



EMPLOYER REPORT 2008



VISION SUPER

www.visionsuper.com.au

*The best
value for
money*

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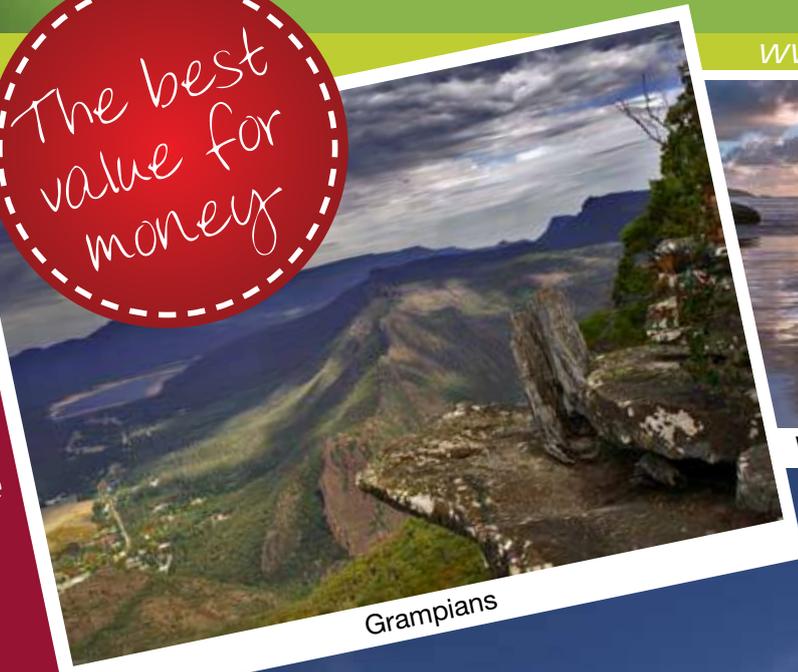
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rated 4 years
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**SUPER
RATINGS**

**SUPERRATINGS
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Fund (R1069938).

(03) 9911 3222



Grampians



Whiskey Beach, Wilsons Prom



Geelong Jetty

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What happened this year...

Member services expanded

July 2007

We've expanded our member services in order to better service our employers and members. The aging work force is a problem that many employers are facing. Recognising that super can play a role in retaining older employees, we now offer members more chances to meet directly with one of our consultants. This was a popular initiative with over 700 one on one meetings.

Platinum ratings

December 2007

Vision Super receives another Platinum rating, the highest rating from SuperRatings, an independent Australian ratings agency. This is the third year in a row that Vision Super has received this award.

Introduction of Income Protection

January 2008

As a major enhancement to benefits, income protection insurance was introduced to eligible Super Saver members. These members can now be protected for 75% of their salary for up to two years.

Unitisation of member accounts

February 2008

Vision Super is one of the first industry funds to adopt unitisation. All members' accounts are now measured in units. Unitisation is a way of equitably measuring each member's share of a fund's pool of assets and is regarded as being "best practice" within the superannuation industry, producing the fairest result for all members.

Tailored insurance cover

April 2008

Members now have the option of choosing their level of cover that best suits their needs. Super Saver members can now fix their level of death & TPD cover. This flexibility helps members ensure they have the cover they need when they need it. Having the choice of fixed or age-based cover means Vision Super offers members one of the widest ranges of insurance options in the industry.

Death cover for casuals

April 2008

Casual staff who are Super Saver members now automatically receive death cover once their account balances reach \$1,000. Cover commences in the quarter after this occurs. Previously they had to apply for cover. All eligible members now have some level of cover to protect them in the case of death.

Defined Benefit performance

June 2008

Despite the volatile market conditions, the Defined Benefit fund ended the year with a positive return of 0.58%. The SuperRatings Fund Crediting Rate Survey median return for balanced portfolios was -6.39% over the same period. At 30 June 2008 the fund continued to be in a sound financial position. The next actuarial review will be conducted at 31 December 2008.

Investment performance: performing well in tough times

June 2008

The financial year 2007/08 ended with markets taking a significant downturn. Vision Super's investments performed ahead of our competitors. Our Balanced Growth option, where the majority of members are invested was ranked **Number 1**, outperforming the median by 4.69% in the SuperRatings Fund Crediting Rate Survey at 30 June 2008. Read more about our performance on page 9.

Changes to Ordinary Time Earnings

July 2008

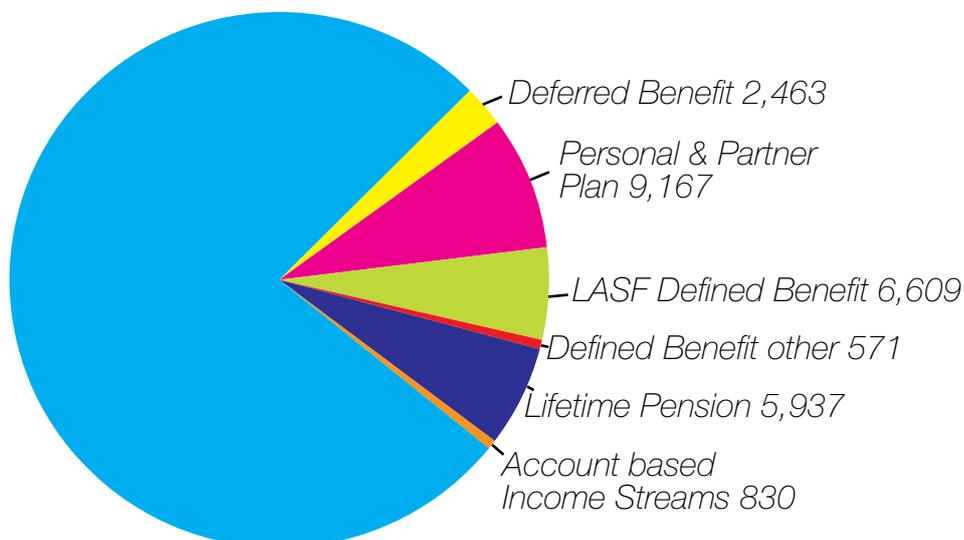
From 1 July 2008 the minimum Superannuation Guarantee (SG) benefit must be based on Ordinary Time Earnings (OTE). Ordinary time earnings are an employee's earnings in respect of ordinary hours of work, including over-award payments, bonuses, commissions, shift allowances and paid leave.

Membership data

As at 30 June 2008, there were 110,397 account holders as shown in the chart below.

Over 500 new employers joined Vision Super during the financial year

Super Saver
84,820



From the Chairman and CEO

We are pleased to present Vision Super's Employer Report for the 2007/08 financial year. Unfortunately, this year's investment returns have been the lowest the industry has seen in a long time. While the last 4 years have seen super fund members enjoy strong double-digit returns, this year saw many super funds recording one of their worst years on record.

Defined Benefit performance

Despite the volatile market conditions, the Defined Benefit fund ended the year with a positive return of 0.58%. The turmoil in world financial markets has wiped out much of the strong funding progress made in recent years. However, the Plan went into the downturn in the strongest financial position in its history. At 30 June 2008 the Actuary confirmed that the Plan was in a sound financial position. Whilst we can give no guarantees as to what will happen in the future, the trustee is closely monitoring the situation.

Balanced Growth No.1

The outcome of our investment process has been to make us one of the best performing funds in Australia in a difficult year. **Four of our investment options ranked Number 1** in the SuperRatings Fund Crediting Rate Survey at June 2008. Balanced Growth, in which the majority of our members invest, was ranked **Number 1**. Three of our other investment options were also ranked No.1 for the year, and all our options outperformed the median manager (see the table on page 8 for details). The Balanced Growth option returned -1.7% for the financial year compared with an all fund median of -6.39%.

...Balanced Growth, in which the majority of our members invest, was ranked No.1...

More significantly, over the longer term, Balanced Growth has returned 10.08% p.a. over 5 years, 7.08% p.a. over 10 years, 8.35% p.a. over 15 years, and 9.05% p.a. over 20 years.

We have stuck to our investment strategy, which

focuses on long-term outcomes and has served our members so well for over 60 years.

We also wanted to ensure that our members were kept fully informed of developments during this difficult year. We featured an number of investment articles in our member newsletters (Visionary) in February and May. The focus of the Member Report was on "performing well in tough times". A special section on our website has also been developed to answer members questions and provide information. While disconcerting, occasional negative returns are a normal part of the investment cycle and the message we are emphasising is that it is important to focus on the long-term investment strategy, just as Vision Super does with all its investment options.

Strategic initiatives

This year we have introduced income protection and allowed members to choose between age-based and fixed sums insurance for their death and disability cover. We believe this makes our insurance offering one of the strongest elements of our service offering to members. In an industry that sometimes struggles with its infrastructure, we have unitised member accounts and made a significant commitment to improving and updating our administration services.

Within the wider context of administration, we successfully took on the administration of Local Super SA/NT from 1 April 2008 as planned. The project was one of the largest administration projects we have undertaken. Its success is therefore a huge endorsement of the quality and expertise of our staff.

We're proud to report that this is also the third year in a row that we've been awarded a Platinum rating from SuperRatings. Platinum is their highest rating for funds offering "the best value for money" for members.

We've restructured our Client and Education teams to better service our employers and members. We'll be visiting employer sites more than ever in the coming year, providing access to Financial Planners and Senior Superannuation Consultants for one on one discussions with members.

What's happening in the coming financial year?

As always, we continue to review our product and service offering. We'll be revamping both the public and secure Vision Super websites and launching a new debit card for our Allocated Pension members. We'll also be investigating offering First Home Saver Accounts so our younger members can make use of the Government's first home buyers contribution scheme.

The Board extends a warm welcome to Darrell Cochrane, who returned as Chairman from 1 July 2008. Thank you to our sponsoring employers for your continued support throughout the year. We look forward to another year working in partnership with our employers, for the wellbeing of our members.

... Balanced Growth has returned 10.08% p.a. over 5 years, 7.08% p.a. over 10 years, 8.35% p.a. over 15 years, and 9.05% p.a. over 20 years ...

...we'll also be launching a new debit card for our Allocated Pension members...



Michael Tilley



Rob Brooks

Rob Brooks
CEO

Michael D Tilley
Chairman

Strategic initiatives

Upgrades to insurance

As part of a strategic partnership with Commlnsure, Vision Super now offers members a wider range of benefits to qualifying members which now includes:

- income protection
- fixed death & disability cover
- death cover for casuals

Benefits of insuring through super

For most people, insurance is the only effective way to provide financial security if they suffer serious illness, injury or death. There are many benefits of having insurance through a super fund including:

- Premiums are based on very competitive group rates, normally lower than one would pay for individual policies.
- There are no commissions payable to advisers.
- Payment is tax-effective because premiums are deducted from the account before tax.
- Payment is easy, premiums are deducted from accounts quarterly.
- Members are covered 24 hours a day, 7 days a week, not just at work.
- Cover continues while there are sufficient funds in the account to cover the cost of premiums.

Income Protection

Under the new arrangement, qualifying members are now provided with cover for up to 75% of salary for 2 years after a 90-day waiting period. Cover is provided on an “opt out” basis, with members having the option of a shorter 30 or 60 day waiting period. Over 97% of Super Saver members now enjoy this arrangement, with new members being automatically granted income protection insurance.

Cover was provided on an “opt out” basis rather than on a voluntary basis as this allowed us to secure lower premiums for members. With less than 2% having opted out, this appears to have been a popular benefit amongst members. Approximately 2.5% of members opted to improve their cover. Going forward, new Super Saver members are automatically provided with income protection insurance. The provision of income protection is a huge enhancement to member benefits.

Fixed Cover

All Super Saver members now have added flexibility to fix their death and disability benefit to suit their needs. Fixed cover allows members to pick a level of cover and fix it at that rate, which is different from the age-based cover, which decreases as a member gets older. Members can now choose to have either age-based or fixed cover.

Example: Doug is 45 and has 3 units of death and disability cover, which gives him total cover of \$119,100 (3 units x \$39,700 per unit). This costs Doug \$3.00 per week, but the cover amount drops to \$104,100 when he turns 46. Doug is married and has two kids, works full-time on a salary of \$55,000 and has a mortgage of \$250,000.

In the event of Doug’s death or disability his current insurance amount would not cover his family’s expenses and could leave them in financial difficulty.

With fixed cover, Doug can now choose the level of cover he needs and fix that amount indefinitely. After working out what all his expenses are, Doug chooses to have \$500,000 of Death & Disability cover. This cover will stay at this level, but Doug’s insurance premiums will increase each year.

Death cover for casuals

All Super Saver members who are casual workers can now access death cover subject to eligibility. Cover is provided automatically to all new members.

Minimum default fund requirements

Employers must have a default fund for staff that don’t exercise choice (when available). From 1 July 2008, default funds must be complying super funds, offering a ‘minimum’ level of insurance cover for death, which is shown in the table below. When new eligible members join Vision Super they are automatically provided with 3 units of death and disability cover. Our cover exceeds the minimum level and is offered at competitive premiums.

Age range	Minimum required	Vision Super default Death & TPD cover
0 – 19	Nil	\$262,500
20 – 34	\$50,000	\$262,500
35 – 39	\$35,000	\$253,500 – \$262,500
40 – 44	\$20,000	\$136,800 – \$228,000
45 – 49	\$14,000	\$70,500 – \$119,100
50 - 55	\$7,000	\$29,400 – \$61,500
56+	Nil	\$10,200 – 26,100

Unit pricing

As part of our strong commitment to superannuation best practice, all member accounts are now unitised. Member transactions are now expressed as units, with units appearing on all member statements for the first time this financial year.

Our strategic move to unit pricing has three major benefits for members:

- Fairer sharing of costs and performance.
- Members can now invest in any combination of our 16 investment options subject to minimum fund balances.
- Investments switches are now executed daily.
- Buy/sell spreads mean transaction costs are now borne on a more equitable “user pays” basis.

We regard unitisation as industry best practice, producing the fairest result for members. Although not all super funds are yet in a position to introduce them, the trend is to move towards unitisation. In this respect Vision Super is ahead of many of its competitors.

Why Vision Super makes a great default fund!

How we help employers

Employers who offer choice of fund to their staff are required to provide a default fund for staff who do not make a choice. As your default fund, we believe it is appropriate to outline why Vision Super is qualified to be your default fund. We provide employer with:

- Access to our super professionals
- Help meeting your super obligations
- Help with technical questions
- Updates on super news
- Payroll / HR training
- Free clearing house for exclusive employers

VISION SUPER ONLINE - EASY AND CONVENIENT ADMINISTRATION

Vision Super Online is a great source of information and can help make super administration easy. Use our website to:

✓	Remit contribution files
✓	Update your employee details
✓	Run reports
✓	Receive Defined Benefit Fund updates
✓	Download our Super Saver User Guide to help you through administrative tasks
✓	Remit non-Vision contributions through our clearing house facility

The majority of employers use our online facility for registering members and remitting contributions. This means the quality and accuracy of data provided by employers is very high and assists with streamlining our administration.

Member benefits

Here's a snapshot of the benefits we offer members:

- Low fees, no commissions
- Run only to profit members
- Strong and consistent investment returns
- Access to onsite workplace information sessions
- No additional cost to access financial planners
- Choice of investment options
- Automatic death and disability insurance (qualifying)
- Automatic income protection insurance (qualifying)
- Discounted services such as health and general insurance and banking products
- Retirement products.

We have the highest rating!

Vision Super was once again recognised as one of the top funds in Australia, receiving a Platinum rating from SuperRatings, an independent Australian ratings agency. Platinum is their highest rating awarded to funds offering "the best value for money" to members and employers. This award confirms that Vision Super is continuing to provide valuable benefits and services.



Upcoming projects

ANOTHER VISION SUPER FIRST!

ATM access for income stream members

Vision has entered into a strategic partnership with CUSCAL to provide banking services to our income stream members. CUSCAL is the largest provider of wholesale banking and transaction processing services to specialist retail financial institutions.

Having a banking option offers members the best of both the super and banking worlds: they can enjoy the tax advantages of super while having the flexibility of BPAY, ATM access, and Internet banking.

Vision Super will be the first industry fund to offer this facility to members. We believe this is an exciting initiative that will make super even more attractive to members.

We aim to have this service rolled out from February 2009.

Online Member Education

Vision Super has entered into an agreement with FACTS Online to provide members with access to a range of financial tools and calculators. The facility, to be launched later in 2009, will enable members to get an overview of the health of their superannuation, automatically populate a financial planning fact find document and submit requests for financial planning advice.

First Home Saver Accounts

Vision is investigating the provision of First Home Saver Accounts, enabling younger members to make use of the Government's first home buyers contribution scheme. This will be a major project, as it requires the accounts to be provided through a separate trust and not through the superannuation fund.

Rollout of insurance to Personal Plan

We'll be rolling out the full suite of insurance cover to the Personal Plan. We opened the public offer fund in 2007 and the addition of insurance cover makes this one of the most competitive plans on the market. Members will have the choice of death, disability and income protection cover on application and offered at very competitive premiums.

Local Authorities Superannuation Fund

Defined Benefit Plan Update

Overview

The Defined Benefit Plan was established under the Local Authorities Superannuation Act. It was closed to new members on 31 December 1993. From 1 January 1994, new staff have become members of the Vision Super accumulation plan, Super Saver.

Although the plan is now closed to new members, existing member benefit entitlements and employer contributory obligations continue in full force.

A snapshot of existing members is shown below.

Defined Benefit Membership Profile: 30 June 2008	
Active DB Members	
Number	6,609
Average age	52 years
Average salary	\$58,403
Pensioners	
Number	5,937
Average age	79 years
Average annual pension	\$5,402

Financial position

As trustee, we are required to maintain the Plan in a sound financial position at all times. To this end, we commission independent actuarial reviews at least once every three years. With concern about the potential for unfunded liabilities caused by the current market downturn, and the next actuarial review due at 31 December 2008, we have kept employers updated about the plan's financial position by means of quarterly status reports in December, March and June. The Actuary analyses the financial position of the Plan against two indices:

- The Vested Benefits Index (VBI) measures the benefits which would be due and payable if all of the members resigned on the day of the actuarial investigation. At 30 June 2008 the Index was 118%.
- The Discounted Accrued Benefits Index (DABI) assesses the capacity of the Plan to meet its expected future liabilities (the payment of benefits and lifetime pensions). At 30 June 2008 the Index was 104%.

The Trustee's objective is to maintain the VBI at or over 110% and the DABI at or over 100%. The level of funding required by employers depends on how closely the defined benefit plan's experience matches the underlying assumptions. It is the nature of a closed defined benefit plan that, if the experience of the plan is significantly worse than the Actuary expected, additional funding may be required from employers.

The required funding levels cannot be guaranteed as the actual benefits paid and the experience of the Plan will determine the ultimate cost of the benefits. The Trustee's aim is to keep employer contributions as stable as possible, but the major influences on the cost of benefits are largely out of the Trustee's control. These include:

- Investment returns, which are primarily driven by investment markets
- Salary increases
- Member demographics (claims and resignations); and
- Inflation.

Defined Benefit Plan investment performance

The following table shows the experience of the Plan relative to the key assumptions underpinning the 31 December 2005 review.

Assumptions versus actual experience 1 January 2006 to 30 June 2008 (2.5 years)		
	Assumption (% p.a.)	Actual experience (% p.a.)
Inflation	3.0	3.1
Salary growth	5.5	5.1
Investment earnings	8.0	6.9

At the 2005 actuarial review, the key financial objectives set were to outperform inflation by 5.5% and salary growth by 2.5% p.a. The investment performance of 6.9% outperforms inflation by 3.8% p.a. and salary growth by 1.8% p.a. While the return was positive, it was below our investment objectives.

Defined Benefit Plan investment portfolio

Vision Super has constructed a separate investment portfolio that takes the particular asset/liability profile of the Defined Benefit Plan into account. The asset allocation of the portfolio is shown below.

Asset Class	Asset Allocation (%)
Australian Shares	22.5
International Shares	21.5
Direct Property	9.0
Alternative investments:	
– Private Equity	8.0
– Infrastructure	12.0
– Opportunistic Property	5.0
– Absolute Return Strategies	6.0
Fixed Interest	13.5
Cash	2.5
Total	100.0

Since the last actuarial review, we have progressively increased the weighting to alternative assets, to reduce portfolio volatility. The only change during the year was a 2.5% reduction in fixed interest, with 2% being reallocated to opportunistic property and 0.5% to private equity.

SuperRatings reported that, for the financial year, the median super fund return was -6.39% and the Vision Super Balanced Growth Fund was the No.1. performer with a return of -1.7%. In contrast the defined benefit portfolio had a positive return of 0.58%. However, while Vision Super has performed very well in relative terms, the magnitude of the downturn in investment markets during the financial year has set back the very good progress we have made in funding in recent years.

Investments

Vision Super is a manager of investment managers. Vision selects and appoints a combination of specialist investment managers to manage the assets of the Defined Benefit Plan and the various investment options available to members in accumulation plans.

The Trustee has overall responsibility for investment of fund assets. Vision Super has an investment team who manage our cash portfolio inhouse and review investments and managers on an ongoing basis. The Manager Investments reports on the performance of the Vision Super investment options, and underlying managers at monthly Board meetings.

Vision Super provides a comprehensive range of investment choice options for members in our accumulation accounts, which include Super Saver, Personal Plan and the Income Stream products.

External Advisors

The services of external asset consultants are used to provide us with strategic advice and assistance with investment manager selection. It is the practice of the Board to conduct periodic reviews of its service providers.

Following a competitive tender in June 2008, Frontier Investment Consulting was reappointed as our principal asset consultant.

Our specialist property investment advisor Pinnacle Property Group has closed its business. We are in the process of considering a replacement adviser.

Super Saver Investment Options

Employees and members can choose from a range of different investment options. Should a Super Saver member not make a choice, their super is invested in the default option, Balanced Growth. At the end of June 2008, 88% of members' accumulation assets were invested in Balanced Growth. This figure is consistent with industry average allocations to default funds. The asset allocations for our premixed options are shown on the tables to the right.

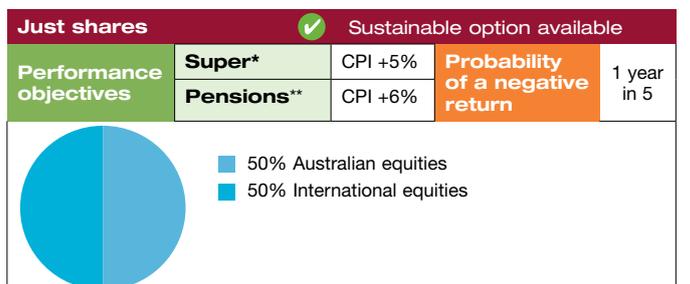
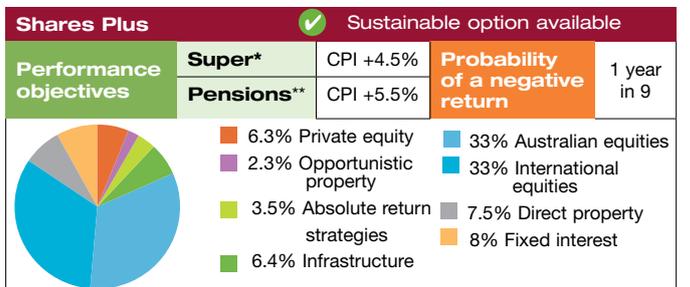
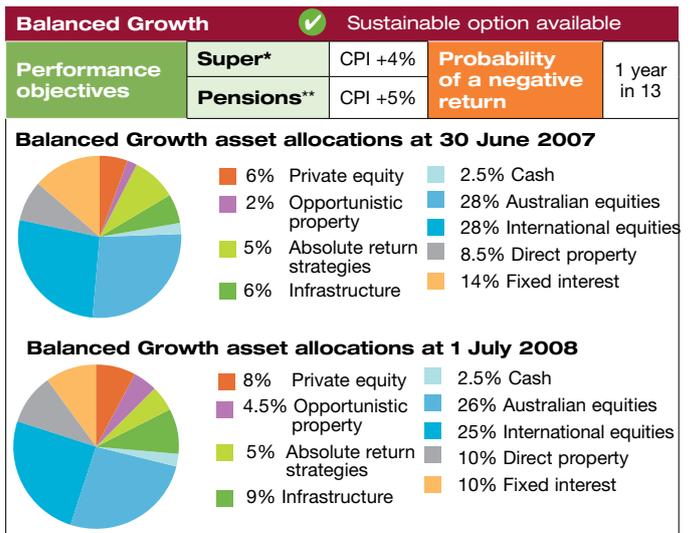
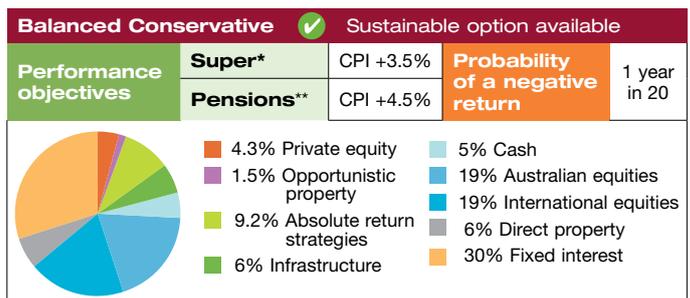
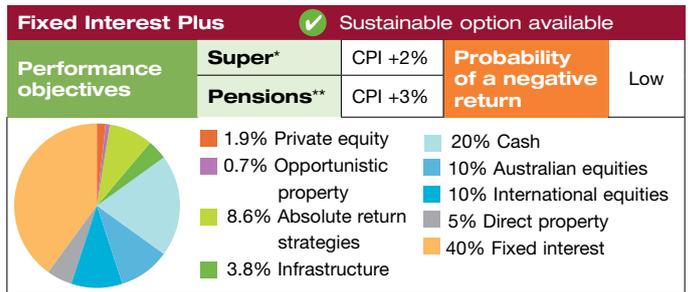
Members have a choice of 10 premixed investment options and 6 single sector options. The single sector options are Cash, Fixed Interest, Property, International Equities, Australian Equities and Alternative Assets.

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

The table on page 8 shows the longer-term performance of Vision Super's investment options. Despite the media attention on short-term results, super is a long-term investment that we should consider accordingly.

Trustee Premixed options

Apart from Balanced Growth, asset allocations did not change this financial year.



* The earnings of super products are taxed.

** The earnings of pension products are untaxed.

Investment Performance

The table below shows the performance of the Vision Super investment options over the long-term. We know that volatile markets can make investors feel nervous but history shows that markets recover after periods of market downturn. Super is long-term, even in retirement! A period of negative returns doesn't mean that a long-term strategy will be unsuccessful. Using Balanced Growth as an example, the average annual return net of fees and tax to 30 June 2008 has been:

- 10.08% p.a. over 5 years;
- 7.07% p.a. over 10 years;
- 8.28% p.a. over the last 15 years
- 8.79% p.a. over the last 20 years; and
- 9.25% p.a. over the last 39 years

These are strong and consistent returns.

Superannuation Plans (returns shown are net of fees and tax)

Performance Versus Consumer Price Index (CPI) to 30 June 2008			
Options	7 Years	5 Years	3 Years
	Net return (% p.a.)	Net return (% p.a.)	Net return (% p.a.)
Vision Premixed Options			
Fixed Interest Plus	6.16	7.25	6.41
Balanced Conservative (B)	N/A	N/A	6.76
Balanced Growth	6.84	10.08	8.21
Shares Plus	6.02	9.94	7.23
Just Shares	4.55	10.32	7.13
Vision Sustainable Premixed Options			
Fixed Interest Plus (C)	–	6.98	6.30
Balanced Conservative (B)	–	N/A	6.49
Balanced Growth (A)	–	8.77	7.10
Shares Plus (C)	–	9.06	6.88
Just Shares (C)	–	8.89	6.36
Vision Single Sector Options			
Cash	4.91	5.19	5.53
Fixed Interest (D)	–	–	4.93
Property (D)	–	–	14.02
International Equities (D)	–	–	3.54
Australian Equities (D)	–	–	10.28
Alternative Assets (defensive) (D)	–	–	9.31

Investors should be aware that returns may go up and down, so past returns are no guarantee of future performance.

A – Sustainable Balanced Growth commenced 1/10/01.

B – Balanced Conservative & Sustainable Balanced Conservative commenced 1/4/05.

C – Sustainable Fixed Interest Plus, Shares Plus & Just Shares commenced 1/1/02.

D – Vision Super Single Sector Options commenced from 1/4/05.

Investment Performance

The Australian and international sharemarkets had their lowest returns for over 20 years in the 2007/08 financial year. Problems started in the U.S. with the sub-prime crisis, which was caused by inadequate risk management and poor lending practices. The situation was made worse by rising oil prices, inflation and fears of slower economic activity.

“Vision Super’s bittersweet win” was thus the heading of an Australian Financial Review article on 29 July when it was announced that Vision Super’s Balanced Growth option had been the best performing fund for the financial year, with a negative return of -1.7%.

Super Saver performance

While we fully understand that members will not be happy with negative returns, relative to competitors, Vision Super has performed well with 4 of our investment options finishing 1st in the SuperRatings Fund Credit Rate survey for the financial year. As the table below shows, all investment options outperformed the median (except one which equalled the median).

Vision Super Superannuation Plans Net* investment returns 12 months to 30 June 2008			
	Vision Super 1 year (% p.a.)	SuperRatings median return (%)	SuperRatings ranking
Trustee Premixed options			
Fixed Interest Plus	3.47	-0.29	1 st
Balanced Conservative	0.84	-3.90	1 st
Balanced Growth	-1.70	-6.39	1 st
Shares Plus	-5.47	-8.80	4 th
Just Shares	-12.66	-12.66	12 th
Vision Single Sector Options			
Cash	6.31	5.11	6 th
Alternative Assets	5.91	**	**
Fixed Interest	8.33	3.77	1 st
Property	14.47	-17.98	2 nd
Australian Equities	-12.60	-12.77	19 th
International Equities	-13.80	-17.27	5 th

Source: SuperRatings Fund Crediting Rate Survey June 2008

Investors should be aware that returns may go up and down, so past returns are no guarantee of future performance.

*After allowing for a deduction of investment fees and tax

** SuperRatings does not survey alternative asset portfolios.

Communicating returns

Members who take an active interest in their super should not have been surprised by lower returns, however we were concerned that those who are not actively engaged may have been surprised. In an attempt to allay member’s concerns about lower returns, we ran a campaign to educate members about investment performance and the markets from November 2007, with features about investments in our member newsletters in February and May. The theme of our Member Report was “performing well in tough times”.

A special section on the website was developed to answer expected member questions and provide information which we hope will help members better understand the reasons for their investment returns.

Understanding our performance

Our results were due to 2 main factors:

1. We have had positive returns from our property, fixed interest, cash and alternative investment portfolios.
2. We have stuck to our investment strategy, which focuses on long-term outcomes and has served our members well over a very long time. Prudent investment management is as much about risk management as it is about short-term investment returns.

What is a median return?

The middle column in the table above refers to the “Super Ratings Median Return”. The *median* is the middle number in any set of numbers (e.g. there are 43 investment options ranked in the Balanced Growth survey, the median option is number 22). At 30 June 2008, the 22nd best performing fund returned -6.39%, while Vision Super returned -1.7%. This means we beat the median manager by 4.69% this financial year. Every Vision investment option surveyed beat the SuperRatings median return, apart from Just Shares which was equal. Our performance was above average (and in most cases in the top 5 performing) compared to our competitors.

Speak to us

If your employees are concerned about their super in these volatile times, we have a variety of services that you can point them to in order to assist you with answering their queries.

- Member Services consultants can give general information over the phone about their super.
- Senior Super consultants can sit down and have a one on one chat with your employees about their super, their options for contributing more, or review their investment selection.
- Our Financial Planners can review your employees situation and provide them with a plan to reach their retirement goals.

Please contact our Client Relations team for more information.

Client Services

Meeting the changing needs of our employers

Vision Super is continuing to work in partnership with our employers to help them retain older staff. The key message is that super can enhance rather than impede the flexibility available to older members as they approach retirement. The main issue again for this year was thus the development of phased retirement strategies for our employers. The key issue is that, with an ageing workforce, employers face a skills shortage across certain occupations (both blue and white collar).

The Client Relations and Member Education teams have been merged in order to service employers more efficiently across a wide geographical area. The team consists of:

- Eric Ferraro, Manager Client Services
- Scott Johnson, Account Manager
- Norm Schinck, Senior Superannuation Consultant
- Dianne Abley, Senior Superannuation Consultant
- Diane Soumbassis, Senior Superannuation Consultant

There is a growing demand for older members to help with succession planning and mentoring. Recognising that retirement planning can play a large role in retaining older employees, we have moved from providing seminars to providing one-on-one meetings held onsite at your offices. These meetings, which we call a Super Health Check allow members nearing retirement to have a discussion with one of our super consultants to make sure their super is on the right track.

Following on from successful demand for one on ones we are also trialing having financial planners speak with members on employer sites. The combined program allows members to receive different levels of advice depending on their circumstances and has proven very successful.

Employer activities

Ordinary Time Earnings

From 1 July 2008 "ordinary time earnings" (OTE) is now the only allowable earnings base for calculating an employer's superannuation guarantee obligations. Ordinary time earnings are an employee's earnings in respect of ordinary hours of work, including over-award payments, bonuses, commissions, shift allowances and paid leave. The change to OTE potentially has increased an employer's superannuation costs. We provided a circular detailing the change in May 2008. A copy is available upon request.

Payroll/HR training days

Vision held two payroll / HR training days which were attended by over 120 staff from our participating employers. The days are a great opportunity for new staff or those in need of a refresher, to get information on super from our key staff in each area. The training also covers any changes to legislation that employers need to know about. We will be holding more training days in 2009.

Vision Super Golf Day

We held our third annual golf day on 22 February 2008. The day was sponsored by Schroders and another investment manager. The day was once again a huge success where employers from all across the state get together. 33 employers took part with team honours going to Corangamite.

Vision FinPro Management Scholarship

The 2008 scholarship winner was Belinda Johnson, Finance Manager at South Grampians Shire Council, who will be using her scholarship to complete our leadership course at Melbourne Business School.

MAV Vision Super Scholarship

The Vision Super Study Scholarship provides an opportunity for a major study on a human resource management issue that affects the local government sector. The 2007 study scholarship was awarded to Ken Wallis, Manager Learning and Development, Boroondara City Council who presented the findings from his study at the Local Government Workplace and Risk Summit in August 2008.

Member activities

Face to Face

Over the last financial year, we delivered the following services.

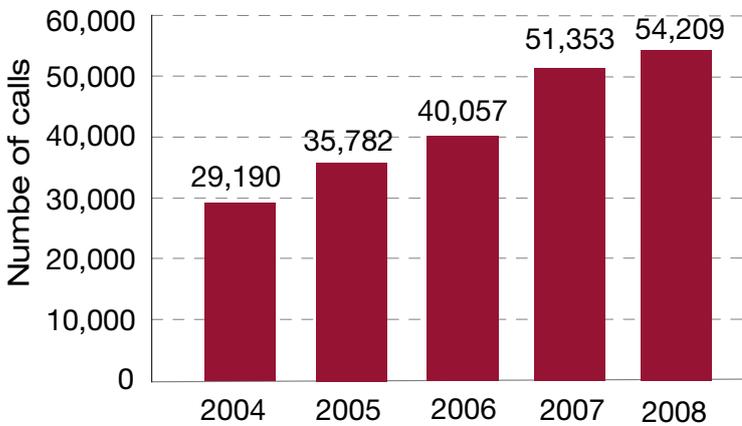
Member Services Activities - Financial year 2007/2008

	Activities Held	Members serviced
Education seminars	218	3,512
One on one member meetings	-	739
Retirement seminars	29	2,320
Financial planning meetings	-	966
Total	247	7,537

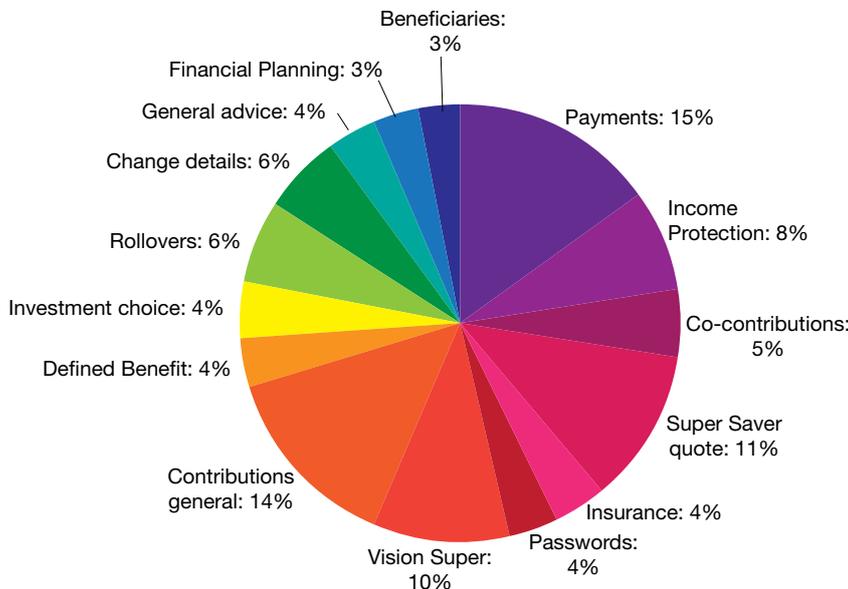
Phone

This year 54,209 members rang our Member Services team; this is up another 5% on the previous year. Member Services responds to calls, emails and letters and conducts meetings with members. The number and breakdown of calls can be seen in the charts shown here. These charts show not only the increase in calls, but the depth of call types the team responds to.

Calls received

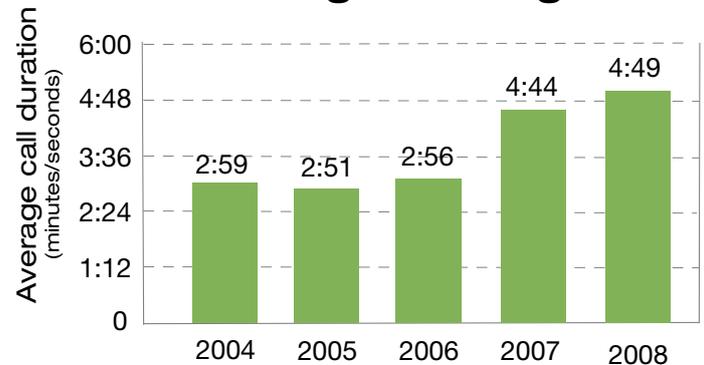


Call types



The call duration for many of the calls was up considerably this year, emphasising that members are taking more interest in their super, especially during these uncertain times.

Average call length



Website

Following the revamp of our website, visits continue to increase, particularly when we run campaigns (such as co-contributions in May and June) where we drive traffic to the site via all our communications.

The website is proving to be a valuable tool in educating members and helping them take action with their super. In the coming year we will be revamping the secure sites for both members and employers. The aim of which will be to provide a more user-friendly experience where members can find the information they need when they need it. FACTS Online will also be introduced, further encouraging member engagement with Vision Super.

Print

We are also in the process of developing product brochures to be given to new members, providing members with a plain English overview of the fund.

The aim of all communications is to be clear, concise and relevant to members.

We will also be doing more targetted newsletters so the information is more relevant to the member reading them. Our aim is to empower members so they take interest, and take control of their superannuation.

Investment management

Investment managers

Vision Super invests your money with investment managers who specialise in particular types of investments, such as shares and property. Details of the holdings for each manager over the last 12 months are shown in the tables on the following two pages.

Investment strategy

An important part of risk management is ensuring that each investment option is invested in line with its target asset allocation. Financial markets go up and down at different times for different reasons and a fund can quickly get out of balance.

As a general principle we aim to limit the fluctuation in relative asset class weightings to within +/- 2.5% of the target asset allocation. However the actual invested position will fluctuate from time to time due to shorter-term market movements, as we are currently experiencing.

Derivatives

We do not use derivative instruments in managing the internal cash portfolio. External fund managers of discrete mandates are authorised to use derivative instruments for the efficient management of their portfolios under agreed guidelines. These guidelines allow Fund Managers to use derivatives to control risk, 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 has invested in a number of pooled investment funds. As part of their active investment strategies, these pooled investment funds use derivative instruments that may from time to time leverage their portfolios. Vision Super does not have additional liability associated with these pooled funds beyond the amount invested.

Traditional Investments	30 June 2008		30 June 2007	
	\$million	%	\$million	%
Growth Investments				
Australian Shares				
GMO Australia Limited – Value Tilt	138.5	3.3%	176.3	4.2%
Intech Investment Consultants – High Alpha Trust (HAT)	91.8	2.1%	124.0	2.9%
Schroder Investment Management Australian Limited – Growth Tilt	135.6	3.3%	174.5	4.2%
SAM Sustainability Leaders Australian Fund	18.6	0.5%	19.7	0.5%
Macquarie Bank Investment Management Limited – Enhanced Index	352.8	8.6%	412.1	9.9%
Warakirri Asset Management – Small Companies Fund	91.6	2.2%	120.1	2.9%
Total	828.9	20.0%	1026.7	24.6%
International Shares				
Alliance Bernstein Australia Limited – Global Equity Blend	84.7	2.1%	–	–
Baillie Gifford Overseas Ltd. – Long-term Global Growth Equities	84.3	2.1%	109.0	2.6%
Brandywine Asset Management LLC – Value Approach Strategy	80.6	2.0%	106.8	2.6%
Colonial First State – Global Emerging Markets Leaders Fund	60.3	1.5%	66.4	1.6%
Generation Investment Management – Global Equity Fund	44.5	1.1%	52.3	1.3%
SAM Sustainability Leaders International Fund	17.8	0.4%	17.8	0.4%
State Street Global Advisors – Index Plus Strategy	263.8	6.4%	322.9	7.8%
Turner Investment Partners – Small Cap Core Equity	25.8	0.6%	68.0	1.6
Turner Investment Partners – Mid Cap Growth Equity	26.6	0.6%	–	–
Intech Investment Consultants – High Opportunities Trust (HOT)	29.2	0.7%	38.5	0.9%
HFA Asset Management – International Shares Fund (Long/Short Unconstrained)	61.2	1.5%	66.0	1.6%
Wellington International Management Company Pty Ltd – Neutral Core (Terminated)	–	–	107.5	2.6%
Total	778.8	19%	955.2	23%
Currency Overlay				
FX Concepts – Active	-3.6	-0.1%	1.2	0.0%
FX Concepts – Passive	3.9	0.1%	2.5	0.1%
Bridgewater Associates Inc. – Overlay Portfolio	0.2	0.0%	10.7	0.3%
Total	0.5	0.0%	14.4	0.4%
Property Core				
AMP Capital Investors – Property Unit	128.6	3.1%	112.6	2.7%
Colonial First State Property – Direct Property Investment Fund (Retail)	30.0	0.7%	27.4	0.7%
Industry Super Property Trust – Core Fund	130.3	3.2%	126.6	3.1%
Eureka Fund Management – Core Property Fund 3	48.1	1.2%	30.2	0.7%
QIC Properties Pty Ltd – Shopping Centre Fund (Retail)	37.2	0.9%	34.0	0.8%
Total	374.2	9.1%	330.8	8.0%
Defensive Investments				
Cash				
Internal Management (Vision Super)	413.4	10.1%	217.3	5.2%
Total	413.4	10.1%	217.3	5.2%
Fixed Interest				
Alliance Bernstein Australia Ltd – Domestic Fixed Income	98.3	2.4%	126.1	3.0%
Hastings Funds Management Limited – Yield Fund	139.7	3.4%	112.8	2.7%
Members Equity Portfolio Management Limited – Super Loans Trust	10.8	0.3%	10.9	0.3%
Bridgewater Associates Inc. – Global Bond Fund	134.0	3.3%	177.8	4.3%
Western Asset Management Company – Diversified Fixed Income	115.9	2.8%	162.6	3.9%
Total	498.7	12.2%	590.2	14.2%
Total Traditional Investments	2894.5	70.4%	3,134.6	75.4

The assets of all Vision Super plans are invested in the Vision Pooled Superannuation Trust. The pooling of assets in this way allows us to invest assets efficiently, while maximising economies of scale for all members.

Investment management

Alternative Investments	30 June 2008		30 June 2007	
	\$million	%	\$million	%
Infrastructure				
IFM Australian Social Infrastructure A	–	–	33.2	0.8%
IFM Australian & International Infrastructure	405.9	9.9%	338.9	8.2%
Hastings Funds Management Limited – Utility Trust of Australia	51.2	1.2%	27.3	0.7%
Regional Infrastructure Fund	10.6	0.3%	10.7	0.3%
Total	467.7	11.4%	410.1	10%
Private Equity				
IFM Australian Private Equity Funds II & III	42.1	1.0%	37.9	0.9%
ABN AMRO – Capital Australia Fund II	12.5	0.3%	27.0	0.7%
IFBT – Industry Fund Banking Trust	19.4	0.5%	12.3	0.3%
ING Investment Management – Private Capital Fund No.1	8.3	0.2%	8.1	0.2%
Quay Partners Pty Ltd – Australia 2, 3 & 4 Funds	27.0	0.7%	18.2	0.4%
Macquarie Alternative Investment Fund IV & V	32.0	0.8%	20.3	0.5%
IFM International Private Equity Fund I, II & III	65.4	1.6%	65.7	1.6%
Montagu Newhall Global Partners III & IV, L.P.	13.3	0.3%	6.5	0.2%
Generation Investment Management - Climate Solutions Fund	5.2	0.1%	–	–
LGT Capital Partners AG – Crown European Private Equity PLC	16.4	0.4%	6.8	0.2%
Fortis Investment Mgmt Aust. Ltd – Mid Europa Emerging Europe Conv. Fund II, L.P	24.2	0.6%	24.2	0.6%
Private Equity Trust *	74.5	1.8%	39.4	0.9%
Vencap 12 Limited	2.9	0.1%	–	–
Total	343.2	8.4%	266.4	6.5%
Property Opportunistic				
APN Funds Management Ltd – Development Fund No.1	6.1	0.1%	2.7	0.1%
Colonial First State Property – Opportunistic Partnership No. 1	0.2	0.0%	0.3	0.0%
Eureka Funds Management – Property Fund No.1 & 2	11.3	0.3%	7.9	0.2%
Macquarie Wanda Real Estate Fund	22.8	0.6%	20.4	0.5%
Private Equity Trust – Property Opportunistic**	65.5	1.6%	39.4	1.0%
Warakirri Asset Management Pty Ltd – Dairy Farm Trust	10.1	0.2%	4.5	0.1%
Warakirri Asset Management Pty Ltd – Dairy Land Trust	26.7	0.7%	11.6	0.3%
Investa – Enhanced Fund	35.2	0.9%	33.0	0.8%
Gresham Partners Limited – Property Mezzanine Fund No. 2 & 3	8.2	0.2%	4.7	0.1%
Total	186.1	4.5%	124.5	3.1%
Absolute Return Strategies				
Bridgewater Associates Inc. – Pure Alpha Fund	31.5	0.8%	–	–
Bridgewater Associates Inc. – All Weather Fund	2.7	0.1%	35.1	0.8%
BlackRock Alternative Advisors – QBLK ARS III	92.4	2.3%	88.0	2.1%
Warakirri Asset Management – Absolute Strategy Fund	86.7	2.1%	86.2	2.1%
Total	213.3	5.3%	209.3	5%
Total Alternative Investments	1210.3	29.6%	1,010.3	24.6%
Total	4,104.8	100%	4,144.9	100%

Investment Manager Activity

Over the year we continued to refine our manager line up, always looking to improve the risk-return trade off within each asset class. Most of the activity related to additional commitments to alternative asset classes.

International Equities

Alliance Bernstein replaced the active core portfolio previously allocated to Wellington International Management. The new mandate blends the share portfolios of Alliance Global Research Growth strategy and Bernstein Value Equities process. Their objective is to provide an active core portfolio with medium risk/return objective, to complement the other active high conviction manager within the International shares portfolio.

We also reduced the exposure to the Turner Investment Partners, US Small Cap Core Equity mandate, transferring half of the capital to a new Turner US Mid Cap Growth Equity mandate. The objective is to diversify our exposure with the prospect of achieving a better risk return outcome.

Infrastructure

Infrastructure Funds Management (IFM) merged their Australian Social Infrastructure Fund and Australian Infrastructure Funds. The primary drivers were cost savings and management efficiencies.

Private Equity

As part of the strategy to increase weightings to private equity, a commitment of USD 50 million was made to Vencap, a US and European venture capital fund of funds.

Additional commitments were made to existing managers as follows: IFM International Private Equity Fund, USD 15 million (an international buyout fund of funds), Montagu Newhall Global Partners USD 15.6 million (primarily a US venture capital fund of funds), Macquarie Alternative Investment Trust, AUD 15 million (an Australian buyout fund of funds) and Generation Investment Management Climate Solutions Fund (USD 20 million), which has a sustainable focus, investing in both listed and unlisted securities associated with finding solutions in relation to climate change.

Absolute Return Strategies

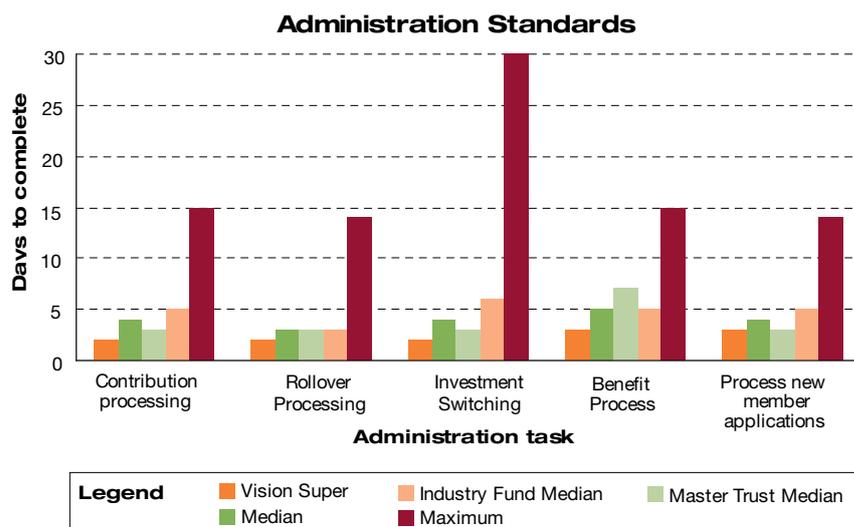
An additional allocation was made to Bridgewater Pure Alpha Fund (Absolute Return Strategies).

The Pure Alpha Fund seeks to add value by taking positions in a very diversified portfolio of global equities, fixed interest, commodities and currencies.

Operations

Administration efficiency

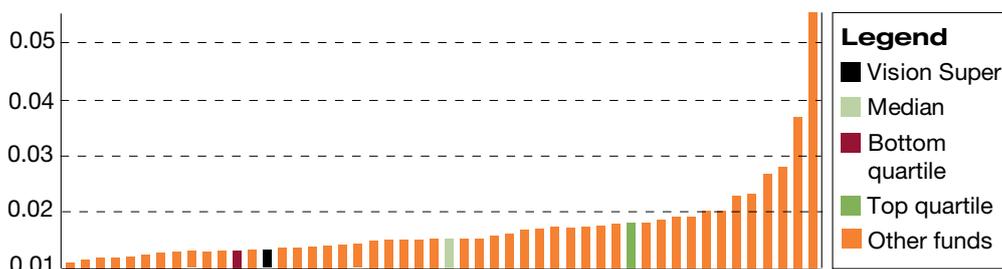
The chart below is extracted from the SuperRatings "Rating and Benchmarking Report 2007" which compares Vision Super's administration standards with those of other rated funds. It shows the number of days taken to complete various standard administration tasks, illustrating that Vision Super's in-house administration provides members and employers with administration levels above industry averages.



Relative financial performance

The following table from SuperRatings "Rating and Benchmarking Report 2007" demonstrates Vision Super's management efficiency of 0.3% is well below the industry median of 0.5%. This demonstrates that despite recent growth and increase in regulatory requirements, we continue to keep our costs below industry average.

Non-investment related management expense ratio 2007/2008



Financial Report – Local Authorities Superannuation Fund

Incorporating **Defined Benefit, SuperSaver and Partner Plan plus Personal Plans and Pensions** established before 1 February 2007.

Net Assets as at 30 June

	2007/2008 \$000	2006/2007 \$000
Assets		
Investments	4,021,878	4,146,971
Other Assets	3,404	4,878
Total	4,025,282	4,151,849
Less Liabilities		
Income Tax payable	35,363	29,238
Provision for deferred tax	578	576
Other liabilities	14,097	19,881
Total	50,038	49,695
Net Assets	3,975,244	4,102,154

Changes in Net Assets for year ended 30 June

	2007/2008 \$000	2006/2007 \$000
Net Assets at beginning of the year	4,102,154	3,443,686
Income		
Investment revenue	(101,851)	593,219
Contributions by employers	250,062	227,116
Contributions by members	127,217	133,965
Other revenue	854	615
Total	276,282	954,917
Outgoings		
Benefit payments	353,465	226,314
Investment expenses	0	7,696
Administration expenses	14,921	13,784
Insurance	1,056	0
Other expenses	108	904
Income tax	33,642	47,751
Total	403,192	296,449
Net Assets at end of the year	3,975,244	4,102,154

Committees of the Board

The Board has a number of Committees comprising of directors, management and external advisors to deal with issues and where applicable, to make recommendations to the Board.

Audit Risk and Compliance Committee

(Independent Chair – John Warburton)

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

Benefits Committee

(Chair – Angela Emslie)

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

Investment Committee

(Chair – Tony Tuohey)

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

Trustee Indemnity

Vision Super Pty Ltd has taken out a policy of trustee indemnity insurance.

Commonwealth superannuation law generally requires that fund trustees have equal representation of employer and member representatives.

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

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

Each director has an alternate director appointed in the same manner. The term of appointment for directors and alternates is four years. The directors and their alternates as at 30 June 2008, are detailed in the table.

Fund administration

CEO:	Rob Brooks
Company Secretary:	Paul Curtin
External auditor:	Ernst & Young
Internal auditor:	KPMG
Master Custodian:	National Custodian Services Ltd

Principal advisors

Actuarial:	Russell Employee Benefits
Investments:	Frontier Investment Consulting
Lawyers:	Freehills; Phillips Fox; Rigby Cooke
Tax:	PricewaterhouseCoopers

Board assessment

The Board has undertaken an assessment program on its performance, prepared in conjunction with an external consultant. This assessment enables Directors, and the Board as a whole, to review its effectiveness and to ensure that it understands and meets its roles, responsibilities and operating procedures. This understanding together with a framework for appraising Board performance helps the Board to achieve organisational objectives.

Directors during the year ended 30 June 2008

* Dick Gross replaced John Warburton who resigned in June 2007

	Director	Alternate Director	Method of appointment	Appointed
	Michael Tilley	Steve Bird	Nominated by VWIA	1998
	Bill Watton	Russell Atwood	Elected by members	1991
	Darrell Cochrane	Brian Parkinson	Elected by members	1993
	Tony Tuohey	Robyn Glascott	Elected by members	1995
	Dick Gross*	Alison Lyon	Nominated by MAV	2007
	Angela Emslie	Leigh Harder	Nominated by VECCI	1998
	Wendy Phillips	Dean Barnett	Elected by members	1998
	Rob Spence	Alison Lyon	Nominated by MAV	2003

Give your super the once over

Investigate your super health by taking our 2 Minute Super Review. By checking your super situation early you can save yourself a lot of heartache later. Most people wait until the last minute, and by then it could be far too late to get the retirement lifestyle you want.

Fill in the age-based questions below to get some handy tips and suggestions on how you can improve upon your super situation. Just find your age category to begin. Two minutes now could equal years of retirement bliss later!

As a low cost 61 year old industry fund run only to profit members, Vision Super has the products and services you can use throughout your lifetime.

0-40

Tick if these apply to you

- Do you sacrifice part of your salary to super?
- Have you considered a Government Co-contribution?
- Have you spoken to us about your super?
- Do you regularly contribute extra money to your super?
- Do you know how much you'll need in retirement?
- Have you reviewed your insurance cover?
- Have you rolled all your super into one account to save on fees?
- Do you know the main advantages of belonging to an industry super fund?

40-55

Tick if these apply to you

- Do you sacrifice part of your salary to super?
- Have you considered a Government Co-contribution?
- Have you spoken with us about your super?
- Are you happy with how much you have in your super now?
- Do you know how much you'll need in retirement?
- Have you reviewed your insurance cover?
- Have you booked an appointment with one of our super specialists?
- Have you been to a workplace seminar?

55+

Tick if these apply to you

- Are you planning to retire in the next 5 years?
- Have we given you a free financial plan?
- Have you investigated Allocated Pensions?
- Are you looking for ways to maximise your super savings?
- Do you know how much you'll need in retirement?
- Have you reviewed your insurance cover?
- Do you understand all the retirement options available to you?
- Do you know what your super account balance is?

2
minute
super
review

How did you go?

7 or more ticks

Your super is in good shape. Remember to continue contributing extra and follow your financial super plan into retirement and beyond. **Call us on (03) 9911 3222** (regional callers **1300 300 820**) if you have any concerns.

Good



Between 5 and 6

You're on the right track, but think about putting away more if you can. Don't let your guard down! If you haven't already, think about co-contributions, salary sacrificing, or rolling over. **Call us on (03) 9911 3222** (regional callers **1300 300 820**) and visit our website www.visionsuper.com.au

Stable



Between 3 and 4

Your super is not healthy. You need to contribute extra, get a detailed financial plan if you haven't got one and investigate all your super options. **Call us on (03) 9911 3222** (regional callers **1300 300 820**) and visit our website www.visionsuper.com.au

Poor



2 or less

You need to look into your super urgently. Visit our website at www.visionsuper.com.au and speak to us today about all the options available to you to contribute more and receive free super financial advice. **Call us on (03) 9911 3222** (regional callers **1300 300 820**).

Critical



We can help!

If you have questions or need any help about assessing your super situation give us a call on:

(03) 9911 3222 (regional callers 1300 300 820)

or visit our website:
www.visionsuper.com.au

Other contact details

Fax (03) 9911 3299

Email memberservices@visionsuper.com.au

Postal address:

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Melbourne Victoria 3000
P.O. Box 18041 Collins Street East
Melbourne VIC 8003



Vision Super Pty Ltd ABN 50 082 924 561, Australian Financial Services Licence 225054, RSE Licence L0000239 is the Trustee of the Local Authorities Superannuation Fund (R1000603) and the Vision Superannuation Fund (R1069938).