after income tax</b>	<b>1,360,011</b>	<b>597,923</b>
<b>Net assets available to pay benefits at the beginning of the financial year</b>	<b>5,467,052</b>	<b>4,869,129</b>
<b>Net assets available to pay benefits at the end of the financial year</b>	<b>6,827,063</b>	<b>5,467,052</b>

To download the full audited financial statements, visit [www.visionsuper.com.au](http://www.visionsuper.com.au) and click **About us**, then **Financial statements**.

## Vision Super's default Balanced Growth MySuper option

You can read about the fees, risks and investment returns of Vision Super's default Balanced Growth MySuper option on our website at: [www.visionsuper.com.au/mysuperdashboard](http://www.visionsuper.com.au/mysuperdashboard)

## FINANCIALS

# Statement of financials

FOR THE YEAR ENDED 30 JUNE 2014 - VSF

STATEMENT OF FINANCIAL POSITION		VSF	
	2014	2013	
	\$000	\$000	
<b>ASSETS</b>			
Cash at bank	-	1,834	
Accounts receivable	-	27	
<b>Investments</b>			
Units in Vision Pooled Superannuation Trust	-	619,780	
<b>Total assets</b>	-	621,641	
<b>LIABILITIES</b>			
Accounts payable	-	748	
Current tax liabilities	-	-	
<b>Total liabilities (excluding net assets available to pay benefits)</b>	-	748	
<b>Net assets available to pay benefits</b>	-	620,893	
OPERATING STATEMENT		VSF	
	2014	2013	
	\$000	\$000	
<b>INVESTMENT REVENUE</b>			
Interest	33	37	
Movement in net market value of investments	72,537	56,211	
	72,570	56,248	
<b>CONTRIBUTION REVENUE</b>			
Employer contributions	1,725	1,386	
Member contributions	15,468	12,996	
Transfers from other funds	186,380	144,016	
<b>Total</b>	203,573	158,398	
<b>OTHER REVENUE</b>			
	-	1	
<b>Total revenue</b>	276,143	214,647	
<b>BENEFITS PAID</b>			
	109,907	77,773	
<b>GROUP INSURANCE PREMIUMS</b>			
	46	33	
<b>GENERAL ADMINISTRATION EXPENSES</b>			
Trustee services fees	1,397	1,391	
Other general administration expenses	191	-	
<b>Total</b>	111,541	79,197	
<b>Benefits accrued as a result of operations before income tax</b>	164,602	135,450	
Income tax expense	11	-	
Net asset transfer to LASF	785,484	-	
<b>Benefits accrued as a result of operations</b>	(620,893)	135,450	

## Merger of LASF and VSF

On 30 June 2014, LASF and VSF merged under a successor fund transfer. The assets and liabilities of VSF were transferred to LASF and merged with the assets and liabilities of LASF. The resultant net assets transferred to LASF have been recognised through LASF's profit and loss.

## FINANCIALS

## Reserves

A number of reserves are held by the Vision Super group including the following reserves held in LASF.

**Insurance reserves**

Insurance reserves consist of all insurance contributions deducted from insured members plus any rebates received from the insurer. From this Vision Super:

1. Pays the insurer (CommInsure) its premiums
2. Funds its insurance claims reduction strategies aimed at generating a long-term improvement in the claims ratio
3. Funds development and implementation costs associated with the delivery of improved insurance offerings.

**(i) Vision Super Saver members**

Effective from 1 July 2010, all Death and Disability cover for Vision Super Saver members was outsourced to CommInsure. This reserve is used to meet the cost of claims that existed or arise from illnesses or injuries prior to 1 July 2010 and for other expenses required to provide this insurance cover.

This reserve is currently invested in the Balanced Growth investment option.

**(ii) LASF Defined Benefit (DB) Scheme**

The LASF DB Scheme provides death and disablement benefits that are significantly higher than the resignation/retirement benefits. The Fund self-insures this risk. This continues to be appropriate in light of the LASF DB Scheme's size, experience, present membership and benefit levels.

This reserve was established on 1 July 2013 and is currently invested with the LASF DB assets. Prior to that date, the self-insurance arrangement was included in the DB asset pool.

The Fund Actuary determines the adequacy of the insurance reserves and reviews the self-insurance arrangements annually. The insurance reserves operate under a policy approved by the Vision Super Board.

**INSURANCE RESERVE**

Financial year ending	Super Saver (for pre 1 July 2010 cover)	LASF DB Scheme (self-insurance)
30 June 2014	\$4.38m	\$8.60m
30 June 2013	\$4.23m	*
30 June 2012	\$4.89m	*

\* Included in the LASF DB Scheme's liabilities.

**Administration licensing requirement**

Vision Super maintains a balance of \$0.25m in LASF at all times in accordance with VSPL's RSE licence conditions. A similar reserve is held within PSPL to satisfy its RSE licence conditions.

**Operational risk financial requirement reserves**

The operational risk financial requirement (ORFR) reserves were established to meet APRA Prudential Standards effective from 1 July 2013.

The purpose of the ORFR reserves is to ensure that the Vision Super group has adequate financial resources to cover operational risks where one or more beneficiaries have sustained a loss or have been deprived of a gain to which they otherwise would have been entitled. It includes legal risk but excludes strategic and reputational risk.

The ORFR reserves operate under a policy approved by the boards, which details the annual reviews, transitional and replenishment arrangement along with the investment strategy of the ORFR Reserves.

The ORFR reserve is generally held as trustee capital and is on track to meet the ORFR target set by Vision Super Board for 30 June 2016.

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