



Your Industry
Super Fund™

Annual report **2017**



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Vision Super serves the hardworking people who serve the community – throughout this report, you’ll meet some of them.

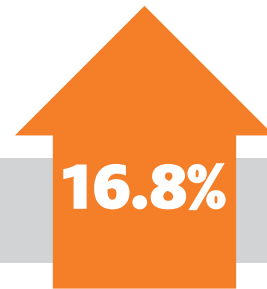


We're all members of the fund, we act in our members' best interests, and our profits are returned to members.

The year in review



Member assets under management*



Growth in members' contributions 2016–17



Balanced growth investment returns*



The number of new members who joined the fund in 2017



Our International equities option was the best in Australia*



'Platinum' for performance 2006–2017, Super Ratings

* SuperRatings performance report for period ending 30 June 2017, over one year.



We are passionate about putting our members' best interests first, and that means taking a stand.

Board's report

We are pleased to present our annual report in a year where we continued our focus on growth, strengthened our responsible investment credentials, and advocated for our members.

Investment performance

It was a strong year for Vision Super's investment performance, with the default Balanced growth option that most of our members are invested in returning 11.74% to the year ending 30 June 2017 – outperforming many larger funds.

Most of our investment option returns are now in the top quartile, with our international equities option the number one performer in the country, returning 22.72% for the year.

Growth

Growth is a positive for our members, which is why the Board has put strategies in place to grow the fund. More members means we can reduce fees, and our members have improved retirement outcomes. The strategies for growth are starting to pay off, with positive membership growth last year despite industry trends meaning most funds are losing members. We also had positive growth in all types of contributions and roll ins.

Advocacy for our members

We are passionate about putting our members' best interests first, and that means taking a stand where government changes will have a negative impact on members' retirement outcomes. Vision Super has significantly stepped up our efforts over the last year, both in Canberra and in the media. We'll continue to speak out about proposed changes to the superannuation system to ensure our members are looked after.

Responsible investing

A year ago we launched our first corporate responsibility report, and the second report is being released to coincide with the annual report again. We have had significant recognition of Vision Super's commitment to sustainable investing in the last year, with the Asset Owners Disclosure Project rating us 19th of the world's 500 largest investors for our action on climate change in the 2017 Global Climate Index. The Global Climate Index ranks asset owners, such as insurance companies, pension funds and super funds, on how they manage climate risk in their investment portfolios.

We pride ourselves on being a fund that operates responsibly for the environment and our community, and are grateful to have been recognised for our responsible investment on a global scale.

We received an AA rating in the index, putting us in the leading top 6% of asset owners in the world when it comes to managing climate risk and the top four responsible asset owners in Australia. You'll find more details about our ESG approach and achievements in our 2017 corporate responsibility report. Finally, I'd like to thank all of our Vision Super members, employers, staff, and my fellow directors for your ongoing support.

Vision Super Directors



“Working in your community is important. I’ve worked for councils all my life and I’ve been blessed with the work I’ve done here.”

Lou, Vision Super member

Chief Executive Officer's report

The last year has been a very strong one for Vision Super, and I'm very proud of what we've achieved. We are on our way to achieving our goal of being the best super fund in the country.

Great results

Vision Super can proudly say that our strategies for growth are achieving results, with both our accumulation and pension membership growing last year. This proves our strength at a time where most super funds have declining memberships, largely due to the fact that the Australian population is ageing, so more people are retired and fewer working people are contributing to super.

Vision Super members have benefited from excellent investment performance over the past 12 months as well as over the longer term. Chant West ranked us in the top ten funds in the country for our default Balanced growth option – where the majority of our members (including me) have their money. Balanced growth has now generated positive returns eight years in a row – an exceptional result given the usual volatility of the markets.

Our members are more engaged with their super than ever. Our total contributions have increased more than 75% since 2013. We're aiming to see contributions at over a billion in the next few years – an ambitious target but one we think we can achieve. It's also fantastic to see more members are choosing to stay with the fund.

Lowest cost sustainable super

Our Sustainable balanced option, offered via Vision Personal, has been independently rated by SuperRatings as the lowest cost sustainable super option in Australia. The Sustainable balanced option is simple to join online, and we've seen many new members joining over the year. Its funds almost tripled from December to June. We have big plans for further growth, so watch this space. You'll find more details about our broader ESG policies and initiatives in our second Corporate responsibility report.

Internal efficiency

Our new administration system has been running smoothly for some time now. Members logging on to our secure member website, Vision Online, during the year may have noticed the improved interface and functionality the system has brought. Importantly, it has also allowed us to streamline internal processes, which means we can help members faster and more efficiently. We're constantly refining our processes to get the most out of the administration system and we are seeing the benefits already. We predict savings of \$12 million dollars of members' money over 13 years.

Exceptional service

Vision Super has a very simple core philosophy – every business decision we make, every investment or operational strategy we put in place, every staffing or Board appointment is grounded by the single, overarching principle of putting members' interests first. That's why our core commitment to offering exceptional service to our members is so important to us. I'm really proud that although we're a modern fund that's embracing the digital age, we're not using it as an excuse to cut customer service.

And finally...

We believe in what we do – we're all members of the fund, we act in our members' best interests, and our profits are returned to members. We are motivated helping our members to achieve a great retirement. As always, I welcome hearing any ideas or thoughts you have about our services and products. I'd also like to thank all of our Vision Super staff for their hard work in achieving some exceptional results this year – your efforts are crucial to our ongoing success, and I look forward to seeing what we can achieve together in the coming year.



Stephen Rowe
Chief Executive Officer



Our Balanced growth option has now generated positive returns eight years in a row.

Chief Investment Officer's report

Vision Super capitalised on strong equity markets over 2016/17 year to return 11.74% to members of our default (MySuper) Balanced growth option.

Another strong year for Balanced growth members

Balanced growth has now generated positive returns eight years running – an usually long run given the volatility we usually experience in high return investments like those in the share markets.

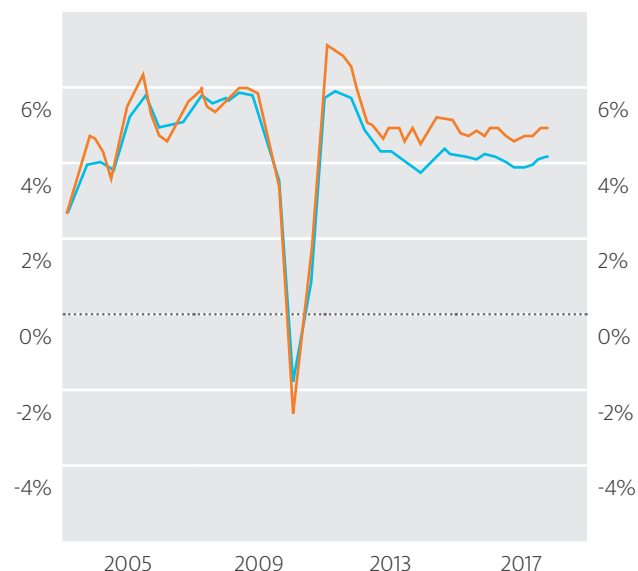
A year of geopolitical risk

Several key economic themes played out during the 2017 financial year. Geopolitical risks were prominent from the start of the year in the aftermath of the British referendum decision to leave the European Union followed by the Trump election in the United States. Less heralded was the resurgence in economic growth across the major economies. This resulted in interest rates rebounding from their historical lows at the start of the year.

Inflation remained low but positive during the year leading to fears of negative inflation receding. In Australia, CPI Inflation for the year came in at just under 2% while in the US inflation came in at 1.6%.

In response to these benign inflation figures the Reserve Bank of Australia cut interest rates at the start of the year to 1.5% and then went on hold. In the US, the Federal Reserve raised rates three times during the year but this only resulted in a target rate of 1% to 1.25%, still low by historical standards.

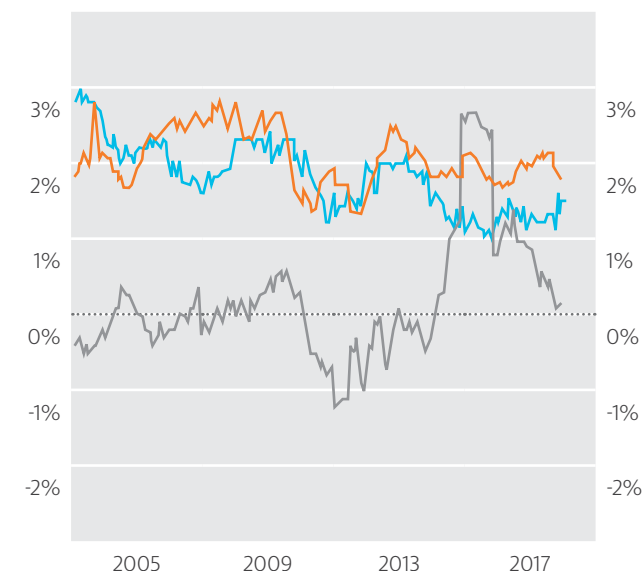
GDP growth – world



- **Major trading partners** – weighted using Australian export shares
- **World** – PPP-weighted, account for 85% of world GDP

Sources: ABS, CEIC Data, IMF, RBA, Thomson Reuters

Core inflation –advanced economies*



- **US** – core price index for personal consumption expenditures
- **Eurozone**
- **Japan**

*Excluding food and energy and for the Eurozone also excluding alcohol and tobacco

Source: Bloomberg



The wave of populism and risk of protectionism now appears to be receding. President Trump's policy pledges look likely to be watered down and/or delayed. In Europe, Emmanuel Macron won the French election over far-right candidate Marine Le Pen, which also reduced the risk of a more fractured Europe and further protectionism.

Looking ahead geopolitical risk remains, particularly with the 'Brexit' negotiations over the next few years. German and Italian elections may exacerbate Eurozone tensions.

Performance of Vision Super asset classes

Vision Super benefitted from our relatively high exposure to international shares and in particular from a high allocation to the tech sector. Globally, developed and emerging market equities returned circa 15% and 20% respectively. Australian equities also performed well, with an uptick in commodity prices after a number of years of prices falling. The S&P/ASX 300 delivered a return of close to 14% over the financial year.

Listed property had a relatively poor year, but Vision Super's much larger exposure to real assets performed strongly. Infrastructure assets such as airports, electricity grids and water utilities contributed to returns as investors continued to value assets generating high yields. The rise in interest rates led to cash and bonds having a relatively poor year.

Rising bond yields means lower bond prices. Long term (10 years) government bond yields increased broadly across the globe over the financial year. Australian government bond yields rose from below 2.0% to 2.6% while US bond yields went from below 1.5% to the end of the financial year at 2.3%.

The resurgence of economic growth

Vision Super reset the objectives for our multi-asset class investments during the year and expanded our allocation to these investments as we sought to improve our diversification and lessen our reliance on fixed interest as a defensive asset class. For fixed interest, the recovery in economic growth and diminished deflation risk led to a selloff in bond markets.

There was a resurgence of economic growth over the financial year. Most notably, the US saw its economic growth accelerate and unemployment rate continued to decline. The global economy was also aided by the recovery in commodity prices. Iron ore, thermal and coking coal prices have climbed considerably over the last 12 months. This likely means that the risk of deflation has subsided, albeit inflation globally remains low. The increase in commodity prices led to an increase in the value of the Australian dollar, particularly against the US dollar. The Australian dollar started the financial year at \$0.74 against the US dollar (USD) and spent most of the period trading between \$0.73 and \$0.77, finishing at \$0.77. The appreciation negatively affected Australian investors' overseas investments.

The outlook on the global economy

We appear to be at an inflection point on monetary policy. The US Federal Reserve is in the process of increasing interest rates from emergency low levels. Although there are some concerns over the impact of rising interest rates on both the real economy and financial market, it is worth remembering that the US Federal Reserve is increasing interest rates for the best of reasons – because US economic growth has picked up. A key risk that we are cognisant of is an unexpected increase in the US inflation rate that could force the US Federal Reserve to raise interest rates much faster than planned.

Domestically, the Australian economy continues to transition from mining to non-mining. Positively, the Reserve Bank of Australia believes the transition to lower levels of mining investment post the resources boom is almost complete. The macroprudential policies implemented by the RBA and APRA also appear to be taking effect on speculative activity in the property market. However, Australian household debt levels are high, leaving growth vulnerable to any potential weakness in housing or in the Chinese economy.

Looking ahead, the strong returns we have experienced since the global financial crisis appear unsustainable. Productivity growth remains stubbornly low although company earnings have begun to accelerate after a period in the doldrums. This is a point we made in previous years and it is possible that we will be making the same point a year from now. Over the longer term, recent strong performance and higher asset prices do mean that future returns will be lower on average. In particular, fixed interest assets will provide low returns over the next 10 years, and may not match inflation. However, with inflation currently moderate, interest rates low and economic growth steady, there is nothing that suggests a major correction in investment markets is imminent.

Top stock holdings

International equities

Company ranking	% of total net asset value	% of MSCI index	% of over/under weight
Amazon.com	2.27	1.10	1.17
Facebook A	1.94	0.99	0.95
Tesla	1.81	0.13	1.68
Illumina	1.32	0.07	1.25
Credit Suisse	1.19	0.09	1.09
Alphabet C	1.19	0.79	0.40
Toyota Motor Corp	1.19	0.38	0.81
Allianz	1.16	0.25	0.91
BNP Paribas	1.15	0.23	0.93
Daimler	1.14	0.19	0.95
Glencore	1.09	0.13	0.96
Kering	0.98	0.07	0.90
Wells Fargo & Co	0.97	0.74	0.23
CNH Industrial	0.96	0.03	0.93
Alphabet A	0.95	0.77	0.18
Apple	0.94	2.11	-1.17
Citigroup	0.87	0.52	0.35
Inditex	0.86	0.12	0.74
General Electric Co	0.79	0.66	0.13
Nvidia	0.77	0.22	0.55
TOTAL	23.52	9.58	13.94

Australian equities

Company ranking	% of total net asset value	% of MSCI index	% of over/under weight
Com/Wlth Bank Aust	7.15	9.50	-2.35
Westpac Banking Corp	6.06	6.79	-0.73
National Aust Bank	3.79	5.25	-1.46
ANZ Banking Group	3.71	5.59	-1.88
BHP Billiton Limited	3.60	4.95	-1.35
CSL Limited	3.60	4.16	-0.56
Wesfarmers Limited	2.78	3.02	-0.24
Macquarie Group Ltd	2.59	2.00	0.59
Telstra Corp Ltd	2.18	3.39	-1.21
Woolworths Ltd	1.71	2.19	-0.48
Alacer Gold Corp CDI	1.67	0.00	1.67
AGL Energy Ltd	1.46	1.11	0.35
Suncorp Group Ltd	1.46	1.26	0.20
Rio Tinto Ltd	1.41	1.78	-0.37
Transurban Group	1.37	1.61	-0.24
Woodside Petroleum	1.09	1.44	-0.35
Crown Resorts Ltd	1.05	0.30	0.75
CYBG Plc	0.99	0.21	0.78
Vicinity Centres	0.96	0.56	0.40
Brambles Limited	0.95	1.02	-0.07
TOTAL	49.58	56.13	-6.55

Investment strategy

Vision Super's aim is to continue delivering strong long-term investment returns for our members.

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. These SAAs are set considering long-term equilibrium attributes for asset classes and any changes to the Fund's liabilities, changing member demographics and any other relevant long-term factors.

The Trustee also undertakes regular reviews of asset allocation throughout the year using a dynamic approach. This review considers factors such as current market pricing, economic and market trends, and an assessment of the potential risks embedded in markets and economies. The aim of the dynamic asset allocation process is to achieve better risk-adjusted returns than are generated by our long-term SAA for each option.

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.

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

Rebalancing policy

Our rebalancing process ensures that the Fund and PST do not take unintended market risk.

Asset allocation will rarely, if ever, be aligned exactly with dynamic or strategic asset allocation targets.

Vision Super aims to limit the fluctuation range to within +/- 2% of the dynamic asset allocation. However, during times of 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 dynamic asset allocation is to be kept to a minimum, avoiding any unnecessary portfolio changes in order to reduce the impact of transaction costs and taxation on the portfolio. Rebalancing is undertaken by the custodian on instruction from the internal investment team.



Our aim is to continue delivering strong long-term investment returns for our members.

Pooled Superannuation Trust

Vision Super's investment options are invested in the Pooled Superannuation Trust (PST). The PST appoints investment managers for each asset class and manages the asset allocation of each option to its target allocation.

Investment management

Vision Super offers members a range of pre-mixed 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 at least once every three years. This involves careful consideration of expected long-term future risks and returns.

A dynamic asset allocation framework is also applied to pre-mixed investment options. This framework is applied throughout the year and considers market valuations, economic and market trends as well as an assessment of potential risks embedded in economies and markets. The target asset allocations may change during the year as a result of this review process with the aim of approving risk-adjusted returns.

A key strategic objective is to ensure that each investment option is invested in line with its target asset allocation and within SAA ranges. Portfolios are rebalanced periodically by redirecting contributions or by reallocating cash between different asset class portfolios.

Use of derivatives

Derivative instruments are used for gaining exposure to equities and bonds to assist with efficient implementation of asset allocation. Derivatives are also utilised in a tail risk program to provide protection from steep falls in equity markets for the Defined Benefit Plan and by the PST's currency overlay manager to manage foreign currency exposures.

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.

The derivative charge ratio (the percentage of the fund's assets being held as security for derivative investments) did not exceed 5% of all fund assets at any time during the year.

Investment objectives and strategy

Tables on these pages show the investment objectives and strategic asset allocations of Vision Super's pre-mixed and single sector investment options as at 30 June 2017.¹

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. The risk level is a standard risk measure, which is based on the estimated number of negative annual returns over any 20-year period. 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.

1. Investment objectives and strategic asset allocations have changed since 30 June 2016. Please refer to the Product Disclosure Statement for current values.

2. The earnings of super products are taxed.

3. The earnings of pension products are untaxed.

Single sector options

Cash	
Performance objectives – super ² , pensions ³	To outperform (after fees and taxes) the rate of CPI increases over at least two-thirds of all rolling 10-year periods.
Probability of a negative return	The risk level of this option is very low. The expected frequency of a negative return is, on average, less than 0.5 in 20 years.
Diversified Bonds	
Performance objectives – super ² , pensions ³	To outperform (after fees and taxes) the rate of CPI increases by 2% pa for super (2.5% pa 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 low. The expected frequency of a negative return is, on average, 0.5 in 20 years.
Strategic asset allocation	Floating rate debt 20%, diversified bonds 70% and cash 10%.
Australian Equities	
Performance objectives – super ² , pensions ³	To outperform (after fees and taxes) the rate of CPI increases by 3.5% pa for super (4.0% pa 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 very high. The expected frequency of a negative return is, on average, six in 20 years.
International Equities	
Performance objectives – super ² , pensions ³	To outperform (after fees and taxes) the rate of CPI increases by 3.5% pa for super (4% pa 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 very high. The expected frequency of a negative return is, on average, six in 20 years.

Investment objectives and strategy continued

Premixed options

Conservative

Performance objectives – super¹, pensions²

To outperform (after fees and taxes) the rate of CPI increases by 2.5% pa for super (3.5% pa 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 low to medium. The expected frequency of a negative return is, on average, 1.5 in 20 years.

Strategic asset allocation

Asset class	Benchmark allocation
Australian equities	11%
International equities	13%
Opportunistic growth	0%
Absolute return multi-strategy	5%
Infrastructure	6%
Property	6%
Floating rate debt	13%
Diversified bonds	26%
Cash	20%

Balanced

Performance objectives – super¹, pensions²

To outperform (after fees and taxes) the rate of CPI increases by 3.0% pa for super (4.0% pa 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. The expected frequency of a negative return is, on average 3 in 20 years.

Strategic asset allocation

Asset class	Benchmark allocation
Australian equities	20%
International equities	24%
Opportunistic growth	0%
Absolute return multi-strategy	5%
Infrastructure	9%
Property	9%
Floating rate debt	8%
Diversified bonds	20%
Cash	5%

Balanced growth (default)

Performance objectives – super¹, pensions²

To outperform (after fees and taxes) the rate of CPI increases by 3.5% pa for super (4.5% pa 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. The expected frequency of a negative annual return is, on average, 3.5 in 20 years.

Strategic asset allocation

Asset class	Benchmark allocation
Australian equities	24%
International equities	29%
Opportunistic growth	0%
Absolute return multi-strategy	5%
Infrastructure	11%
Property	11%
Floating rate debt	5%
Diversified bonds	12%
Cash	3%

Growth

Performance objectives – super¹, pensions²

To outperform (after fees and taxes) the rate of CPI increases by 4.0% pa for super (4.75% pa 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. The expected frequency of a negative annual return is, on average, 4 in 20 years.

Strategic asset allocation

Asset class	Benchmark allocation
Australian equities	31.5%
International equities	38.5%
Opportunistic growth	0%
Absolute return multi-strategy	5%
Infrastructure	12%
Property	11%
Floating rate debt	0%
Diversified bonds	0%
Cash	2%

Investment objectives and strategy continued

Just shares

Performance objectives – super¹, pensions²

To outperform (after fees and taxes) the rate of CPI increases by 3.5% pa for super (4% pa 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. The expected frequency of a negative return is, on average, 5.5 in 20 years.

Strategic asset allocation

Asset class	Benchmark allocation
Australian equities	45%
International equities	55%
Opportunistic growth	0%
Absolute return multi-strategy	0%
Infrastructure	0%
Property	0%
Floating rate debt	0%
Diversified bonds	0%
Cash	0%

Sustainable balanced

Performance objectives – super¹, pensions²

To outperform (after fees and taxes) the rate of CPI increases by 3% pa for super over at least two thirds of all rolling 10-year periods.

Probability of a negative return

The risk level of this option is high. The expected frequency of a negative return is, on average, 4.5 in 20 years.

Strategic asset allocation

Asset class	Benchmark allocation
Australian equities	27%
International equities	33%
Opportunistic growth	0%
Absolute return multi-strategy	0%
Infrastructure	0%
Property	10%
Floating rate debt	0%
Diversified bonds	27%
Cash	3%

Investment performance at 30 June 2017

Option name	1 year	1 year median	Above median	CPI+ objective	Achieved objective
Conservative	6.75%	6.96%	✗	4.40%	✓
Balanced	10.29%	9.74%	✓	4.90%	✓
Balanced growth	11.74%	9.76%	✓	5.40%	✓
Growth	14.11%	11.42%	✓	5.90%	✓
Cash	1.88%	1.66%	✓	1.90%	✗
Diversified bonds	1.83%	1.83%	✗	3.90%	✗
Australian equities	12.39%	13.49%	✗	5.40%	✓
International equities	22.72%	16.47%	✓	5.40%	✓
Just shares	18.01%	13.53%	✓	5.40%	✓

Option name	3 year	3 year median	Above median	CPI+ objective	Achieved objective
Conservative	5.45%	5.69%	✗	3.97%	✓
Balanced	7.11%	7.24%	✗	4.47%	✓
Balanced growth	7.81%	7.09%	✓	4.97%	✓
Growth	8.68%	7.52%	✓	5.47%	✓
Cash	2.23%	1.91%	✓	1.47%	✓
Diversified bonds	3.52%	3.55%	✗	3.47%	✓
Australian equities	5.66%	6.83%	✗	4.97%	✓
International equities	12.74%	10.77%	✓	4.97%	✓
Just shares	9.28%	8.62%	✓	4.97%	✓

Option name	5 year	5 year median	Above median	CPI+ objective	Achieved objective
Conservative	6.46%	7.67%	✗	4.46%	✓
Balanced	8.81%	9.95%	✗	4.96%	✓
Balanced growth	9.97%	9.98%	✗	5.46%	✓
Growth	11.35%	11.15%	✓	5.96%	✓
Cash	2.63%	2.23%	✓	1.96%	✓
Diversified bonds	3.71%	4.06%	✗	3.96%	✗
Australian equities	10.00%	11.68%	✗	5.46%	✓
International equities	16.45%	15.20%	✓	5.46%	✓
Just shares	13.06%	12.70%	✓	5.46%	✓

Option name	7 year	7 year median	Above median	CPI+ objective	Achieved objective
Conservative	6.55%	6.97%	✗	4.58%	✓
Balanced	8.20%	8.21%	✗	5.08%	✓
Balanced growth	8.84%	8.24%	✓	5.58%	✓
Growth	9.70%	8.90%	✓	6.08%	✓
Cash	3.25%	2.77%	✓	2.08%	✓
Diversified bonds	4.64%	4.95%	✗	4.08%	✓
Australian equities	8.03%	8.50%	✗	5.58%	✓
International equities	12.55%	11.11%	✓	5.58%	✓
Just shares	10.27%	9.77%	✓	5.58%	✓

Option name	10 year	10 year median	Above median	CPI+ objective	Achieved objective
Conservative	5.30%	4.47%	✓	4.86%	✓
Balanced	5.79%	4.77%	✓	5.36%	✓
Balanced growth	5.07%	4.86%	✓	5.86%	✗
Growth	5.44%	4.50%	✓	6.36%	✗
Cash	3.84%	3.27%	✓	2.36%	✓
Diversified bonds	5.46%	5.41%	✓	4.36%	✓
Australian equities	3.93%	4.04%	✗	5.86%	✗
International equities	5.55%	4.10%	✓	5.86%	✗
Just shares	4.62%	4.28%	✓	5.86%	✗

Please note:

These tables compare Vision Super returns (super options) to median returns from the SuperRatings Fund Crediting Rate Survey. For the Balanced growth option, we use the median return from the Default Options survey. For all other options, we use the median return for the group with a comparable investment strategy (all funds). Past performance is not an indicator of future performance.

Defined benefit update

Managing defined benefit obligations

The Vision Super group includes three defined benefit (DB) sub-plans:

- ▶ Local Authorities Superannuation Fund Defined Benefits (LASF DB) plan
- ▶ City of Melbourne plan
- ▶ Parks Victoria plan.

The financial position of these sub-plans is a key focus for Vision Super. Membership is slowly decreasing as the members age. As a result, investment returns are increasingly the most important source of asset growth as member and employer contributions dwindle. This makes the financial position of these sub-plans increasingly susceptible to volatility in 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. When there is significant market volatility, the VBI position of each plan is monitored more frequently. A full actuarial review is undertaken every three years, and actuarial valuations are undertaken annually between the triennial reviews for LASF DB as it provides lifetime pensions to eligible members.

The triennial reviews as at 30 June 2017 were completed and presented to the Board in November 2017.

Vision Super's VBI position

The VBI positions for each of the defined benefit sub-plans are:

Sub-plan	30 June 2016	30 June 2017
LASF DB	102.0%	103.1%
City of Melbourne	119.6%	123.5%
Parks Victoria	104.4%	107.7%

This means that Vision Super's DB sub-plans all satisfied the Superannuation Prudential Standard (SPS) PS 160 funding requirements on 30 June 2016.

Prudential Standard – SPS 160

Under the defined benefit Prudential Standard SPS160, Vision Super is generally required to develop a restoration plan for a sub-plan if the VBI is under 100% for that particular sub-plan.

The purpose of the restoration plan is to restore the VBI to 100% within three years. The defined benefit prudential standard also allows funds to set a shortfall limit that is less than 100%.

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, a shortfall limit will apply which is 97% for the LASF DB and Parks Victoria Plans, and 98% for the City of Melbourne Plan.

Defined benefit investment strategies

To mitigate the impact of such market volatility on the DB sub-plan assets and to protect the VBI position, Vision Super has a custom investment strategy for each DB sub-plan. Where possible, Vision Super has begun to de-risk each sub-plan's portfolio. Where the funding position does not allow the DB sub-plan to de-risk sufficiently, tail risk protection strategies are employed to minimise losses in a market downturn.

Ongoing monitoring

Vision Super continues to monitor the VBIs for all DB sub-plans at least quarterly. Taking into account the funding position, Vision Super continues to consider if and when it is appropriate to further de-risk each DB sub-plan's assets.

At times, when the investment outlook merits, additional risk will be taken in order to achieve better returns and lower funding costs.

Vision Super continues to work with employers to identify appropriate strategies to help them manage their defined benefit funding obligations. Employer updates on the defined benefit plans are provided across Victoria every six months.

Investment objectives and strategy for the DB sub-plans at 30 June 2017

The investment objectives for each DB sub-plan are:

- ▶ To achieve a return that aims to meet plan liabilities and is consistent with the actuarial rate of return for the plan
- ▶ To have a high likelihood that the plan will have adequate liquidity to pay benefits and costs at all times as they become due
- ▶ To have a probability of the VBI falling below 100% of less than 25% over the life of the plan.

Defined benefit strategic asset allocations

Local Authority Superannuation Fund

Australian equities	18.5%	<div style="width: 18.5%;"></div>
International equities	22.5%	<div style="width: 22.5%;"></div>
Opportunistic growth	0.0%	<div style="width: 0%;"></div>
Absolute return multi strategy	10.0%	<div style="width: 10%;"></div>
Infrastructure	9.0%	<div style="width: 9%;"></div>
Property	9.0%	<div style="width: 9%;"></div>
Floating rate debt	7.5%	<div style="width: 7.5%;"></div>
Diversified bonds	17.5%	<div style="width: 17.5%;"></div>
Cash	6.0%	<div style="width: 6%;"></div>

Investment returns – June 2017

Option name	1 year (%)	3 year (%)	Objective* (% pa)	Achieved objective (1 year)	Achieved objective (3 years)
LASF	9.4	6.8	7.0	✓	✗
City of Melbourne	7.1	7	6	✓	✓
Parks Victoria	8.2	6.9	6.5	✓	✓

* Actuarial rate of return for active members for the period to 30 June 2017.

Parks Victoria

Australian equities	13%	<div style="width: 13%;"></div>
International equities	16%	<div style="width: 16%;"></div>
Opportunistic growth	0.0%	<div style="width: 0%;"></div>
Absolute return multi strategy	10.0%	<div style="width: 10%;"></div>
Infrastructure	9.0%	<div style="width: 9%;"></div>
Property	9.0%	<div style="width: 9%;"></div>
Floating rate debt	10.0%	<div style="width: 10%;"></div>
Diversified bonds	25.0%	<div style="width: 25%;"></div>
Cash	8.0%	<div style="width: 8%;"></div>

City of Melbourne

Australian equities	7.5%	<div style="width: 7.5%;"></div>
International equities	9.5%	<div style="width: 9.5%;"></div>
Opportunistic growth	0.0%	<div style="width: 0%;"></div>
Absolute return multi strategy	10.0%	<div style="width: 10%;"></div>
Infrastructure	9.0%	<div style="width: 9%;"></div>
Property	9.0%	<div style="width: 9%;"></div>
Floating rate debt	12.5%	<div style="width: 12.5%;"></div>
Diversified bonds	32.5%	<div style="width: 32.5%;"></div>
Cash	10.0%	<div style="width: 10%;"></div>

A tail risk program to protect against steep equity market falls applies to the LASF DB portfolio. This program affects the effective exposure of the portfolio to equities, which consequently can vary materially over time.

Investment managers

Traditional investments

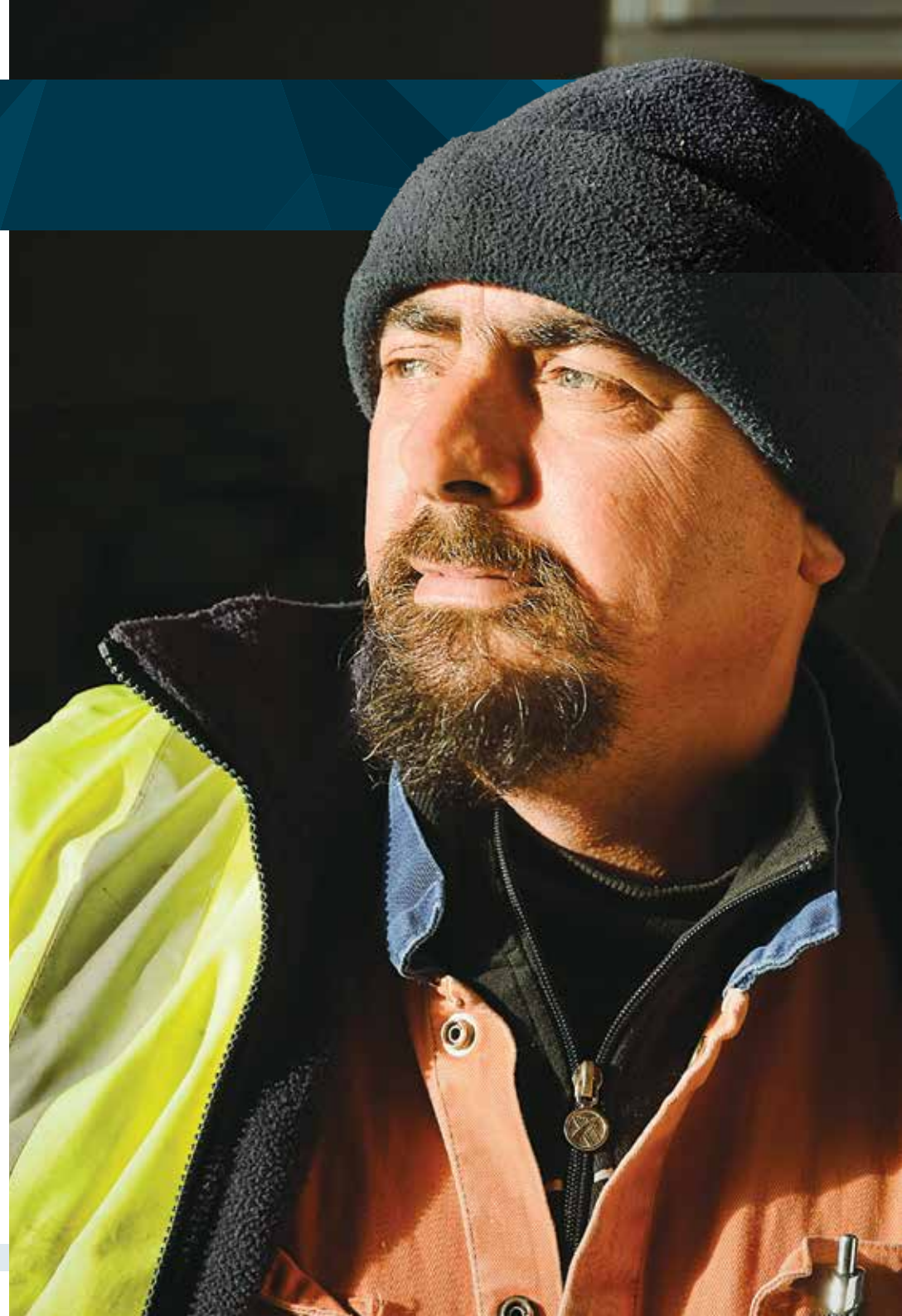
Growth investments

	30 June 17		30 June 16	
	\$M	%	\$M	%
Australian shares				
Airlie Industrial Share	312.6	3.6%	–	–
Ellerston Capital Ltd – Overlay Australian Share Fund (terminated)	–	–	0.3	0.0%
Perpetual Investment Management Ltd – Small Companies	153.4	1.8%	130.9	1.7%
Industry Funds Management – Enhanced Index Strategy (Low carbon emission mandate)	922.0	10.5%	1,086.2	13.9%
Australian shares securities lending revenue account	0.2	0.0%	0.5	0.0%
Kinetic Investment Partners Limited – Australian Small Companies	189.1	2.2%	185.0	2.4%
Schroders Investment Management Australian Limited – Growth Tilt (terminated)	–	–	0.2	0.0%
Transition manager – Citigroup	3.1	0.0%	1.2	0.0%
Perpetual Investment Management Ltd – Ethical	0.2	0.0%	338.1	4.3%
Wavestone Australian Equities	275.2	3.1%	–	–
Total Australian shares	1,855.8	21.2%	1,742.4	22.3%
International shares				
Baillie Gifford Overseas Ltd – Long-Term Global Growth Equities	500.1	5.7%	325.0	4.2%
Stewart Investors – Global Emerging Markets Leaders Fund	125.2	1.4%	147.4	1.9%
Harris Associates Global Equity Strategy	518.7	5.9%	355.3	4.5%
Sands Capital Emerging Markets Growth Strategy	157.0	1.8%	101.9	1.3%
SSgA – Index Plus Strategy	1,029.1	11.8%	864.6	11.1%

	30 June 17		30 June 16	
	\$M	%	\$M	%
International shares securities lending revenue account	0.2	0.0%	0.4	0.0%
Citigroup Futures Overlay – International Equities Active and Passive	–	–	0	0.0%
Tradewinds (terminated)	–	–	0	0.0%
Wellington International Management Company Pte Ltd – Global Value (terminated)	–	–	0	0.0%
Total international shares	2,330.3	26.6%	1,794.6	23.0%
Currency				
Millennium	8.6	0.1%	-7.9	-0.1%
Total currency	8.6	0.1%	-7.9	-0.1%
Property				
AMP Capital Diversified Property Fund	173.1	2.0%	164.7	2.1%
Eureka Fund Management - Core Property Fund 3	–	–	0.1	0.0%
Industry Super Property Trust - Core Fund	249.5	2.8%	148.6	1.9%
QIC Properties Pty Ltd - Shopping Centre Fund (Retail)	72.0	0.8%	65.2	0.8%
Resolution Capital Global Real Estate Investment Trust Strategy	199.3	2.3%	122.5	1.6%
SSgA Australian Real Estate Investment Trust	1.5	0.0%	0.5	0.0%
Total property	695.4	7.9%	501.6	6.4%

Defensive investments

	30 June 17		30 June 16	
	\$M	%	\$M	%
Cash				
Internal management (Vision Super)	982.5	11.2%	948.5	12.1%
Total cash	982.5	11.2%	948.5	12.1%
Diversified bonds				
Brandywine Global Investment Management, LLC – Global Opportunistic Fixed Income	112.8	1.3%	152.5	2.0%
Members Equity Portfolio Management Limited – Super Loans Trust	1.6	0.0%	4.0	0.1%
Amundi – Australian and International Passive Fixed Interest	528.6	6.1%	642.6	8.2%
Diversified bonds securities lending revenue account	–	0.0%	0.1	0.0%
Total diversified bonds	643.0	7.4%	799.2	10.3%
Total traditional investments	6,515.6	74.4%	5,778.4	74.0%



Investment managers continued

Alternative investments

	30 June 17		30 June 16	
	\$M	%	\$M	%
Infrastructure				
IFM Australian and International Infrastructure	705.8	8.1%	624.3	8.0%
Hastings Funds Management Limited – Utility Trust of Australia	161.3	1.8%	150.2	1.9%
Regional Infrastructure Fund	15.5	0.2%	13.2	0.2%
Total infrastructure	882.6	10.1%	787.7	10.1%
Private equity				
IFM Australian Private Equity Funds II and III	6.0	0.1%	10.7	0.1%
Allegro Private Equity – Fund I	1.1	0.0%	1.34	0.0%
Generation Investment Management – Climate Solutions Fund	3.8	0.0%	5.29	0.1%
Greenspring Associates Global Partners III and IV, LP	47.5	0.5%	52.96	0.7%
Hawkesbridge Private Equity Pty Ltd and Fund 3 (Trust C)	16.6	0.2%	19.43	0.2%
IFM International Private Equity Funds I, II and III	38.4	0.5%	45.23	0.6%
LGT Capital Partners AG – Crown European Private Equity PLC	9.1	0.1%	20.33	0.3%
ROC Equity Partners Alternative Investment Funds IV and V	18.0	0.2%	21.80	0.3%
Members Equity Bank and Industry Super Holdings Pty Ltd	30.9	0.4%	27.57	0.4%
Mid Europa Partners Emerging Europe Convergence Fund II, LP	0.5	0.0%	3.86	0.0%
Private Equity Trust #	54.8	0.6%	80.17	1.0%
Stafford Capital Partners – Private Equity 2, 3 and 4 Funds (Previously Quay Australia Partners)	18.9	0.2%	18.60	0.2%
Vencap 12 Limited	69.3	0.8%	74.34	1.0%
Total private equity	314.9	3.6%	381.6	4.9%

	30 June 17		30 June 16	
	\$M	%	\$M	%
Property opportunistic				
Eureka Funds Management – Property Funds No. 1, 2 and Loan Note Facility	0.7	0.0%	0.8	0.0%
Gresham Partners Limited – Property Mezzanine Funds No 2, 3 and 4	1.3	0.0%	3.5	0.1%
Private Equity Trust – Property Opportunistic **	14.8	0.1%	40.6	0.5%
Warakirri Asset Management Pty Ltd – Dairy Farm and Land Trust	39.8	0.5%	40.5	0.5%
Total property opportunistic	56.6	0.6%	85.4	1.1%
Absolute return strategies				
Bridgewater Associates Inc – Pure Alpha Fund	68.3	0.8%	60.8	0.8%
Invesco Global Target Return	238.2	2.7%	–	–
Southpeak RDS 4 to 8 PCT Vol	233.8	2.7%	–	–
Total absolute return strategies	540.3	6.2%	60.8	0.8%
Multi asset				
Windham Capital - Risk Regime Strategy	–	–	345.4	4.4%
Total multi-asset	–	–	345.4	4.4%

* Adveq Management AG Europe III LP, Lexington Capital Partners VI-B and Mesirow Financial Private Equity Partnership Fund III, LP.

** BlackRock Asia and Europe Property Funds II and III (Previously Macquarie Global Property Advisors)

	30 June 17		30 June 16	
	\$M	%	\$M	%
Floating debt rate				
Babson Global	–	–	159.6	2.0%
Barings Bank Loan and High Yield	229.6	2.6%	–	–
IFM	213.1	2.4%	202.3	2.6%
Total floating rate debt	442.8	5.1%	361.9	4.6%
Tail risk protection				
Pimco Tail Risk Protection	4.4	0.1%	9.1	0.1%
Total tail risk protection	4.4	0.1%	9.1	0.1%
Total alternative investments	2,241.6	25.6%	2,031.9	0.26%
Total of traditional and alternative investments	8,757.2	100.0%	7,810.3	100.0%



Member engagement and advocacy

Our members are at the centre of everything we do and technology will never replace our commitment to face to face service.

Seminars and expos

Our seminars and expos are one of the ways we help members engage with and understand their super. The fact that members often seek financial advice after hearing from our super experts at our seminars and expos shows how successful our approach is.

Advice in your best interests

Our Member Advice team grew again last year, meaning we can help more members plan for the future and improve their retirement outcomes.

Our Member Advice team is self-sustaining and run on the basis that the fees to members cover the costs of providing the advice. Reasonable flat fees are charged for complex advice, and Vision Super staff never receive commissions or bonuses, so members can always be comfortable they're getting advice in their best interests, and not because their adviser is chasing a bonus.

Help the way you want it

Whether you want to talk to us in person, on the phone, send us an email or even chat via Facebook messenger - we're happy to talk to you the way you want to talk to us. You can also manage your super anytime via our secure member site, Vision Online.

Looking out for your interests

We continued to talk about the issues that affect our members in 2017, both through the media and in person in Canberra.

We were featured by major news outlets, including *The Australian Financial Review*, *Herald Sun*, *The Australian*, and *news.com.au*, talking about the issues facing the super sector and affecting our members' retirements.

Engaging through social media

We continued to ramp up Vision Super's presence on Facebook and Twitter this year, with engaging content including a series featuring Vision Super members talking about their lives, the 'People of Vision Super' and our interactive quiz series – The VisQuiz.

We're here for our employers

Giving our employers excellent, personalised service is a major focus for us. We want to make your super obligations as seamless and pain-free as possible, so we're always happy to work with you to make life easier.

We're here for you when you need us, so if we haven't met you yet, please feel free to get in touch.

Industry sponsorship

With our history as the industry fund for Australians working in local authorities, community services and the water industry, we maintain partnerships that help us engage with our members and employers.

Our sponsorship agreements are one of the most cost-effective ways for the fund to distribute and promote our products. They are on arm's length, commercial terms and include KPIs for promotion of the fund via our industry connections, who have close and trusted relationships with both employees and employers.

During the last year, we have continued to work closely with (in alphabetical order):

Australian Services Union (ASU)

the trade union that operates across multiple industries, including local government and water

Local Government Finance Professionals (FinPro)

the association for finance professionals working in Victorian local government

Institute of Water Administration (IWA)

a forum for Victorian water industry professionals

Local Government Professionals (LGPro)

the association for local government professionals in Victoria

Municipal Association of Victoria (MAV)

the legislated peak body for local government in Victoria

Municipal Work Officers Association (MWOA)

a forum for the operators in Victorian local government

Victorian Chamber of Commerce and Industry (VECCI)

the peak body for business in Victoria

VicWater

the industry association for water businesses in Victoria

Water Industry Operators Association (WIOA)

a forum for water industry operators in Victoria



Memberships and associations

With our associations and memberships, we remain engaged with our industry and gain support from other organisations that share our focus on responsible and sustainable investment.

We belong to organisations that seek to:

- 1** Influence the outcomes of public policy debates and legislative and regulatory changes
- 2** Improve the standards of fund governance, and corporate ESG issues in investments specifically
- 3** Maintain the skills and professional development obligations of Vision Super directors and employees.

Vision Super supports (in alphabetical order):

Association of Superannuation Funds of Australia (ASFA)

the main industry body for the super sector

Australian Council of Superannuation 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

Investor Group on Climate Change (IGCC)

is a collaboration of 51 Australian and New Zealand investors who are focused on the impact that climate change has on the financial value of investments

Paris Pledge for Action

a major initiative from many organisations around the world, demonstrating our commitment to lowering greenhouse gas emissions sufficiently to keep a global temperature to below two degrees Celsius

Principles of Responsible Investment (PRI)

the world's leading advocate for responsible investment, we are committed to following the six principles

Responsible Investment Association Australasia

the peak industry body for responsible and ethical investors across Australia and New Zealand

Asset Owners Disclosure Project (AODP)

is an independent global not-for-profit organisation that recognises the specific financial risk attributes of climate change. AODP has developed the world's leading reporting framework for investors encompassing the disclosure and management of climate risk

A photograph of three people sitting on a wooden bench against a red brick wall. They are all laughing heartily. The person on the left is a man with grey hair wearing a dark blue jacket and a lanyard with an ID badge. The person in the middle is a woman with white hair wearing a dark blue jacket and a black and white striped scarf. The person on the right is a woman with blonde hair and glasses, wearing a dark blue jacket. In front of them are three recycling bins: a red one on the left, a black one in the middle, and a blue one on the right. The ground is covered in gravel, and there are some pink flowers in the foreground, some of which are out of focus. A teal-colored text box is overlaid on the left side of the image.

We actively engage with other organisations that share our focus on sustainable investment.

Insurance beliefs

Our insurance beliefs will guide the insurance tender process and shape the insurance we provide across our entire membership over the coming years.

Our beliefs:

1 Safety net

We believe in providing default cover that provides a reasonable safety net for members who have not chosen – or who are unable – to take out life or disability insurance individually.

2 Flexibility

We believe that our group policy should be understandable and flexible enough to meet members' needs right across their life.

3 Sustainability

We believe we have a responsibility to balance our vision of helping members achieve the best possible retirement outcome and recognising that insurance premiums can erode members' final retirement benefit.

4 Education

We believe that education is essential to help our members better engage and be more aware of their benefits.

5 Assessment

We believe that income protection, total and permanent disability and death claims must be assessed objectively based on their merits.

6 Eligibility

We believe that member insurance claims should be paid by the insurer, subject to meeting eligibility requirements and medical condition thresholds set out in the insurance policy.

7 Fairness

We believe claims without merit must be identified and not paid to avoid unnecessary premium increases for the broader membership.

8 Trust

We believe when delivering insurance to our members we should partner with a trusted and ethical organisation.

Getting help

We see enquiries and complaints as valuable feedback and as an opportunity to improve our service to members and employers.

Our enquires and complaints process

Vision Super has established procedures to deal fairly with enquiries and complaints from members, employers and beneficiaries.

Our process for managing enquires and complaints is candid and transparent, with the Board receiving a report on complaints at every Board meeting. Complaints can be made by telephone, email or letter (addressed to the Resolutions Officer).

If an enquiry or complaint is made by telephone, we will endeavour to answer it immediately. In some cases, we may ask that a complaint be submitted in writing so it can be investigated further and we will provide a written response.



Our aim is to provide a timely and satisfactory response to any complaint. However, if a complainant is not satisfied with our response, a complaint can be lodged with the Superannuation Complaints Tribunal (SCT) – an independent body established by the Australian Government to conciliate and review unresolved member complaints and Trustee decisions.

Our complaints procedure can be found on our website at: www.visionsuper.com.au/about-us/contact-us/complaints-procedure

Important contacts

Vision Super – Resolutions Officer

PO Box 18041
Collins Street East
Victoria 8003

 resolutions@visionsuper.com.au
 1300 300 820

Superannuation Complaints Tribunal

Locked Bag 3060
Melbourne
Victoria 3001

 1300 884 114
 www.sct.gov.au

Financial Ombudsman Service

GPO Box 3
Melbourne
Victoria 3001

 1800 367 287
 www.fos.org.au

The Office of the Australian Information Commissioner

GPO Box 5218
Sydney
New South Wales 2001

 1300 363 992
 www.oaic.gov.au

Governance framework

Our governance framework underpins everything we do as a fund and helps us protect our members' interests.

Vision Super Pty Ltd 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, where appropriate. 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:

Fund www.visionsuper.com.au/about-us/fund-information under the heading 'Trust deed'

PST www.visionsuper.com.au/about-us/fund-information under the heading 'Pooled Super Fund Pty Ltd key fund information' and sub-heading 'Trust Deed'

The governance framework for the Vision Super group includes various frameworks, charters and policies that drive best practice governance. These include:

- ▶ Overarching governance framework
- ▶ Code of conduct
- ▶ Conflicts management framework
- ▶ Board charter
- ▶ Committee charters
- ▶ Directors and responsible officers policy
- ▶ Risk management framework
- ▶ Investment management framework
- ▶ Insurance management framework.

Collectively, these frameworks/charters/policies drive the behaviours of the Board, 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, procedures, legislation and regulatory guidance

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

- ▶ A register of interests and duties for each director and responsible officer
- ▶ A gifts/entertainment register for all directors, responsible officers and staff
- ▶ A training register for each director and responsible officer
- ▶ A conflicts register for staff.

The Vision Super group also applies further voluntary best practice standards. For example, Vision Super is a signatory to the Principles of Responsible Investing, and subscribes to the responsible investment philosophy underpinning the PRI. As part of this, Vision Super is a signatory of the Paris Pledge for Action.

Vision Super believes in transparency and a copy of our 2017 remuneration report and an extract of our register of interests and duties are available on our website at www.visionsuper.com.au/images/policies/2015-2016RemunerationReport.pdf and www.visionsuper.com.au/images/policies/register-17-10-17.pdf respectively.



Vision Super is a signatory to the Principles of Responsible Investing, and subscribes to the responsible investment philosophy underpinning the PRI.



Overview of the Board

Vision Super has nine directors, four nominated by the Australian Services Union (ASU), four nominated by employer associations MAV, VWIA and VECCI, and one independent director nominated by the Board.



Brian Parkinson – Chair

Brian Parkinson was appointed as a director of Vision Super in July 2011 on the nomination of the ASU, and became Chair on 1 July 2014. He was an alternate director from 1997 to 2011. Brian was Branch Secretary of the ASU – Victorian and Tasmanian Authorities and 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 July 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 and 2016. He was President of the MAV from 2004 to 2006 and continues to serve on the MAV board.



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.



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.



Richard Duffy

Richard Duffy was appointed as a director of the Vision Super Board in November 2014, on the nomination of the ASU, after approximately two years as an ASU-nominated alternate director. Richard is the Branch Secretary of the ASU – Victorian and Tasmanian Authorities and Services Branch.



Casey Nunn

Bachelor of Business,
Bachelor of Health Science

Casey Nunn was appointed as a Director of Vision Super in July 2017 on the nomination of the ASU. Casey has been a Councillor with the Hume City Council and was Mayor from 2013 to 2014. Casey is heavily involved with her local community and is a member of the Country Fire Authority (CFA), Ambulance Victoria and the Salvation Army Advisory Board (Northern Region).



Joanne Dawson

BComm, 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.



Peter Wilson

BComm (Hons), MA (Hons)

Peter Wilson was appointed as a director of Vision Super in July 2012, on the nomination of VWIA. Peter served as Chairman of Yarra Valley Water between 2008 and September 2015. He is National President and Chair of the Australian Human Resources Institute and Director and Secretary General of the World Federation of People Management. He is also president and Chair of CPA Australia.



Graham Sherry

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

Graham Sherry was appointed as a director of Vision Super in September 2012, on the nomination of VECCI. Graham served as President of VECCI from 1999 to 2001. For over 40 years he practised in many aspects of general commercial law.



Russell Attwood

Bachelor degree with majors in legal
studies and economics

Russell Attwood 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 was Branch Executive President of the ASU – Victorian and Tasmanian Authorities and Services Branch until 2015. He resigned from the Board effective 30 June 2017.

Committees of the Board

Each Committee is responsible for assisting the Board to review and make decisions on specific areas in respect of the Fund, and the Pooled Super Board in respect of the PST.

Audit, Risk and Compliance Committee¹

Chair Peter Wilson

Current members Rob Spence, Wendy Phillips, Casey Nunn, Joanne Dawson

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 Board 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 Committee²

Chair Rob Spence

Current members 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 six times during the financial year.

Investment Committee¹

Chair Geoff Lake

Current members Graham Sherry, Brian Parkinson, Joanne Dawson, Richard Duffy

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 five times during the financial year.

Remuneration and Appointments Committee

Chair Graham Sherry

Current members Geoff Lake, Casey Nunn, Richard Duffy

The Remuneration and Appointments Committee reviews and makes recommendations to the Board on the remuneration and appointment of directors and executives.

The Committee monitors the Vision Super Group's Remuneration Policy to ensure the group complies with its regulatory and legislative obligations. Where necessary, the Committee will recommend the use of independent experts.

The Committee met three times during the financial year.

1. Joint committees.

2. Vision Super Board committee only.

Executive profiles



Stephen Rowe
Chief Executive Officer

BA (Hons) (Public Administration), MA Industrial Relations, Grad Dip Applied Finance and Investment, Grad Cert Financial Planning and 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
and Company Secretary

BComm, CA, CPA, FASFA

Noelle Kelleher's primary role is to be accountable for financial matters of the Trustees, Fund and PST. Noelle is also responsible for the Quality (including compliance) and Risk team. Noelle provides strategic advice and assistance on all matters pertaining to the Fund and PST. She is the Company Secretary for the Vision Super group.



Michael Wyrsh
Chief Investment Officer

BSc (Hons) (Mathematics)

Accountable for the investment performance of the fund, 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.



Sean Ellis
General Manager
Strategy and Growth

PS 146 (now known as RG 146)

Sean Ellis is responsible for fund growth and leads the teams providing service directly to members and employers. He has substantial experience in management roles at large industry funds and one of Australia's leading superannuation administration specialists.



Mark Newman
Head of Fund Administration
Business Operations

BBus (Business Administration), Dip Superannuation Management, Grad Cert Management, Adv Dip Fin Serv (Superannuation), Dip Fin Serv (Financial Planning), FASFA

Mark Newman has overall responsibility for the superannuation administration, insurance and business support functions. He has substantial experience in the management of defined benefits, pensions, accumulation accounts and claims management.



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 human resources related matters.

Advisers and service providers

Our advisers and service providers are helping us achieve the best outcomes for our members, and reach our goal of being the best super fund in Australia.

Fund administration	
Chief Executive Officer	Stephen Rowe
Company Secretary	Noelle Kelleher
External auditor	Ernst & Young
Internal auditor	PwC Australia

Principal advisers	
Fund actuary	Willis Tower Watson
Investments	Frontier Advisors
Lawyers	Greenfields, Mills Oakley
Tax	PwC Australia, CA King & Associates

Service providers	
Custodian	National Australia Bank Asset Servicing (NAS)
Insurer	CommInsure
Insurance consulting services	IFS Insurance Solutions
Professional indemnity insurer and other corporate insurers	QBE Lloyds, Pioneer Underwriters, Nexus Underwriting, Dual Australia and Zurich Australia London Australia Underwriting Liberty International Underwriters
Hosting of Vision Super website	GoHosting
Ongoing technical support for website	Salsa Digital
Clearing house	Westpac Banking Corporation

Investment manager changes

During the year, the Board of PSPL reviewed manager configuration strategies for each asset class and made the following changes.

Australian equities:

- ▶ The Perpetual Ethical mandate was terminated
- ▶ Wavestone was appointed to a new mandate and the allocation to index management was reduced
- ▶ Airlie Funds management was appointed to a new mandate.

Infrastructure:

- ▶ Our investment in the Regional Infrastructure Fund was sold
- ▶ We decided to sell our investment in the Utilities Trust of Australia (yet to be implemented at 30 June 2017).

Multi-asset sector:

- ▶ We redeemed from Windham Capital – Risk Regime Sector
- ▶ We invested in the Invesco Wholesale Global Targeted Returns Fund
- ▶ We invested in the Southpeak Real Diversification Fund

Floating rate debt:

- ▶ The Barings (previously called Babson) Global Loan Fund investment was transferred into the Barings Global Loan and High Yield Bond Fund.

Financial management

Prudent financial management underpins our efforts to achieve Vision Super's strategic objectives, in particular reducing cost for members and ensuring we maximise the net benefit delivered to members.

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 Board.

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' fund information sourced from Vision Super's administration systems. The fund reports include a statement of financial position, an income statement, a statement of changes in member benefits, a statement of changes in reserves/equity, a statement of cash flows and notes to the financial statements. The reports also include a Trustee declaration and Auditor's Report. The reports are prepared in accordance with Australian Accounting Standards, legislative requirements and the requirements of the relevant Trust Deed.

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:

▶ 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 pre-mixed 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.

▶ 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 Fund.

▶ 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.

▶ Tax review

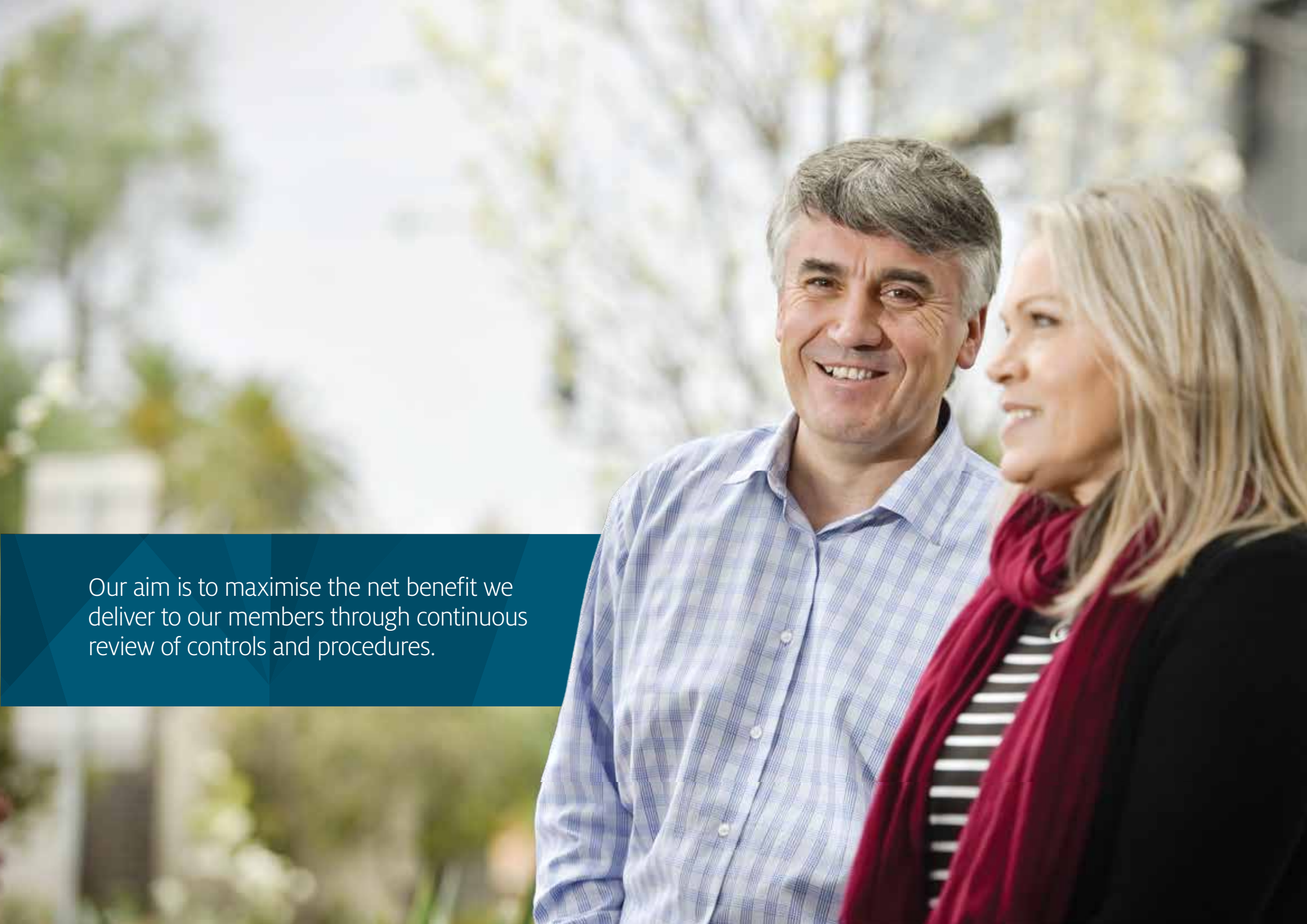
A review of the key tax numbers in the financial statements is completed by Vision Super's internal tax specialist in conjunction with our tax advisers and external auditor. In-house tax expertise assists in maintaining a comprehensive tax management framework and accuracy of the tax expense within the Fund and the PST.

▶ 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.

▶ 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.

A photograph of a middle-aged man and a woman standing outdoors. The man, on the left, has grey hair and is wearing a light blue and white checkered button-down shirt. He is smiling broadly. The woman, on the right, has blonde hair and is wearing a black top with a red scarf. She is also smiling and looking towards the man. The background is a soft-focus outdoor setting with trees and a building.

Our aim is to maximise the net benefit we deliver to our members through continuous review of controls and procedures.

Statement of financials

Statement of financial position as at 30 June 2017

	2017 \$000	2016 \$000
Assets		
Cash and cash equivalents	22,660	26,258
Contributions receivable	2,580	3,641
Receivables	449	459
Units in Vision Pooled Superannuation Trust	8,660,320	7,760,700
Deferred tax assets	9	6
Total assets	8,686,018	7,791,064
Equity		
Operational risk financial requirement reserves	950	950
Administration reserve	12,635	8,750
Insurance reserves	21,623	20,782
Other reserves	955	1,499
Defined benefits that are over/(under) funded	248,113	211,920
Total equity	284,276	243,901
Liabilities		
Benefits payable	35,564	30,702
Other payables	2,930	40
Income tax payable	49,726	47,026
Deferred tax liabilities	363	489
Total liabilities excluding member benefits	88,583	78,257
Member benefit liabilities		
Defined contribution member liabilities	6,090,792	5,270,363
Amounts not yet allocated	8,849	-
Defined benefit member liabilities	2,213,518	2,198,543
Total member benefit liabilities	8,313,159	7,468,906
Total equity and liabilities	8,686,018	7,791,064

Income statement for the year ended 30 June 2017

	2017 \$000	2016 \$000
Superannuation activities		
Net changes in value of assets measured at fair value	826,175	197,929
Other income	275	2,302
Total net income	826,450	200,231
Expenses		
General administration expense	(20,749)	(24,215)
Total expenses	(20,749)	(24,215)
Result from superannuation activities before income tax expense		
	805,701	176,016
Income tax (expense)/benefit	92	7,111
Results from superannuation activities after income tax expense		
	805,793	183,127
Net benefits allocated to defined contribution members	(577,082)	(114,453)
Net change in defined benefit member liabilities	(188,227)	(157,235)
Operating result after income tax	40,484	(88,561)

Statement of changes in member benefits for the year ended 30 June 2017

	DC members \$000	DB members \$000	Total \$000
Opening balance as at 1 July 2015	4,926,004	2,211,332	7,137,336
Contributions			
Employer	316,596	41,683	358,279
Member	135,639	4,887	140,526
Transfers from other superannuation plans	111,391	-	111,391
Income tax on contributions	(47,489)	(6,252)	(53,741)
Net after tax contributions	516,137	40,318	556,455
Net benefits allocated			
Net investment income	131,250		131,250
Net administration fees	(16,797)		(16,797)
Total net benefits allocated	114,453		114,453
Benefits paid to members/beneficiaries	(261,535)	(92,601)	(354,136)
Transfers to other superannuation plans	(102,156)	(29,047)	(131,203)
Internal transfers from membership categories	88,488	(88,488)	-
Insurance premiums charged (including amounts transferred to the insurance reserves)	(19,496)	(238)	(19,734)
Death and disability benefits credited to members	8,468	32	8,500
Superannuation contributions surcharge	-	-	-
Net change in defined benefit member liabilities		157,235	157,235
Closing balance as at 30 June 2016	5,270,363	2,198,543	7,468,906

	DC members \$000	DB members \$000	Total \$000
Opening balance as at 1 July 2016	5,270,363	2,198,543	7,468,906
Contributions			
Employer	330,284	39,861	370,145
Member	179,325	4,665	183,990
Transfers from other superannuation plans	124,158	653	124,811
Income tax on contributions	(43,472)	(5,806)	(49,278)
Net after tax contributions	590,295	39,373	629,668
Net benefits allocated			
Net investment income	593,783		593,783
Net administration fees	(16,701)		(16,701)
Total net benefits allocated	577,082		577,082
Benefits paid to members/beneficiaries	(248,911)	(117,415)	(366,326)
Transfers to other superannuation plans	(155,542)	(15,821)	(171,363)
Transfer to the ATO	(136)	(7)	(143)
Internal transfers from membership categories	78,529	(78,529)	-
Insurance premiums charged (including amounts transferred to the insurance reserves)	(20,537)	(221)	(20,758)
Other fees charged to members/DB sub-plans	(185)	(632)	(817)
Death and disability benefits credited to members	8,574	-	8,574
Transfers from reserves to members	109	-	109
Superannuation contributions surcharge	-	-	-
Net change in defined benefit member liabilities		188,227	188,227
Closing balance as at 30 June 2017	6,099,641	2,213,518	8,313,159

Statement of financials continued

Statement of changes in reserves/equity for the year ended 30 June 2017

	Operational risk reserve	Insurance reserves	Administration reserves	Other reserves	Total reserves	DB that are over (under) funded	Total equity
Opening balance as at 1 July 2015	–	18,425	–	732	19,157	313,094	332,251
Net transfers from/(to) DC member accounts	–	211	–	–	211	–	211
Net transfers from/(to) DB plans	–	–	–	–	–	–	–
Operating result	950	2,146	8,750	767	12,613	(101,174)	(88,561)
Closing balance as at 30 June 2016	950	20,782	8,750	1,499	31,981	211,920	243,901
Opening balance as at 1 July 2016	950	20,782	8,750	1,499	31,981	211,920	243,901
Net transfers from/(to) DC member accounts	–	–	(109)	–	(109)	–	(109)
Net transfers from/(to) DB plans	–	–	–	–	–	–	–
Operating result	–	841	3,994	(544)	4,291	36,193	40,484
Closing balance as at 30 June 2017	950	21,623	12,635	955	36,163	248,113	284,276

A full copy of the audited financial statements (including the Audit report) is available to download at: www.visionsuper.com.au/super/publications under the heading 'Financial statements'.

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:

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

Insurance premiums reserves

These reserves consist of the insurance premiums deducted from member accounts, which are used to pay the insurer (CommInsure) its premiums. These reserves are currently invested in the Balanced growth investment option.

Financial year ending	\$M
30 June 2017	\$5.12
30 June 2016	\$4.61
30 June 2015	\$9.22

Internal insurance reserves

(i) Vision Super account-based members

Effective from 1 July 2010, all death and disability cover for Vision Super Saver members was outsourced to CommInsure. This insurance reserve is used to meet the cost of claims that existed or arose from illnesses or injuries prior to 1 July 2010 and for other expenses required to provide this insurance cover. In addition, this reserve is used to meet any additional payments that the Trustee approves and other expenses required to manage the member insurance arrangements of the fund. This reserve is currently invested in the Balanced growth investment option.

(ii) LASF DB

The LASF DB 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 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.

Financial year ending (or pre 1 July 2010 cover)	Account based \$M	LASF DB scheme \$M
30 June 2017	8.41	6.00
30 June 2016	8.08	6.00
30 June 2015	3.21	6.00

Insurance proceeds reserve

Insurance proceeds received from the insurer in relation to insurance claims are included in this reserve. These proceeds are used to pay insured benefits to the relevant member/beneficiaries once the Trustee approves payment of the insurance claim. This reserve is invested in the cash taxed investment option. This reserve was established during the 2015/16 financial year.

Financial year ending	\$M
30 June 2017	2.09
30 June 2016	2.09
30 June 2015	n/a

Administration licensing requirement

Vision Super maintains a balance of \$250,000 in LASF at all times in accordance with VSPL's RSE licence conditions. A similar reserve is held within Pooled Super Pty Ltd (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 arrangements along with the investment strategy of the ORFR reserves.

The APRA guidelines impose an ORFR target level which has been attained. Top-ups occur as required to maintain ORFR funding at this level.

The ORFR reserve is generally held as Trustee capital.

A portion of the ORFR is maintained in LASF and is currently invested in cash.

Financial year ending	\$M
30 June 2017	0.95
30 June 2016	0.95
30 June 2015	n/a

Administration fee reserve

This reserve consists of all the administration fees deducted from member accounts and is used to pay the administration costs of the fund. This reserve is currently invested in the Balanced growth investment option. This reserve was established during the 2015/16 financial year.

Financial year ending	\$M
30 June 2017	12.63
30 June 2016	8.75
30 June 2015	9.22

Other reserves

Vision Super maintains a number of other reserves, which are funded by the fees deducted from member accounts. These reserves may also include deductions made from certain payments to the fund such as employer contributions. These reserves are used specifically for the purposes for which the fees/tax are deducted and include:

Contribution tax reserve

This reserve consists of the contributions tax deducted from all taxable contributions received by the Fund and any other relevant receipts that are subject to contributions tax. This reserve is used to pay the contributions tax of the Fund.

In addition, any tax rebates provided to members are funded from this reserve together with any anti-detriment made by the fund on death benefits. This reserve is currently invested in the Balanced growth investment option and was established during the 2015/16 financial year.

Financial year ending	\$M
30 June 2017	0.22
30 June 2016	0.76
30 June 2015	n/a





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Super Fund™



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