



**vision**  
super

# Annual Report 2015



This Annual Report forms part of a periodic statement and is to be read in conjunction with your Annual Member Statement. 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. 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' is used to refer to the Local Authorities Superannuation Fund and the term 'PST' refers to the Vision Pooled Superannuation Trust.

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# Together for life

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.

## Our philosophy

- We're in it for the long-term
- We're competitive, but careful
- We treat members' money like our own
- We put our own money on the line
- We celebrate and benefit from diversity.

## Service excellence

In 2015, Vision Super introduced a new member and employer servicing model which includes:

- Open days and expos
- Retirement seminars
- On-road teams
- Financial planning transformation
- Out-reach service model
- Personal service.

Vision Super increased its face to face service offerings with:

- Thirteen super expos and 20 retirement seminars – reaching over 3,000 members
- Financial Planners: 2,423 meetings
- Client Engagement team: over 465 employers visits, meeting 7,500 members at their workplaces
- The Member Services and Engagement team continued to achieve excellent satisfaction levels and exceeded targets set.

## Operational excellence

Last year, Vision Super led the way with the implementation of the new clearing house and contribution process, being the first fund in Australia to be SuperSteam ready. Vision Super is also in the midst of transforming the way it does business through a new administration platform and supporting systems.

The implementation of these new systems will improve the efficiency and capability of the Fund's administration and finance functions. As a result there will be improved work flow, reporting, correspondence and member/employer online experience.

It will bring Vision Super's administration operations firmly into the digital age, shifting the Fund from the paper age to digital. The key benefits will be a reduction in administration costs, increased administration efficiencies, and an overall improvement in the member and employer experience.

## Growth and performance

In 2015, the default Balanced Growth investment option's return was 9.18%, which exceeded the median default option return of 8.76%\*. Over three years Balanced Growth has achieved 11.9% and over five years, 9.53%.

The investments team introduced a dynamic asset allocation framework and set of investment beliefs that guide a consistent investment approach.

In terms of ESG (our environmental, social and governance policies), Vision Super has developed a more comprehensive approach.

Key points to note:

- Vision Super is an early signatory to Principles of Responsible Investment
- Has a low carbon policy – taking the threat of climate change seriously
- Is committed to renewable energy – 100% ownership of Wonthaggi wind farm, which generates enough electricity to power 5,000+ homes
- Has no investments in controversial weapons.

## Cost conscious

Following a major cost reduction drive, Vision Super has achieved a significant reduction in its key expense ratios, resulting in lower costs for members. The savings have been achieved through operating cost reductions of 42% and investment cost reductions of 25% over the last three years. In the coming year we anticipate further reductions.

\* SuperRatings Fund Crediting Rate Survey (30 June 2015) – default options



# Dear members

On behalf of the Board and executive team, I am happy to present the annual report for the 2014/15 financial year, a year of solid investment progress and improvements to our culture, transparency and operational efficiency.



## Strong performance

Vision Super saw another year of strong performance with the Balanced Growth option returning 9.18% for the year ended 30 June 2015. Over five years, the Vision Super Balanced Growth option produced an average annual return of 9.53%, compared to the median default option\* return of 9.2%. Our investment strategy is focused on providing our members with solid long-term performance, and these results speak for themselves. You will find more information about our investment performance in the CIO's report on page 27.

Over the last year, the de-risking of the investment strategy for the defined benefit portfolio commenced. Tail-risk hedging was introduced, which acts as insurance against the defined benefit assets falling below a specific value based on return. This has already proven its worth during the last few months of market volatility.

Beyond investment returns, Vision Super performed strongly in 2014/15, achieving targets in relation to member satisfaction, employer service levels and reducing key expense ratios. And in response to a changing and increasingly competitive superannuation and regulatory environment, we continued to transform our organisational structure to position the Fund strongly for the future.

## Environmentally and socially responsible investing

Vision Super's key priority is to maximise retirement outcomes for members. We believe that organisations that act in a responsible way will perform better over the longer-term and therefore maximise sustainable long-term returns to members.

Vision Super actively collaborates with other stakeholders through a variety of industry initiatives to improve corporate governance standards, improve transparency and disclosure and encourage responsible investment practices through the integration of ESG issues for the long-term benefit of members. This year we added an investment belief specifically related to ESG issues in our investment philosophies. You can read more about this on page 39.

## Increased transparency

This year we held our first member AGM, which gave those that attended an opportunity to meet our executive team and hear first hand how the fund is performing. Our commitment is to offer you as a member an increased ability to engage with our staff and know that as fellow members, they're working in your best interests.

I'd like to take this opportunity to thank my fellow directors, sponsoring employers and members for your ongoing support. In particular, the Board acknowledges the hard work and commitment of the entire Vision Super staff group. As a profit for member fund, we exist to create the best possible retirement outcomes for you, our members, and we look confidently to the future and to achieving that objective.

A handwritten signature in black ink that reads "Brian Parkinson".

**Brian Parkinson**  
Chairman

\* SuperRatings Fund Crediting Rate Survey (30 June 2015) – default options

# The year in review

The last year has been a big one for Vision Super – our aim is to be the best super fund in the country, and that means providing the best service. Our focus over the past year has been on meeting with more members than ever before.



Our financial planning team has had

**2,423**

meetings with members to help them plan for a better retirement.



Vision Super staff conducted

**13** open days

**20** retirement seminars

**465** workplace seminars

to more than 13,000 members across Victoria.



This year's performance:

**9.18%** **Balanced Growth**

from Vision Super's default investment option, which the majority of members are invested in.



Award winning:

**2006–2016**  
platinum performance

as judged by SuperRatings, an independent super rating agency.



Net assets grew from

**\$6.83b** in 2014 to **\$7.47b** in 2015

showing steady growth in the total Fund's invested assets.



Managing and servicing over

**102,000** memberships

building happy retirement futures for our members

# A time of change

Vision Super has seen a number of exciting changes this year. Some changes have been externally mandated, but most have come about as we've sought to strengthen Vision Super and achieve our aim of being the best super fund in the country.



## Our service

Part of being the best super fund is providing the best service and our key focus over the past year has been on meeting with our members to achieve this goal. You can read all about this year's member engagement activities on page 11, and I'm very pleased to report that this activity has resulted in growth in our platinum-rated Allocated Pension products of 40% for the year, member voluntary contributions up 51% and salary sacrifice up by 28%. This is an ongoing commitment and we will continue to grow and enhance our member experience in this way.

## Our commitment to reducing costs

Identifying ways to reduce costs, with the objective of lowering our management expense ratios (MERs), and ultimately our fees for members, has been a big priority for Vision Super over the past year. A review and renegotiation of our outsourced provider arrangements has been highly successful, with over \$7.9 million per annum saved so far. As a result, operational MERs have come down from 47 basis points (bps) in 2012/13 to 27 bps in 2014/15, a fantastic result for all our members. We are aiming to reduce this further and anticipate we will be below 25 bps this time next year.

It's also been a big year for investments, with the formalisation of our investment philosophies, the introduction of dynamic asset allocation, and a review of management arrangements to bring investment costs down substantially for members, reducing the need for future funding calls for defined benefit employers. All of our defined benefit plans are sitting well above the required vested benefit index (VBI) of 100%.

Thanks to the focus on cost cutting, our investment MER has also come down from 88 bps in 2012/13 to 66 bps for the current year – a substantial reduction. We have an overall objective of reaching 40 bps within the next two years. **Along with the reduction in operational MERs, this ultimately means more money for members' retirements.**

## Change and innovation

The new organisational structure rolled out in 2014 has allowed us to focus on innovation, improvement and service delivery capability. In the last 12 months we have introduced additional information technology, investment and call centre expertise, to position us for growth and to better support members.

Vision Super's new brand was designed to reflect our almost 70 year history as a community fund, and highlights our member focused future and desire to continually improve our services and offer you more. Most of the rebranding work was completed in-house, allowing us to keep the costs to a minimum.

In 2016, we are implementing a new administration platform that will allow much more self-service online, and will position us for increased service and growth in an increasingly competitive market.

There are some exciting new products currently in development, which will help us to achieve our goals and give you even more choice and control, both as you grow your retirement savings, and once you're ready to take a step back from the workforce.

## Our future

Our new streamlined structure, investment arrangements, the new administration platform and our new brand all underpin our strategy of growing Vision Super over the coming years. Growth is in the interests of all of us as members of the Fund, as the bigger our membership base, the more economies of scale we can achieve – reducing costs for all of us.

We hope that if your family, friends or colleagues ask you who your super is with, you'll tell them about the advantages of being with Vision Super – your industry super fund. If they are interested, it only takes a few minutes to join online.

We welcome any ideas on new products and services you believe would be of benefit to Vision Super members.

Finally, I would like to thank all of our Vision Super staff for their hard work – your efforts have been a big driver of our success over the past year.

**Stephen Rowe**  
Chief Executive Officer



and investment?



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# Our members' trusted partner

At Vision Super, we want to be part of our members' lives, from their first casual job to their retirement celebrations – and beyond.

Vision Super has spent the past year helping members navigate the sometimes challenging superannuation landscape. Our team of dedicated staff have taken the time to help both employers and members learn more about super, to ensure both are better prepared for financially secure futures.

Vision Super has an aspirational goal of being there at every stage of a member's journey – whether they're changing jobs, increasing their insurance because they've had a baby, or planning for retirement – we're there for them. We never lose sight of the impact our work has on our members' lives.

On the other end of the phone, at an expo or retirement seminar, online or in a planning meeting, we provide exceptional service to our members. This commitment to our mission of helping our members achieve the best possible retirement outcome has seen more members take control of their superannuation.

During the year, we have helped 3,000 members consolidate their super, reducing multiple costs and helping them potentially save thousands of dollars. We have also helped more than 9,800 members contribute more, with the additional contributions going towards their retirement dreams.

## Your super in good hands

The 2015 financial year has again seen the Vision Super team work tirelessly with members and employers to help them build their long term retirement savings and seamlessly administer their superannuation requirements. Our commitment to helping members better understand super was underlined by the expos, seminars and meetings we conducted, the phone calls we received, the financial plans made, and the website visits that occurred.



**33** expos and retirement seminars around Victoria meeting over **3,000** members.



Our knowledgeable member services team answered over

**46,000** calls during the last financial year from members and employers.



Vision Super's public website handled over

**264,622** member visits.

**PAGE VIEWS**

**623,728**

**MOBILE VISITS**

**46,355**

# 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 strategic partnerships with a variety of different associations and employer groups. 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 (ASU)**, the trade union that operates across multiple industries including local government and water
- ▶ **Australian Water Association (AWA)**, the national water organisation for sustainable water management
- ▶ **FinPro**, the association for finance professionals in local government in Victoria
- ▶ **Institute of Water Administration (IWA)**, a forum for the Victorian water industry professionals
- ▶ **LGPro**, the association for local government professionals in Victoria
- ▶ **Municipal Association of Victoria (MAV)**, the main legislative body for Victoria's 79 councils
- ▶ **Municipal Work Officer Association (MWOA)**, a forum for the operators in Victorian local government
- ▶ **VicWater**, the industry association for water businesses in Victoria
- ▶ **Water Industry Operators Association (WIOA)**, a forum for water industry operators in Victoria
- ▶ **Victorian Employers' Chamber of Commerce and Industry (VECCI)**, the peak body for business in Victoria.

# Memberships and associations

We have a policy of active engagement with our industry and 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 (in alphabetical order):

- ▶ **Association of Superannuation Funds of Australia (ASFA)**, the main industry body for the superannuation 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
- ▶ **ESG Research Australia**, which has the single objective of encouraging better investment decision making through better research.

# Our values

Values and mission statements are not just words on the wall.



## Excellence

We are committed to excellence, from ourselves and each other, to benefit our members.



## Results

We all contribute to achieving consistently high results – in service and investment performance – which directly affect the lives of our members.



## Service

When dealing with our members and each other, our commitment to service sets us apart.



## Integrity and respect

To build trust and ensure transparency, we communicate openly and treat our members, stakeholders and each other with integrity and respect.



## Empowerment

We take ownership of what we do and learn from experience to help our members achieve the retirement they deserve.



## Innovation and improvement

By questioning the way we do things, we work as a team to innovate and improve.

## The People and Culture working group

### Our goals

The People and Culture working group works closely with the CEO Stephen Rowe to bring the Fund's values to life. The culture we are building fosters innovation, improvement and growth. This year we have watched the fund grow from strength to strength every day.

Vision Super values were created by staff and are a constant reminder of our goal to become the best super fund in the country. We support each other to work hard, treat each other with respect, and keep the best interests of members at the heart of whatever we do.

Superannuation is ultimately about quality of life and dignity and we are all proud to work at a company that has the financial wellbeing of its members as its one and only goal.

### Our people

We have implemented many great ideas generated by our staff this year. Since they know our fund inside and out, as staff and as members, their contributions are invaluable.

The past year has been a time of change for the organisation too. We have introduced new capabilities in business analytics, in project and program management, and have expanded the investment team.

Staff development has focused on building skills to deliver on our commitment to high quality member and employer service and support. An online learning solution has been implemented to keep staff up to date with the latest industry developments. Staff meet and often exceed their superannuation continuous professional development (CPD) requirements. Our in-house compliance training program has also been revised and expanded.

On 31 March, when we reported to the Workplace Gender Equality Agency, women made up 43% of the executive team and 44% of people leaders (line managers).

# Our investment beliefs

The Boards of Vision Super are guided by the following set of investment beliefs.

## Whole of fund

### Belief 1

We believe that diversification is an important source of risk reduction. Asset class diversification is our major source of diversification. We believe that there can be too much diversification within asset classes, which may dilute returns without reducing risk.

### Belief 2

We believe 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.

### Belief 3

We believe that environmental, social and governance (ESG) issues and sustainability considerations are important within the context of optimising net risk-adjusted returns.

### Belief 4

We believe that managing money on behalf of other people requires us to have high standards of openness and transparency. We take this responsibility seriously and commit to being at the forefront of disclosure within our industry and to reviewing our internal practices regularly to ensure that they meet best practice standards.

### Belief 5

We believe that we can capture additional returns from accessing the illiquidity risk premium and being a patient investor. We also believe that a flexible investment strategy will add value, so will manage overall levels of liquidity in the portfolios to achieve this goal.

### Belief 6

We believe that effective decision making is facilitated by appropriate delegation and reporting governance structures.

### Belief 7

We believe that different markets can have materially different reward for risk metrics from time to time. Markets are often inefficient because they represent the collective actions of human beings who are prone to behavioural biases. These biases can be exploited by disciplined long-term investors.

## Defined Benefit Plan

### Defined Benefit belief 8

We believe that meeting the real long-term target returns (after fees and taxes) is most important with a focus on achieving the returns assumed by the Actuary. Negative returns have adverse consequences on meeting this primary target, so we integrate an element of downside risk management into our investment processes.

### Defined Benefit belief 9

We believe our primary risk is the need to make additional calls on employers to fund liabilities. This has ramifications for our relationship with key stakeholders and on their businesses.

### Defined Benefit belief 10

We believe that maximising net returns is more important than fees in their own right. We have a strong awareness of overall fees paid. We seek to achieve 'value for money' for our fees bearing in mind market comparatives and the overall net return goal.

### Defined Benefit belief 11

We believe that an appropriate time frame for making investment decisions is three to five years. 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.

## MySuper option

### MySuper belief 8

We believe that real long-term returns to members are most important. However, we recognise that our members have choices and our returns relative to other MySuper options over rolling three years are important in a competitive landscape.

### MySuper belief 9

We believe that our primary risk is not meeting our real return objectives for members. Under performing other MySuper options over rolling three year periods is also a material risk.

### MySuper belief 10

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. We seek to achieve 'value for money' for our fees bearing in mind market comparatives.

### MySuper belief 11

We believe an appropriate time frame for investment decisions to pay off is three to five years. We consider these decisions in the context of the MySuper Option with its members in aggregate having a long-term investment horizon.

# 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 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.

## Important contacts

### Superannuation Complaints Tribunal

☎ 1300 884 114  
 🌐 [www.sct.gov.au](http://www.sct.gov.au)

### Financial Ombudsman Service

☎ 1800 367 287  
 🌐 [www.fos.org.au](http://www.fos.org.au)

### The Office of the Australian Information Commissioner

☎ 1300 363 992  
 🌐 [www.oaic.gov.au](http://www.oaic.gov.au)

## Complaints numbers

| FOR THE 2014/15 FINANCIAL YEAR                   |             |
|--|-------------|
| Number of complaints received                    | 77          |
| Main area of complaint                           | Insurance*  |
| Percentage of complaints resolved within 90 days | 92.21% (71) |
| Number of complaints referred to the SCT         | 9           |
| Number of complaints resolved by the SCT         | 4           |

\* Insurance related complaints decreased from 31 complaints last year to 28 complaints this year.





# Governance

Our fund governance framework drives Board, management and staff behaviour, and helps us protect stakeholder 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, 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/super/publications](http://www.visionsuper.com.au/super/publications) under the heading 'Trust deeds' for the Fund, and available at: [www.visionsuper.com.au/about-us/fund-information/pooled-super-key-fund-information](http://www.visionsuper.com.au/about-us/fund-information/pooled-super-key-fund-information) under the heading 'Legal' for the PST (choose 'Pooled Super').

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 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, 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
- A training register for each responsible officer
- A conflicts register.

The Vision Super group also applies further voluntary best practice standards.

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

# Overview of the Board

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, 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.



## 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.



## 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. He was President of the MAV from 2004 to 2006 and continues to serve on the MAV Board.



## 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 on 19 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.



## 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 was Branch Executive President of the ASU – Victorian and Tasmanian Authorities and Services Branch until 2015.



**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 on 1 July 2012, on the nomination of VWIA. Peter served as Chairman of Yarra Valley Water between 2008 and September 2015 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.



**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 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 practised in many aspects of general commercial law.

# 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'.

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.

## Audit, Risk and Compliance Committee\*

**Chair:** Peter Wilson  
**Members:** Rob Spence, Wendy Phillips, Russell Atwood, 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 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 nine times during the financial year.

## Investment Committee#

**Chair:** Geoff Lake  
**Members:** Peter Wilson, 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:** Geoff Lake, Brian Parkinson, 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.

# Joint committees

\* Vision Super Board committee only

# Executive profiles

The day-to-day management of Vision Super is the responsibility of our skilled and experienced CEO and senior managers.



**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 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)

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.



**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.



**Andrew Margetts**  
**Acting Head of Risk and Compliance**

BBus (Accounting), Grad Dip Applied Finance and Investment, Diploma of Risk Management and Business Continuity

Andrew Margetts co-ordinates the activities of the Legal, Risk and Compliance team for the Vision Super group and is currently responsible for the risk and compliance frameworks for the Vision Super group.



**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.

# Remuneration report

The compensation and salaries that Vision Super's directors and executives have received over the last financial year.

## 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.

The tables below 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 2015

| NAME                       | TITLE AND START DATE             | SALARY AND FEES (\$) | NON-MONETARY BENEFITS (\$) | OTHER SHORT-TERM EMPLOYEE BENEFITS (\$) | SUPERANNUATION AND PENSION (\$) | TERMINATION BENEFITS (\$) | TOTAL (\$) |
|----------------------------|----------------------------------|----------------------|----------------------------|---|---------------------------------|---------------------------|------------|
| Brian Parkinson            | Chair<br>01/07/2011              | 102,807              | -                          | -                                       | 9,766                           | -                         | 112,573    |
| Geoff Lake                 | Deputy Chair<br>31/07/2009       | 71,998               | -                          | -                                       | 6,838                           | -                         | 78,836     |
| Russell Atwood             | Director<br>01/07/2009           | 51,750               | -                          | -                                       | 4,916                           | -                         | 56,666     |
| Joanne Dawson <sup>1</sup> | Director<br>08/08/2014           | 40,582               | -                          | -                                       | 8,673                           | -                         | 49,255     |
| Richard Duffy <sup>2</sup> | Director<br>28/08/2012           | 33,952               | -                          | -                                       | 3,225                           | -                         | 37,177     |
| Wendy Phillips             | Director<br>31/07/1998           | 51,750               | -                          | -                                       | 4,916                           | -                         | 56,666     |
| Graham Sherry              | Director<br>28/09/2012           | 51,750               | -                          | -                                       | 4,916                           | -                         | 56,666     |
| Rob Spence                 | Director<br>25/07/2003           | 51,750               | -                          | -                                       | 4,916                           | -                         | 56,666     |
| Peter Wilson               | Director<br>01/07/2012           | 52,903               | -                          | -                                       | 5,025                           | -                         | 57,928     |
| Harriet Shing <sup>2</sup> | Director<br>01/07/2013           | 21,153               | -                          | -                                       | 2,009                           | -                         | 23,162     |
| Steve Bird <sup>3</sup>    | Alternate director<br>09/08/2012 | 2,500                | -                          | -                                       | 237                             | -                         | 2,737      |
| Leigh Harder <sup>3</sup>  | Alternate director<br>01/07/2007 | 3,000                | -                          | -                                       | 285                             | -                         | 3,285      |
| Alison Lyon <sup>3</sup>   | Alternate director<br>27/07/2012 | 2,000                | -                          | -                                       | 190                             | -                         | 2,190      |

**1** Joanne Dawson was appointed as an independent director on 8 August 2014.

**2** Harriet Shing ceased to be a director on 19 November 2014 and was replaced by Richard Duffy, who had been an alternative director since 28 August 2012. Richard Duffy ceased to be an alternate director when he replaced Harriet Shing.

**3** Steve Bird, Leigh Harder and Alison Lyon ceased to be alternate directors on 1 January 2015. The board replaced the alternate director system with a proxy system.

**Executives' remuneration** for the financial year ended 30 June 2015

| NAME                       | TITLE AND START DATE                                   | SALARY AND FEES (\$) <sup>1</sup> | NON-MONETARY BENEFITS (\$) | OTHER SHORT-TERM EMPLOYEE BENEFITS (\$) | SUPERANNUATION AND PENSION(\$) <sup>2</sup> | TERMINATION BENEFITS (\$) | TOTAL (\$) |
|----------------------------|--|-----------------------------------|----------------------------|---|---|---------------------------|------------|
| Stephen Rowe               | CEO<br>13/01/2014                                      | 410,958                           | -                          | -                                       | 35,000                                      | -                         | 445,958    |
| Peter Rowe <sup>3</sup>    | Chief Operations Officer<br>01/03/1993                 | 287,551                           | -                          | -                                       | 35,944                                      | -                         | 323,495    |
| Sean Ellis <sup>4</sup>    | General Manager<br>Strategy and Growth<br>16/06/2014   | 194,075                           | 10,354 <sup>5</sup>        | -                                       | 20,575                                      | -                         | 225,004    |
| Julia Pryor <sup>6</sup>   | General Counsel and<br>Company Secretary<br>03/12/2012 | 235,698                           | -                          | -                                       | 22,391                                      | -                         | 258,089    |
| Noelle Kelleher            | CFO<br>16/05/2013                                      | 267,998                           | -                          | -                                       | 34,001                                      | -                         | 301,999    |
| Michael Wyrsh              | CIO<br>02/06/2014                                      | 331,579                           | -                          | -                                       | 31,500                                      | -                         | 363,079    |
| Fiona Fleming <sup>7</sup> | Head of Human<br>Resources 13/01/2014                  | 170,304                           | -                          | -                                       | 16,179                                      | -                         | 186,483    |
| David Moxon <sup>8</sup>   | General Manager Fund<br>Development<br>09/03/2005      | 9,452                             | -                          | -                                       | 992   | 219,035                   | 229,479    |
| Richard Crow <sup>9</sup>  | Manager Information<br>Technology<br>02/03/1998        | 3,555                             | -                          | -                                       | 444   | 248,604                   | 252,603    |

**1** Vision Super's executive officers are remunerated on the basis of Total Fixed Remuneration, comprising base salary plus superannuation. Vision Super does not provide any:

- Non-monetary benefits (except as noted in note 5 below)
- Short-term cash profit sharing or other bonuses
- Long-term incentives or benefits of any kind
- Share based payments of any kind, or
- Performance related benefits of any kind

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

**2** Represents company contributions to superannuation as well as any additional super contributions made through salary sacrifice by senior executive officers.

**3** Peter Rowe retired on 1 July 2015.

**4** Sean Ellis was appointed General Manager Strategy and Growth on 23 February 2015. The remuneration shown above is for the full 2014/15 year (both pre and post the date of Sean's appointment as General Manager Strategy and Growth).

**5** This relates to the period prior to Sean's appointment as an executive officer. Non-monetary benefits include motor vehicle and parking benefits and any associated fringe benefits tax.

**6** Julia Pryor resigned as General Counsel on 14 October 2015 and as Company Secretary on 19 October 2015.

**7** Fiona Fleming started reporting to the CEO from 15 September 2014. The remuneration noted is for the full 2014/15 year.

**8** David Moxon ceased employment on 4 July 2014. David's termination payment of \$219,035 represents the redundancy payment and unused leave entitlement that David had accrued during his employment with Vision Super.

**9** Richard Crow ceased employment on 27 June 2014. However, Richard's termination payment was processed on 10 July 2014. Richard's termination payment of \$248,604 represents the redundancy payment and unused leave entitlement that Richard had accrued during his employment with Vision Super.



# 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       | Noelle Kelleher |
| External Auditor        | Ernst & Young   |
| Internal Auditor        | PwC Australia   |

## PRINCIPAL ADVISERS

|              |  |
|--------------|--|
| Fund Actuary | Russell Investments                        |
| Investments  | Frontier Advisers                          |
| Lawyers*     | Rigby Cook<br>HWL Ebsworth<br>Mills Oakley |
| Tax*         | KPMG, CA King & Associates                 |

## SERVICE PROVIDERS

|                                       |   |
|---------------------------------------|---|
| Computer facilities and development   | Hansen Technologies                           |
| Custodian                             | National Australia Bank Asset Servicing (NAS) |
| Insurer                               | CommInsure                                    |
| 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 Corporation                   |

\* Some principal advisers and service providers have changed since 30 June 2015.



# Six of the best!

Vision Super delivered strong performance to members with the Balanced Growth investment option returning 9.18% for the financial year ended 30 June 2015.



The Fund had a strong year, delivering the sixth straight year of positive returns for the Balanced Growth option. For pension members, returns were even better at 10.09%, due to the more favorable tax treatment.

All asset classes produced positive returns over the financial year underpinned by low interest rates across the globe and the absence of inflationary pressures. However, there was a dispersion in returns across asset classes. Defensive investments such as government bonds produced low positive returns as interest rates were already generally low and continued to produce low yields.

The Australian share market returned 5.6% for the 12 months, significantly lagging the returns from overseas share markets which returned 18% for the same period. This difference in returns was driven by two key factors. Firstly, the Australian dollar fell against the United States dollar and other major currencies, which added to overseas returns when converted back to Australian dollars. Secondly, Australia was hurt by declining prices for such commodities as iron ore, largely caused by increasing global supply and mounting concerns about the China growth story.

Overseas, the United States economy continued to strengthen, as evidenced by lower unemployment, and improved consumer confidence. The strengthening economy and expectations of an interest rate hike led to a rising United States dollar and government bond yields. In Europe and Japan, quantitative easing programs through the European Central Bank and the Bank of Japan respectively kept bond yields low and markets awash with liquidity.

This was positive for economic growth in those regions. It was also positive for all asset classes but in particular for global equities. These central bank programs also had the effect of raising prices of some government bonds to such an extent that investors lent money to some governments at a rate of return which meant they would not get all their capital back let alone additional interest. These negative yields were unthinkable just a few years ago. In Australia, where interest rates have been at historic lows, but high relative to other developed countries, the Reserve Bank of Australia lowered interest rates from 2.5% to 2.0% over the year.

This global easing dynamic has been behind the strong returns members have received over the past six years despite earnings and interest payments not keeping pace with the rise in prices. With prices so high and interest rates so low, the outlook for returns across asset classes are now also much lower. Even without a rise in interest rates, which many are expecting in the United States and United Kingdom during the 2016 financial year, returns are likely to be lower due to the lower yields on offer. The prospect of interest rate rises has put pressure on many emerging market economies which are now struggling with falling currencies and high interest rates.

Should we see actual interest rate rises in any of the major economies over the coming year, this will likely put pressure on asset prices in the opposite direction to that seen over the last few years. In any event we are expecting lower returns over the coming years which members should take into consideration when undertaking their financial deliberations.

A handwritten signature in black ink, appearing to read 'M Wyrsh', written in a cursive, professional style.

**Michael Wyrsh**  
Chief Investment Officer

# Top stock holdings

The stocks below represent the top 20 listed companies Vision Super's Pooled Super Trust invests in on behalf of members, within Australia and overseas.

## Australian Equity Portfolio – Combined Managers

**Australian investments** as at 30 June 2015

| COMPANY RANKING |                      | % OF TOTAL NET ASSET VALUE | % OF ASX200 INDEX | % OVER/ UNDER WEIGHT |
|-----------------|----------------------|----------------------------|-------------------|----------------------|
| 1               | COM/WLTH BANK AUST   | 5.7                        | 10                | -4.3                 |
| 2               | NATIONAL AUST BANK   | 5.0                        | 6.3               | -1.3                 |
| 3               | BHP BILLITON LIMITED | 4.7                        | 6.3               | -1.6                 |
| 4               | WESTPAC BANKING CORP | 4.3                        | 7.2               | -2.9                 |
| 5               | ANZ BANKING GROUP    | 4.0                        | 6.4               | -2.4                 |
| 6               | TELSTRA CORP LTD     | 3.6                        | 5.4               | -1.8                 |
| 7               | RIO TINTO LTD        | 3.1                        | 1.6               | 1.5                  |
| 8               | WOOLWORTHS LTD       | 3.1                        | 2.5               | 0.6                  |
| 9               | QBE INSURANCE GROUP  | 2.8                        | 1.4               | 1.5                  |
| 10              | WESFARMERS LIMITED   | 2.4                        | 3.2               | -0.8                 |
| 11              | ORICA LIMITED        | 2.2                        | 0.6               | 1.6                  |
| 12              | TREASURY WINE ESTATE | 1.9                        | 0.2               | 1.7                  |
| 13              | WOODSIDE PETROLEUM   | 1.7                        | 1.8               | 0                    |
| 14              | CSL LIMITED          | 1.7                        | 2.9               | -1.2                 |
| 15              | IINET LIMITED        | 1.7                        | 0.1               | 1.6                  |
| 16              | GRAINCORP LIMITED    | 1.6                        | 0.1               | 1.5                  |
| 17              | MEDIBANK PRIVATE LTD | 1.5                        | 0.4               | 1.1                  |
| 18              | MACQUARIE GROUP LTD  | 1.5                        | 2                 | -0.5                 |
| 19              | ARISTOCRAT LEISURE   | 1.4                        | 0.3               | 1.1                  |
| 20              | NUFARM LIMITED       | 1.4                        | 0.1               | 1.3                  |
| <b>TOTAL</b>    |                      | <b>55.2</b>                | <b>58.6</b>       | <b>-3.4</b>          |

## International Equity Portfolio – Combined Managers

**International investments** as at 30 June 2015

| COMPANY RANKING |                              | % OF TOTAL NET ASSET VALUE | % OF MSCI INDEX | % OVER/ UNDER WEIGHT |
|-----------------|------------------------------|----------------------------|-----------------|----------------------|
| 1               | AMAZON.COM INC               | 2.4                        | 0.5             | 1.9                  |
| 2               | ILLUMINA INC                 | 2.2                        | 0.1             | 2.1                  |
| 3               | GOOGLE INC                   | 1.9                        | 1.0             | 0.9                  |
| 4               | FACEBOOK INC                 | 1.6                        | 0.5             | 1.1                  |
| 5               | APPLE INC                    | 1.4                        | 2.2             | -0.9                 |
| 6               | KERING                       | 1.3                        | 0.0             | 1.3                  |
| 7               | WELLS FARGO & CO             | 1.2                        | 0.8             | 0.4                  |
| 8               | INDITEX                      | 1.2                        | 0.1             | 1.1                  |
| 9               | TESLA MOTORS INC             | 1.2                        | 0.1             | 1.1                  |
| 10              | TOYOTA MOTOR CORP            | 1.0                        | 0.6             | 0.5                  |
| 11              | INTEL CORP                   | 1.0                        | 0.4             | 0.5                  |
| 12              | JPMORGAN CHASE & CO          | 1.0                        | 0.8             | 0.2                  |
| 13              | BNP PARIBAS                  | 1.0                        | 0.2             | 0.8                  |
| 14              | CREDIT SUISSE GP             | 1.0                        | 0.1             | 0.8                  |
| 15              | AMERICAN INTERNATIONAL GROUP | 0.9                        | 0.3             | 0.7                  |
| 16              | INTUITIVE SURGICAL INC       | 0.9                        | 0.1             | 0.8                  |
| 17              | ALLIANZ SE                   | 0.9                        | 0.2             | 0.7                  |
| 18              | CNH INDUSTRIAL NV            | 0.8                        | 0.0             | 0.8                  |
| 19              | JULIUS BAER GRUPPE           | 0.8                        | 0.0             | 0.7                  |
| 20              | DAIMLER AG                   | 0.8                        | 0.3             | 0.5                  |
| <b>TOTAL</b>    |                              | <b>24.3</b>                | <b>8.4</b>      | <b>16.0</b>          |

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# Investment strategy

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

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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 is generated by our long term strategic asset allocation 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.

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# 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.

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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 +/-1.0% 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.

# 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 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 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 premixed 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 strategic asset allocation 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 managers 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

As part of the annual review of the investment strategy for the PST, the Board of PPSL made the following changes to the appointment of investment managers. New appointments made were Harris Global (International Equities value approach) and PIMCO (Tail Risk Protection Strategy). The PST has also made an investment in an emerging market exchange traded fund. This is an interim measure until a new appointment of an emerging market manager is finalised.

A number of managers were terminated in order to simplify the manager configurations for Australian and international equities sectors and make them more cost effective. The managers that were terminated were Vinva, Integrity, Invesco, Generation, Turner and Wellington.

# Investment objectives and strategy

Tables on these pages show the investment objectives and strategic asset allocations of Vision Super's premixed and single sector investment options as at 30 June 2015.\*

## 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.

## Single sector options

### CASH

**Performance objectives – super\*\*, pensions\*\*\*** 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\*\*, pensions\*\*\*** To outperform (after fees and taxes) the rate of CPI increases by 2% pa for super (3% 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, one in 20 years.

**Strategic asset allocation** Floating rate debt 15%, diversified bonds 80% and cash 5%.

### AUSTRALIAN EQUITIES

**Performance objectives – super\*\*, pensions\*\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.5% pa for super (5.0% 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\*\*, pensions\*\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.5% pa for super (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 very high. The expected frequency of a negative return is, on average, six in 20 years.

\* Investment objectives and strategic asset allocations have changed since 30 June 2015. Please refer to the Product Disclosure Statement for current values.

\*\* The earnings of super products are taxed.

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

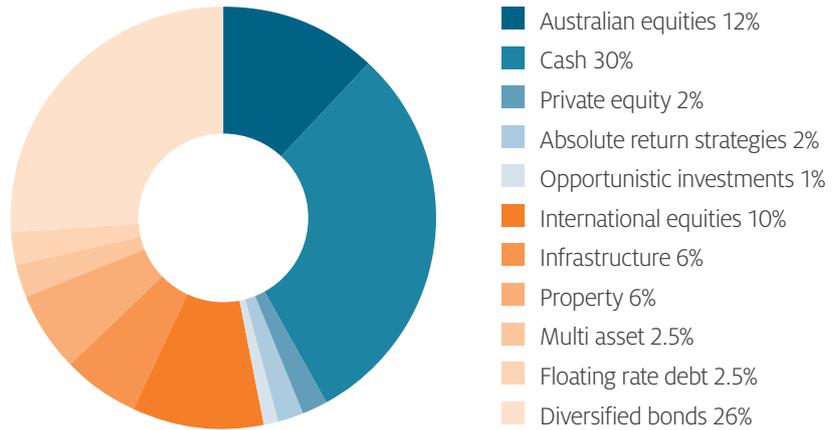
Premixed options

CONSERVATIVE

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of 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, one in 20 years.

Strategic asset allocation

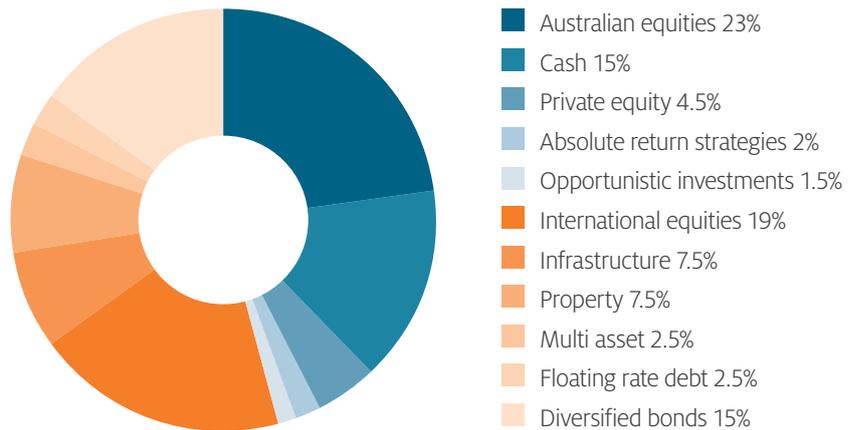


BALANCED

**Performance objectives – super\*, pensions\*\*** 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. The expected frequency of a negative return is, on average, 2.5 in 20 years.

Strategic asset allocation



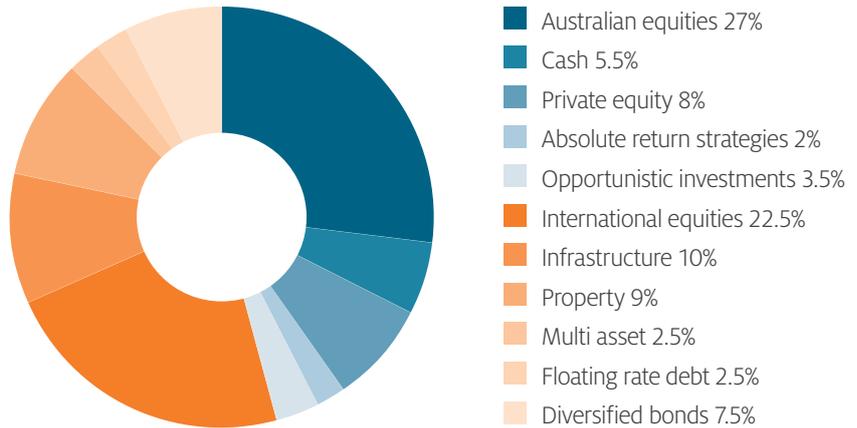
Premixed options

**BALANCED GROWTH (DEFAULT)**

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.0% pa for super (5.0% 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 annual return is, on average, three in 20 years.

**Strategic asset allocation**

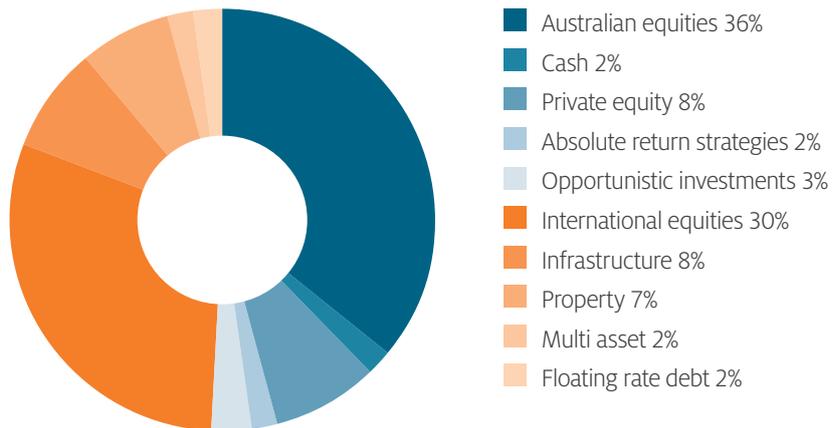


**GROWTH**

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.5% pa for super (5.5% 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 high. The expected frequency of a negative annual return is, on average, four in 20 years.

**Strategic asset allocation**



## Premixed options

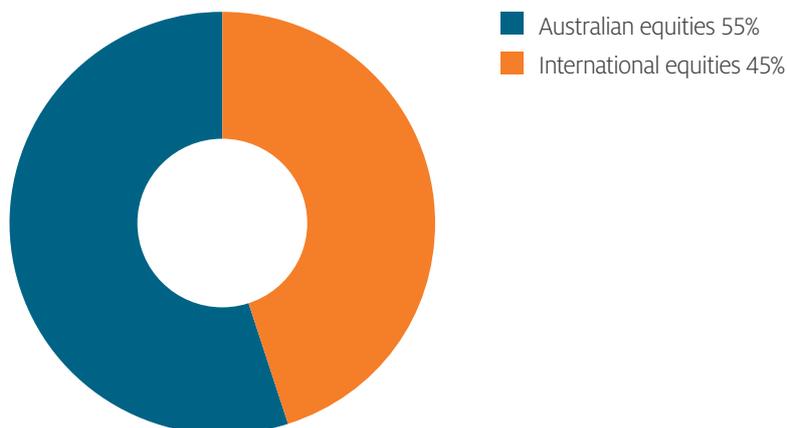
## JUST SHARES

**Performance objectives – super\*, pensions\*\*** To outperform (after fees and taxes) the rate of CPI increases by 4.5% pa for super (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 high. The expected frequency of a negative return is, on average, five in 20 years.

## Strategic asset allocation



## Investment returns as at 30 June 2015

| OPTION                 | 1 YEAR (% PA) | 1 YEAR MEDIAN (% PA) | ABOVE MEDIAN? | CPI+ OBJECTIVE (% PA) | ACHIEVED OBJECTIVE |
|------------------------|---------------|----------------------|---------------|-----------------------|--------------------|
| Conservative           | 5.86%         | 5.63%                | ✓             | 4.00%                 | ✓                  |
| Balanced               | 7.85%         | 7.26%                | ✓             | 5.00%                 | ✓                  |
| Balanced Growth        | 9.18%         | 8.76%                | ✓             | 5.50%                 | ✓                  |
| Growth                 | 10.19%        | 10.04%               | ✓             | 6.00%                 | ✓                  |
| Just Shares            | 11.14%        | 11.47%               | ✗             | 6.00%                 | ✓                  |
| Cash                   | 2.64%         | 2.21%                | ✓             | 1.50%                 | ✓                  |
| Diversified Bonds      | 3.46%         | 3.70%                | ✗             | 3.50%                 | ✗                  |
| Australian Equities    | 4.61%         | 5.43%                | ✗             | 6.00%                 | ✗                  |
| International Equities | 19.16%        | 18.42%               | ✓             | 6.00%                 | ✓                  |

| OPTION                 | 3 YEAR (% PA) | 3 YEAR MEDIAN (% PA) | ABOVE MEDIAN | CPI+ OBJECTIVE (% PA) | ACHIEVED OBJECTIVE |
|------------------------|---------------|----------------------|--------------|-----------------------|--------------------|
| Conservative           | 7.27%         | 7.02%                | ✓            | 4.80%                 | ✓                  |
| Balanced               | 10.21%        | 9.54%                | ✓            | 5.80%                 | ✓                  |
| Balanced Growth        | 11.90%        | 12.35%               | ✗            | 6.30%                 | ✓                  |
| Growth                 | 13.70%        | 14.16%               | ✗            | 6.80%                 | ✓                  |
| Just Shares            | 16.30%        | 16.16%               | ✓            | 6.80%                 | ✓                  |
| Cash                   | 3.03%         | 2.56%                | ✓            | 2.30%                 | ✓                  |
| Diversified Bonds      | 3.82%         | 4.59%                | ✗            | 4.30%                 | ✗                  |
| Australian Equities    | 12.62%        | 13.98%               | ✗            | 6.80%                 | ✓                  |
| International Equities | 21.21%        | 21.01%               | ✓            | 6.80%                 | ✓                  |

## 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).

## Investment returns as at 30 June 2015 (continued)

| OPTION                 | 5 YEAR (% PA) | 5 YEAR MEDIAN (% PA) | ABOVE MEDIAN | CPI+ OBJECTIVE (% PA) | ACHIEVED OBJECTIVE |
|------------------------|---------------|----------------------|--------------|-----------------------|--------------------|
| Conservative           | 7.08%         | 6.35%                | ✓            | 4.84%                 | ✓                  |
| Balanced               | 8.79%         | 7.72%                | ✓            | 5.84%                 | ✓                  |
| Balanced Growth        | 9.53%         | 9.20%                | ✓            | 6.34%                 | ✓                  |
| Growth                 | 10.41%        | 9.69%                | ✓            | 6.84%                 | ✓                  |
| Just Shares            | 11.04%        | 10.61%               | ✓            | 6.84%                 | ✓                  |
| Cash                   | 3.74%         | 3.19%                | ✓            | 2.34%                 | ✓                  |
| Diversified Bonds      | 5.09%         | 5.60%                | ✗            | 4.34%                 | ✓                  |
| Australian Equities    | 8.77%         | 9.03%                | ✗            | 6.84%                 | ✓                  |
| International Equities | 13.73%        | 12.86%               | ✓            | 6.84%                 | ✓                  |

| OPTION                 | 7 YEAR (% PA) | 7 YEAR MEDIAN (% PA) | ABOVE MEDIAN | CPI+ OBJECTIVE (% PA) | ACHIEVED OBJECTIVE |
|------------------------|---------------|----------------------|--------------|-----------------------|--------------------|
| Conservative           | 5.58%         | 5.24%                | ✓            | 4.82%                 | ✓                  |
| Balanced               | 6.24%         | 5.45%                | ✓            | 5.82%                 | ✓                  |
| Balanced Growth        | 5.49%         | 5.83%                | ✗            | 6.32%                 | ✗                  |
| Growth                 | 6.38%         | 5.81%                | ✓            | 6.82%                 | ✗                  |
| Just Shares            | 6.29%         | 5.93%                | ✓            | 6.82%                 | ✗                  |
| Cash                   | 4.02%         | 3.39%                | ✓            | 2.32%                 | ✓                  |
| Diversified Bonds      | 5.60%         | 6.29%                | ✗            | 4.32%                 | ✓                  |
| Australian Equities    | 5.88%         | 5.64%                | ✓            | 6.82%                 | ✗                  |
| International Equities | 7.47%         | 6.65%                | ✓            | 6.82%                 | ✓                  |

| OPTION                 | 10 YEAR (% PA) | 10 YEAR MEDIAN (% PA) | ABOVE MEDIAN | CPI+ OBJECTIVE (% PA) | ACHIEVED OBJECTIVE |
|------------------------|----------------|-----------------------|--------------|-----------------------|--------------------|
| Conservative           | 5.83%          | 5.37%                 | ✓            | 5.18%                 | ✓                  |
| Balanced               | 6.39%          | 5.38%                 | ✓            | 6.18%                 | ✓                  |
| Balanced Growth        | 6.30%          | 6.44%                 | ✗            | 6.68%                 | ✗                  |
| Growth                 | 6.63%          | 6.23%                 | ✓            | 7.18%                 | ✗                  |
| Just Shares            | 6.54%          | 6.30%                 | ✓            | 7.18%                 | ✗                  |
| Cash                   | 4.47%          | 4.00%                 | ✓            | 2.68%                 | ✓                  |
| Diversified Bonds      | 5.40%          | 5.40%                 | ✓            | 4.68%                 | ✓                  |
| Australian Equities    | 7.19%          | 6.94%                 | ✓            | 7.18%                 | ✓                  |
| International Equities | 6.27%          | 4.74%                 | ✓            | 7.18%                 | ✗                  |

**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).

## Traditional investments

|   | 30 JUNE 2015     |              | 30 JUNE 2014     |              |
|---|------------------|--------------|------------------|--------------|
|   | \$ MIL           | %            | \$ MIL           | %            |
| <b>GROWTH INVESTMENTS</b>   |                  |              |                  |              |
| <b>AUSTRALIAN SHARES</b>  |                  |              |                  |              |
| Citigroup Futures Overlay – Australian Equities Active and Passive                          | 0.0              | 0.0%         | 0.2              | 0.0%         |
| Ellerston Capital Ltd – Overlay Australian Share Fund                                       | 322.9            | 4.2%         | 182.5            | 2.5%         |
| Perpetual Investment Management Ltd – Small Companies                                       | 111.0            | 1.4%         | 61.2             | 0.8%         |
| Industry Funds Management – Enhanced Index Strategy   | 686.2            | 8.9%         | 556.3            | 7.7%         |
| Integrity Investment Management – Australian Equities Fundamental (Terminated 29 Aug 2014)  | 0.1              | 0.0%         | 181.0            | 2.5%         |
| Invesco Australia Limited – Australian Small Companies (Terminated 26 Nov 2014)             | 0.1              | 0.0%         | 84.5             | 1.2%         |
| Kinetic Investment Partners Limited – Australian Small Companies                            | 148.6            | 1.9%         | 135.4            | 1.9%         |
| Vinva Investment Management Ltd – Australian Equities Long Only (Terminated 17 Oct 2014)    | 0.0              | 0.0%         | 157.3            | 2.2%         |
| Schroders Investment Management Australian Limited – Growth Tilt                            | 422.4            | 5.5%         | 404.5            | 5.6%         |
| <b>Total Australian Shares</b>  | <b>1,691.3</b>   | <b>21.9%</b> | <b>1,762.9</b>   | <b>24.4%</b> |
| <b>INTERNATIONAL SHARES</b>   |                  |              |                  |              |
| Baillie Gifford Overseas Ltd – Long Term Global Growth Equities                             | 396.9            | 5.1%         | 289.4            | 4.0%         |
| Citigroup Futures Overlay – International Equities Active & Passive                         | 0.0              | 0.0%         | 25.5             | 0.4%         |
| Colonial First State – Global Emerging Markets Leaders Fund                                 | 146.0            | 1.9%         | 124.3            | 1.7%         |
| Harris Associates Global Equities   | 333.5            | 4.3%         | 0.0              | 0.0%         |
| Generation Investment Management – Global Equity Fund (Full redemption 31 Mar 2015)         | 0.0              | 0.0%         | 123.9            | 1.7%         |
| Vanguard FTSE Emerging Market ETF   | 88.1             | 1.1%         | 0.0              | 0.0%         |
| SSgA* – Enhanced Passive International Equities   | 848.7            | 11.0%        | 383.0            | 5.3%         |
| Turner Investment Partners – Global Growth (Terminated 25 Aug 2014)                         | 0.2              | 0.0%         | 161.7            | 2.2%         |
| Wellington International Management Company Pte Ltd – Global Value (Terminated 19 Feb 2015) | 0.0              | 0.0%         | 316.3            | 4.4%         |
| <b>Total International Shares</b>   | <b>1,813.4</b>   | <b>23.5%</b> | <b>1,424.1</b>   | <b>19.7%</b> |
| <b>CURRENCY</b>   |                  |              |                  |              |
| Millennium Global Investments Ltd – Active/Passive (Re-instated)                            | -5.7             | -0.1%        | 0.0              | 0.0%         |
| Adrian Lee Overlay – Active/Passive (Terminated 28 Jul 2014)                                | 0.0              | 0.0%         | 13.8             | 0.2%         |
| <b>Total Currency</b>   | <b>-5.7</b>      | <b>-0.1%</b> | <b>13.8</b>      | <b>0.2%</b>  |
| <b>PROPERTY</b>   |                  |              |                  |              |
| AMP Capital Diversified Property Fund   | 154.9            | 2.0%         | 164.5            | 2.3%         |
| Eureka Fund Management – Core Property Fund 3   | 1.1              | 0.0%         | 24.7             | 0.3%         |
| Industry Super Property Trust – Core Fund   | 114.8            | 1.5%         | 103.6            | 1.4%         |
| QIC Properties Pty Ltd – Shopping Centre Fund (Retail)                                      | 57.4             | 0.7%         | 52.2             | 0.7%         |
| Resolution Capital Global Real Estate Investment Trust (GREITs)                             | 94.0             | 1.2%         | 32.0             | 0.5%         |
| <b>Total Property</b>   | <b>422.2</b>     | <b>5.5%</b>  | <b>377.0</b>     | <b>5.2%</b>  |
| <b>DEFENSIVE INVESTMENTS</b>  |                  |              |                  |              |
| <b>CASH</b>   |                  |              |                  |              |
| Internal Management (Vision Super)  | 1,139.4          | 14.8%        | 1,126.8          | 15.6%        |
| <b>Total Cash</b>   | <b>1,139.4</b>   | <b>14.8%</b> | <b>1,126.8</b>   | <b>15.6%</b> |
| <b>DIVERSIFIED BONDS</b>  |                  |              |                  |              |
| Brandywine Global Investment Management, LLC – Global Opportunistic Fixed Income            | 152.6            | 2.0%         | 148.2            | 2.0%         |
| Hastings Funds Management Limited – High Yield Fund (Winding down)                          | 0.2              | 0.0%         | 18.7             | 0.3%         |
| Members Equity Portfolio Management – The Super Loans Trust                                 | 4.9              | 0.1%         | 6.5              | 0.1%         |
| SSgA* – Australian and International Passive Fixed Interest                                 | 610.5            | 7.9%         | 652.9            | 9.0%         |
| <b>Total Diversified Bonds</b>  | <b>768.3</b>     | <b>10.0%</b> | <b>826.3</b>     | <b>11.4%</b> |
| <b>Total Traditional Investments</b>  | <b>\$5,829.0</b> | <b>75.5%</b> | <b>\$5,530.9</b> | <b>76.5%</b> |

\* State Street Global Advisers

## Alternative investments

|  | 30 JUNE 2015     |              | 30 JUNE 2014   |               |
|--|------------------|--------------|----------------|---------------|
|  | \$ MIL           | %            | \$ MIL         | %             |
| <b>INFRASTRUCTURE</b>  |                  |              |                |               |
| IFM Australian and International Infrastructure  | 535.9            | 6.9%         | 515.4          | 7.1%          |
| Hastings Funds Management Limited – Utilities Trust of Australia                             | 107.5            | 1.4%         | 103.6          | 1.4%          |
| Regional Infrastructure Fund   | 12.9             | 0.2%         | 12.9           | 0.2%          |
| <b>Total Infrastructure</b>  | <b>656.3</b>     | <b>8.5%</b>  | <b>631.9</b>   | <b>8.7%</b>   |
| <b>PRIVATE EQUITY</b>  |                  |              |                |               |
| IFM Australian Private Equity Funds II and III   | 16.9             | 0.2%         | 22.9           | 0.3%          |
| Allegro Private Equity – Fund I  | 2.1              | 0.0%         | 2.7            | 0.0%          |
| Generation Investment Management – Climate Solutions Fund                                    | 6.9              | 0.1%         | 11.6           | 0.2%          |
| Greenspring Associates Global Partners III and IV, (Offshore) LP                             | 56.8             | 0.7%         | 41.8           | 0.6%          |
| Hawkesbridge Private Equity Pty Ltd and Fund 3 (Trust C)                                     | 19.9             | 0.3%         | 27.0           | 0.4%          |
| IFM International Private Equity Funds I, II and III   | 53.8             | 0.7%         | 50.4           | 0.7%          |
| LGT Capital Partners AG – Crown European Private Equity PLC                                  | 25.4             | 0.3%         | 31.2           | 0.4%          |
| ROC Equity Partners Alternative Investment Trust IV and V                                    | 26.8             | 0.3%         | 31.2           | 0.4%          |
| Members Equity Bank & Industry Super Holdings Pty Ltd  | 21.9             | 0.3%         | 21.9           | 0.3%          |
| Mid Europa Partners Emerging Europe Convergence Fund II, LP                                  | 9.0              | 0.1%         | 9.0            | 0.2%          |
| Millenium Global Investments Ltd – Private Equity Europe and USD Hedge (Re-instated)         | 0.5              | 0.0%         | 0.0            | 0.0%          |
| Adrian Lee Overlay – Private Equity Europe and USD Hedge (Terminated 28 July 2014)           | 0.0              | 0.0%         | 7.4            | 0.1%          |
| Private Equity Trust #   | 112.0            | 1.5%         | 117.3          | 1.6%          |
| Stafford Capital Partners – Private Equity 2, 3 and 4 Funds                                  | 28.0             | 0.4%         | 31.4           | 0.5%          |
| Vencap 12 Limited  | 74.0             | 1.0%         | 50.7           | 0.7%          |
| <b>Total Private Equity</b>  | <b>453.9</b>     | <b>5.9%</b>  | <b>456.5</b>   | <b>6.3%</b>   |
| <b>PROPERTY OPPORTUNISTIC</b>  |                  |              |                |               |
| Eureka Funds Management – Property Fund Number 2 and Loan Note Facility                      | 1.6              | 0.0%         | 4.4            | 0.1%          |
| Gresham Partners Limited – Property Mezzanine 3 and 4 Funds                                  | 5.7              | 0.1%         | 8.5            | 0.1%          |
| Macquarie Wanda Real Estate Fund (Full redemption – ceased being a shareholder 15 Oct 2014)  | 0.0              | 0.0%         | 40.3           | 0.6%          |
| Millenium Global Investments Ltd – Property Opportunistic Europe and USD Hedge (Re-instated) | -0.7             | 0.0%         | 0.0            | 0.0%          |
| Adrian Lee Overlay – Property Opportunistic Europe and USD Hedge (Terminated 28 July 2014)   | 0.0              | 0.0%         | 3.4            | 0.0%          |
| Private Equity Trust – Property Opportunistic ##   | 80.4             | 1.0%         | 100.0          | 1.4%          |
| Warakirri Asset Management Pty Ltd – Dairy Farm and Land Trust                               | 40.6             | 0.5%         | 39.3           | 0.5%          |
| <b>Total Property Opportunistic</b>  | <b>127.6</b>     | <b>1.7%</b>  | <b>195.9</b>   | <b>2.7%</b>   |
| <b>ABSOLUTE RETURN STRATEGIES</b>  |                  |              |                |               |
| Bridgewater Associates Inc – Pure Alpha Fund   | 72.5             | 0.9%         | 81.2           | 1.1%          |
| <b>Total Absolute Return Strategies</b>  | <b>72.5</b>      | <b>0.9%</b>  | <b>81.2</b>    | <b>1.1%</b>   |
| <b>MULTI-ASSET</b>   |                  |              |                |               |
| Windham Capital – Risk Regime Strategy   | 354.9            | 4.6%         | 157.1          | 2.2%          |
| <b>Total Multi-Asset</b>   | <b>354.9</b>     | <b>4.6%</b>  | <b>157.1</b>   | <b>2.2%</b>   |
| <b>FLOATING DEBT RATE</b>  |                  |              |                |               |
| Franklin Templeton Multi-sector Bond Fund  | 209.9            | 2.7%         | 180.1          | 2.5%          |
| <b>Total Floating Rate Debt</b>  | <b>209.9</b>     | <b>2.7%</b>  | <b>180.1</b>   | <b>2.5%</b>   |
| <b>TAIL RISK PROTECTION</b>  |                  |              |                |               |
| PIMCO Tail Risk Protection   | 15.7             | 0.2%         | 0.0            | 0.0%          |
| <b>Total Tail Risk Protection</b>  | <b>15.7</b>      | <b>0.2%</b>  | <b>0.0</b>     | <b>0.0%</b>   |
| <b>Total alternative investments</b>   | <b>\$1,890.8</b> | <b>24.5%</b> | <b>1,702.7</b> | <b>23.5%</b>  |
| <b>TOTAL</b>   | <b>\$7,719.8</b> | <b>100%</b>  | <b>7,233.6</b> | <b>100.0%</b> |

# Adveq Management AG Europe III LP, Lexington Capital Partners VI-B and Mesirov Financial Private Equity Partnership Fund III, LP

## BlackRock Real Estate Asia and Europe Property Funds II and III



# Investing sustainably

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

The 102,000 working Australian men and women who are members of Vision Super rely on us to grow their retirement savings through the investments we make. Our first obligation is to deliver good returns to our members, and indeed, we are bound by law to do so. But Vision Super also recognises that climate change is an existential threat and one that poses one of the greatest environmental risks to our investment portfolio.

Vision Super's investment philosophy – enshrined in our Environmental social and governance (ESG) policy – commits us to supporting a global transition to a low carbon economy.

We have been extremely proactive in translating this policy into action.

- ▶ We've been an early adopter of strategies to invest more in renewable energy
- ▶ We have a 100% ownership of a wind farm in Victoria. This facility provides low emissions energy for 7,000 Victorian households.
- ▶ We are also a long-term investor in the biggest infrastructure fund in Australia with significant investment in wind, hydro and solar power plants.

Beyond investing in the developing renewables sector at home, we have sought opportunities to align investments with our low carbon goals across our portfolio.

In October 2015, Vision Super introduced new low carbon benchmarks to the indexed component of our share investments. Moving our international shares index portfolio to the global MSCI Low Carbon Index means we now invest in overseas companies that have a 70% lower carbon exposure than the rest of the market. We have also moved our Australian shares index portfolio to the IFM Low Carbon Australian Shares fund, which reduces our exposure to Australian companies with a high carbon risk.

Vision Super's index allocations in Australian and international shares represent more than 45% of our investments in shares. For the rest of our shares allocations, our managers are required to take into account ESG principles in their company evaluations. We specifically ask our managers to include in such evaluations a reasonable estimate of the impact of phasing out fossil fuel usage consistent with limiting global warming to no more than 2 degrees centigrade above pre-industrial global mean temperature.

This shift to low carbon investment again reinforces Vision Super's commitment to sustainable investment, which has included over a decade of major investment in renewable energy, wind, solar and hydro power.

Vision Super wants Australia to be powered by renewable energy, but we know that it will take some time to transition to renewables and completely replace fossil fuels – including gas. In the meantime, Vision Super has adopted a sound ESG policy, a low carbon philosophy and has invested in lower carbon share indexes at home and abroad.

Vision Super welcomes the renewed global focus on emission reductions as a result of the 2015 Paris Climate Summit, particularly as large scale change is needed for Australia's current energy mix to shift from 10% produced by renewables and 90% from fossil fuels. Stronger climate policy – such as carbon pricing and ambitious renewable energy targets – will speed up the transition to a low carbon future by leveling the playing field for renewables over fossil fuels.

Vision Super recently signed up to the Paris Pledge for Action – an initiative aligned with the 2015 UN Climate Talks in Paris encouraging all organisations, businesses, regions, cities, and investors to strive for a 50% cent carbon emission reduction by 2030. It will set a goal of being carbon neutral by 2050.

# Defined Benefit update

Vision Super has undertaken steps to lower the investment risks in all Defined Benefit sub-plans, reducing volatility and increasing predictability.

## 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, and
- ▶ 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 have increasingly become 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.

## Vision Super's VBI position

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

| SUB-PLAN          | 30 JUNE 15 | 30 JUNE 14 |
|-------------------|------------|------------|
| LASF DB           | 105.8%     | 103.4%     |
| City of Melbourne | 117.8%     | 112.1%     |
| Parks Victoria    | 105.1%     | 101.8%     |

Pleasingly, this means that Vision Super's DB sub-plans all satisfied the Superannuation Prudential Standard (SPS) PS 160 funding requirements on 30 June 2015.

## 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, the 97% shortfall limit will apply.

## Defined Benefit investment strategy review

During the year, Vision Super undertook an in depth review of the Defined Benefit Plans' objectives and strategy.

Taking into account the current funding status, the expected pattern and size of benefit payments, and the outlook for investment markets, a custom investment strategy was developed for each sub-plan.

Vision Super capitalised on the improved funding positions of each sub-plan to begin de-risking before markets turned down in June. Where the funding position did not allow the DB sub-plans to be de-risked sufficiently, tail risk protection strategies were employed based on an insight that very low volatility in markets would enable us to buy protection cheaply before a rise in market volatility.

Vision Super formally implemented these new, lower risk, long term strategies from 1 July 2015. As discussed on page 29, Vision Super has also introduced dynamic asset allocation. This allows Vision Super to rapidly change asset allocations in response to significant new market information.

The new strategies were tested during market falls at the end of the first quarter of 2015/16. The strategies performed according to expectations, with each DB sub-plan remaining fully funded with a margin of safety.

## 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 from 1 July 2015

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 Vested Benefit Index (VBI) falling below 100% of less than 25% over the life of the Plan.

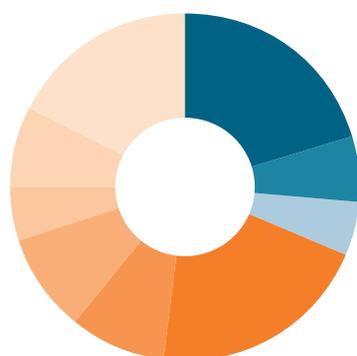
### Investment returns – June 2015

| OPTION NAME       | 1 YEAR (%) | 3 YEAR (%) | OBJECTIVE <sup>1</sup> (% PA) | ACHIEVED OBJECTIVE |
|-------------------|------------|------------|-------------------------------|--------------------|
| LASF DB           | 9.0%       | 11.5%      | 7.64% <sup>2</sup>            | ✓                  |
| City of Melbourne | 9.0%       | 11.4%      | 7.5%                          | ✓                  |
| Parks Victoria    | 9.0%       | 11.4%      | 7.5%                          | ✓                  |

- 1 Actuarial rate of return for the period to 30 June 2015
- 2 This rate is based on an objective of 7.5% for active members and 8.25% for pension members.

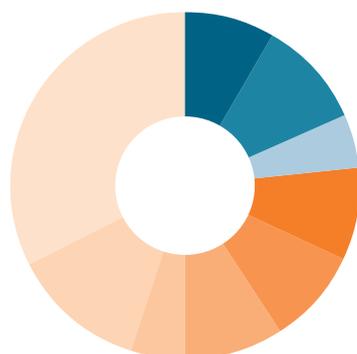
### Defined benefit strategic asset allocations

#### LASF DB



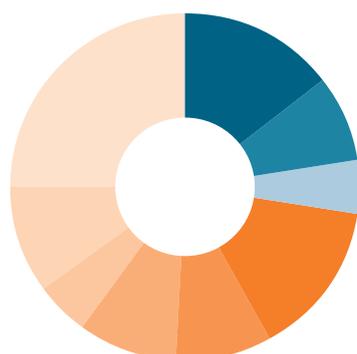
- Australian equities 20.5%
- Cash 6%
- Absolute return strategies 5%
- International equities 20.5%
- Infrastructure 9%
- Property 9%
- Multi asset 5%
- Floating rate debt 7.5%
- Diversified bonds 17.5%

#### CITY OF MELBOURNE



- Australian equities 8.5%
- Cash 10%
- Absolute return strategies 5%
- International equities 8.5%
- Infrastructure 9%
- Property 9%
- Multi asset 5%
- Floating rate debt 12.5%
- Diversified bonds 32.5%

#### PARKS VICTORIA



- Australian equities 14.5%
- Cash 8%
- Absolute return strategies 5%
- International equities 14.5%
- Infrastructure 9%
- Property 9%
- Multi asset 5%
- Floating rate debt 10%
- Diversified bonds 25%



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POINTS  
6540



# 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.

## Financial management

Prudential 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 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' funds information sourced from Vision Super's administration systems.

The Fund reports include a Statement of net assets, Statement of changes in net assets 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:

### 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 Fund.

### 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 Statement of financial position and Statement of changes in net assets is completed by Vision Super's internal tax specialist in conjunction with our tax advisers and external auditor. Inhouse tax expertise assists in maintaining a comprehensive tax management framework and accuracy of the 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 2015.

## 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 Annual Member Statement. The liability for any surcharge paid is borne by the affected members against their respective benefits.

# Statement of financials\*

For the year ended 30 June 2015 – LASF

## Statement of net assets as at 30 June 2015

|   | 2015<br>\$000s   | 2014<br>\$000s   |
|---|------------------|------------------|
| <b>ASSETS</b>                               |                  |                  |
| Cash at bank and cash equivalents           | 10,311           | <b>16,737</b>    |
| Other receivables                           | 407              | <b>1,074</b>     |
| Contributions receivable                    | 3,564            | <b>10,805</b>    |
| Deferred tax assets                         | 9                | <b>5</b>         |
| <b>Investments</b>                          |                  |                  |
| Units in Vision Pooled Superannuation Trust | 7,546,504        | <b>6,889,588</b> |
| <b>Total assets</b>                         | <b>7,560,795</b> | <b>6,918,209</b> |
| <b>LIABILITIES</b>                          |                  |                  |
| Benefits payable                            | 42,390           | <b>22,260</b>    |
| Other payables                              | 2,435            | <b>3,492</b>     |
| Current tax liabilities                     | 45,574           | <b>63,899</b>    |
| Deferred tax liabilities                    | 942              | <b>1,495</b>     |
| <b>Total liabilities</b>                    | <b>91,341</b>    | <b>91,146</b>    |
| <b>Net assets available to pay benefits</b> | <b>7,469,454</b> | <b>6,827,063</b> |

## Statement of changes in net assets as at 30 June 2015

|  | 2015<br>\$000s   | 2014<br>\$000s   |
|--|------------------|------------------|
| <b>INVESTMENT REVENUE</b>  |                  |                  |
| Changes in net market value of investments                           | 586,440          | <b>629,554</b>   |
| Net investment revenue   | 586,440          | <b>629,554</b>   |
| <b>CONTRIBUTIONS REVENUE</b>   |                  |                  |
| Employer contributions   | 342,266          | <b>315,759</b>   |
| Member contributions   | 151,074          | <b>82,580</b>    |
| Transfers from other funds   | 134,984          | <b>929,288</b>   |
| Total contributions revenue  | 628,324          | <b>1,327,627</b> |
| <b>OTHER REVENUE</b>   |                  |                  |
| Group life insurance proceeds  | 6,641            | <b>6,597</b>     |
| Other revenue  | 790              | <b>629</b>       |
| Total other revenue  | 7,431            | <b>7,226</b>     |
| <b>Total revenue</b>   | <b>1,222,195</b> | <b>1,964,407</b> |
| <b>EXPENSES</b>  |                  |                  |
| Benefits paid  | (495,291)        | <b>(520,245)</b> |
| General administration expenses                                      | (21,138)         | <b>(27,053)</b>  |
| Group life insurance premium expense                                 | (18,137)         | <b>(16,236)</b>  |
| Superannuation contributions surcharge                               | (3)              | <b>(11)</b>      |
| <b>Total expenses</b>  | <b>(534,569)</b> | <b>(563,545)</b> |
| <b>Change in net assets before income tax</b>                        | <b>687,626</b>   | <b>1,400,862</b> |
| Income tax expense   | (45,235)         | <b>(40,851)</b>  |
| <b>Change in net assets after income tax</b>                         | <b>642,391</b>   | <b>1,360,011</b> |
| <b>Net assets available to pay benefits at the start of the year</b> | <b>6,827,063</b> | <b>5,467,052</b> |
| <b>Net assets available to pay benefits at the end of the year</b>   | <b>7,469,454</b> | <b>6,827,063</b> |

\* A full copy of the audited financial statements (including the audit report) is available for downloading at: [www.visionsuper.com.au/super/publications](http://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.

### (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 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.

## Insurance reserve

| FINANCIAL YEAR ENDING<br>(OR PRE 1 JULY 2010 COVER) | SUPER SAVER | LASF DB SCHEME |
|---|-------------|----------------|
| 30 June 2015  | \$3.21m     | \$6.00m        |
| 30 June 2014  | \$4.38m     | \$8.60m        |
| 30 June 2013  | \$4.23m     | *              |

\* Included in the LASF DB liabilities.

## 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 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 the Boards for 30 June 2016.



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Vision Super Pty Ltd ABN 50 082 924 561, Australian Financial Services Licence 225054,  
is the Trustee of the Local Authorities Superannuation Fund ABN 24 496 637 884.

Pooled Super Pty Ltd ABN 11 142 516 005 is the Trustee of the Vision Pooled  
Superannuation Trust ABN 40 836 494 603.

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