



EMPLOYER REPORT 2009



www.visionsuper.com.au
OCTOBER 2009

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Benefit
reporting
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Chairman's report

"2008/09 was the worst year on record for superannuation funds... We are not out of the woods yet, but at last we are seeing a directional change..."



SUPER RATINGS

SUPERRATINGS PLATINUM SAVINGS 09

20 09

SUPERRATINGS PLATINUM PENSION 09

FUND OF THE YEAR FINALIST 09



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

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Chairman's report

I am pleased to present Vision Super's Employer Report for the 2008/09 financial year. As Chairman from 1 July 2008, I came into the role at a very challenging time. The global financial crisis has affected financial institutions and super funds worldwide.



Global financial crisis

2008/09 was the worst year on record for superannuation funds. Notwithstanding some late recovery, the Australian equity market finished the year down over 20% and world markets down nearly 27%. Unfortunately there was nowhere to hide. All assets were affected, including infrastructure, property and private equity. At one time during the year there were very real concerns that the world's financial system, as we know it, might not survive.

Against this backdrop one could argue that super funds could have done a lot worse. The return of the Vision Super "Balanced Growth" investment option, in which the vast majority of our members are invested, was minus 13.4%.

The Australian Prudential Regulation Authority (APRA) recently published the five-year performance figures for each of Australia's 200 largest superannuation funds. Unlike other performance tables, this publication measured each fund on a total return basis. Defending itself against some criticisms, particularly from the retail sector, APRA argued that providing "whole-of-fund" return information is an appropriate way to assess a trustee's performance in maximising member retirement benefits.

To be fair, this debate continues, but it's interesting to note that APRA listed Vision Super in the top 12% of super funds. Many people say it was a difficult year for super funds. We prefer to say it was a difficult year for members.

Yes, we had to keep a close eye on liquidity management and related issues, but helped by our decision to introduce daily unit pricing in 2006, Vision Super continued to operate uninterrupted, without imposing any restrictions on benefit payments, investment switching, or any other member services.

Defined Benefit performance

In three years our Defined Benefit plan went from its best ever financial position to narrowly avoiding a trustee funding call on employers. One of the key funding ratios, the Vested Benefits Index, fell from 126% to 104%.

We are not out of the woods yet, but at last we are seeing a directional change. Will it last? We certainly hope so.

As we mentioned in previous communications regarding the Defined Benefit plan's performance, we plan to conduct a full actuarial investigation at 30 June 2010 and will let you know the results as soon as possible thereafter.

(please see page 3 for more details).

I wish to thank Michael Tilley for the great work he did as Chair over the previous three years. I would also like to acknowledge the contribution of our members, our staff and our sponsoring employers for their help during the year. Additionally, a warm thank you to Bill Watton who is retiring after twenty years of dedicated service as a director of Vision Super. We warmly welcome Russell Atwood as his replacement. Russell has been an Alternate Director of Vision Super for a number of years.

Finally, we would also like to thank Dick Gross for his two year term of service as a director, and welcome Geoff Lake as his replacement.

A handwritten signature in black ink, appearing to read 'D. Cochrane', written in a cursive style.

Darrell Cochrane
Chairman

Defined Benefit Plan



Overview

The Local Authorities Superannuation Fund (LASF) was established in 1947 to provide super for employees of Victorian local governing authorities. Whilst eligibility for lifetime pensions and defined benefits ceased in 1988 and 1993 respectively, employer obligations and member entitlements continue for employees who were members of LASF at 31 December 1993.

Defined Benefit Plan Membership Profile 31 December 2008

Active DB Members	
Number	6,212
Average age	52.5 years
Average salary	\$60,638 p.a.
Pensioners	
Number	5,556
Average age	78.9 years
Average pension	\$5,778 p.a.

Financial Position

As Trustee, we have a prudential and regulatory obligation to maintain the Plan in a sound financial position at all times. There was obvious concern about the outcome of the triennial 31 December 2008 actuarial investigation given the decline in asset values resulting from the global financial crisis (GFC). To this end, we tried to keep employers up to date by means of six monthly status reports and our employer annual review process.

In general terms, the financial health of the Defined Benefit Plan is assessed against two indices:

1. The Vested Benefits Index (VBI) measures the benefits which would be due and payable if all of the members left their employment on the day of the actuarial investigation. At 31 December 2008 the VBI was 104%.
2. 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 31 December 2008 the DABI was 100%.

While the vested and accrued benefits were at or above 100% at 31 December 2008, based on "best estimate" projections, there was an actuarial funding shortfall of approximately \$71 million. This compares with a surplus of \$23 million at 31 December 2005.

In comparative terms the Plan performed well. The net return over the 3 year period was 2.8% p.a. compared to the SuperRatings (SR50) median return of -0.4% p.a. From a regulatory perspective, the Plan remained adequately funded in respect of members' vested and accrued benefits.

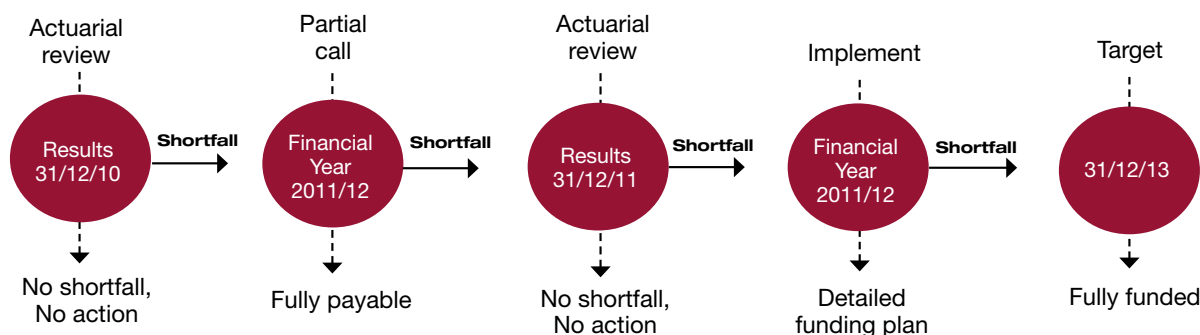
Strong investment performance and past funding initiatives enabled the Trustee to avoid making a call on employers. However, unless future performance is better than expected, it is likely that additional employer contributions will be required in the future.

To monitor performance and provide early advice to employers, the Trustee has adopted the following plan; the objective of which is to be fully funded by 31 December 2013:

- An actuarial review will be conducted at 30 June 2010 with employers being advised of the outcome by 31 December 2010. If there is a shortfall the Trustee will make a partial call, fully payable by employers in the 2011/12 financial year.
- Another actuarial review will be conducted at 30 June 2011 with employers being advised of the outcome by 31 December 2011. Any shortfall will result in the Trustee publishing a detailed funding plan, incorporating the amount, timing and payment options required for the Plan to be fully funded by 31 December 2013.

The Actuary's Report is available on the Vision Super Employer secure website.

Defined benefit plan funding timeline

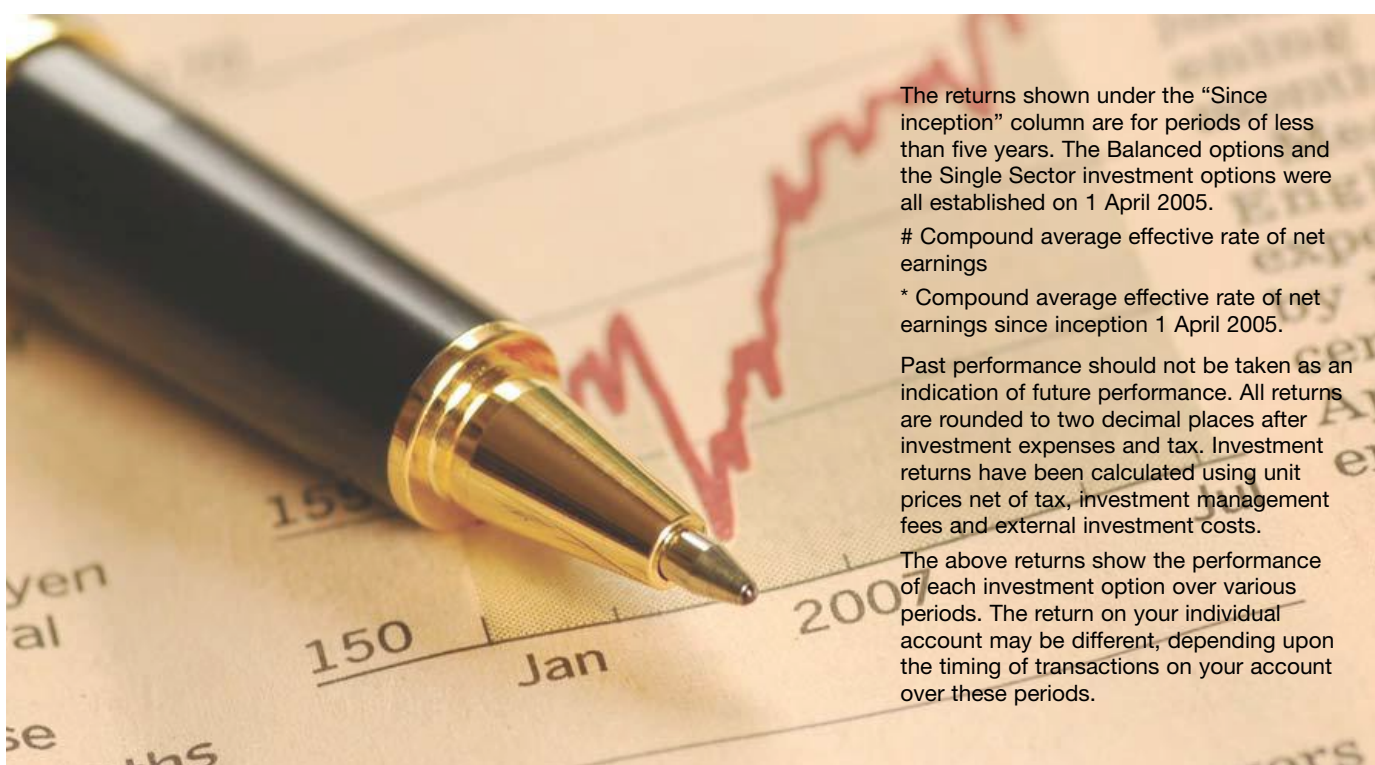


Investment performance



All returns are quoted net of investment management fees and tax.

	Superannuation plans			Pension plans		
	1 year (%)	5 years (% p.a.)#	Since inception (% p.a.)*	1 year (%)	5 years (% p.a.)#	Since inception (% p.a.)*
Premixed Options						
Conservative	-4.30	4.75	N/A	-4.53	5.26	N/A
Balanced	-8.47	N/A	3.33	-10.02	N/A	3.17
Balanced Growth	-13.39	4.39	N/A	-13.98	4.52	N/A
Growth	-13.31	3.89	N/A	-15.63	3.75	N/A
Just Shares	-18.07	2.47	N/A	-20.66	2.15	N/A
Sustainable Premixed Options						
Conservative	-3.04	4.91	N/A	-4.36	5.21	N/A
Balanced	-7.25	N/A	3.36	-8.61	N/A	3.44
Balanced Growth	-10.72	4.15	N/A	-13.26	4.76	N/A
Growth	-11.93	3.88	N/A	-13.45	4.07	N/A
Just Shares	-15.71	2.37	N/A	-17.99	2.13	N/A
Single Sector Options						
Cash	5.22	5.35	N/A	5.99	6.27	N/A
Diversified Bonds	3.30	N/A	4.93	3.32	N/A	5.39
Property	-9.45	N/A	7.70	-10.91	N/A	8.15
International Equities	-20.11	N/A	-2.17	-23.05	N/A	-2.87
Australian Equities	-14.89	N/A	4.26	-17.22	N/A	3.70
Alternative Assets	-16.15	N/A	2.51	-17.20	N/A	2.68



The returns shown under the "Since inception" column are for periods of less than five years. The Balanced options and the Single Sector investment options were all established on 1 April 2005.

Compound average effective rate of net earnings

* Compound average effective rate of net earnings since inception 1 April 2005.

Past performance should not be taken as an indication of future performance. All returns are rounded to two decimal places after investment expenses and tax. Investment returns have been calculated using unit prices net of tax, investment management fees and external investment costs.

The above returns show the performance of each investment option over various periods. The return on your individual account may be different, depending upon the timing of transactions on your account over these periods.

How did we perform?



Looking at the returns of Vision Super investment options below, we believe the following issues are worthy of note:

- All investment options are negative over one year, except for Diversified Bonds and Cash
- While returns are down over one year, they are all positive over five years
- Pension based investments generally outperform superannuation investments because they are not taxed. However, when markets are down, as they have been this year, super funds tend to outperform pensions. This is because, when markets are down and pension funds suffer losses, they cannot write these off against tax
- Over five years, you would expect pension funds to outperform super funds. This year, the five year figures for Growth and Just Shares are below those of super. This is because the size of the downturn in shares over the last 12 months has dragged down the five year performance figure.

The following table below compares Vision Super returns against similar options offered by other funds. It shows that the Global Financial Crisis has affected all super funds.

Vision Super Superannuation Plans (returns net of investment fees and tax to 30 June 2009)									
	1 year (%)	1 year median (%)	Above median	3 years (% p.a.)	3 year median (% p.a.)	Above median	5 years (% p.a.)	5 year median (% p.a.)	Above median
Premixed Options									
Just Shares	-18.07	-18.29	✓	-5.06	-5.37	✓	2.47	2.81	✗
Growth	-13.31	-15.71	✓	-1.99	-4.03	✓	3.89	3.35	✓
Balanced Growth	-13.39	-12.69	✗	-0.94	-1.89	✓	4.39	4.24	✓
Conservative	-4.30	-3.44	✗	2.52	1.38	✓	4.75	4.33	✓
Single Sector*									
Australian Equities	-14.89	-16.50	✓	-1.82	-2.88	✓	N/A	N/A	N/A
International Equities	-20.11	-19.81	✗	-8.24	-10.01	✓	N/A	N/A	N/A
Property	-9.45	-30.01	✓	6.12	-11.19	✓	N/A	N/A	N/A
Diversified Bonds	3.30	4.57	✗	4.97	4.21	✓	N/A	N/A	N/A
Cash	5.22	4.10	✓	5.66	4.77	✓	5.35	4.74	✓

* Single Sector options were launched on 1 April 2005 and do not yet have five year performance.

Source: SuperRatings Fund Crediting Rate Survey June 2009

Comparing ourselves to others, we believe we have put in a solid performance in a difficult year, with five of our options beating the median manager.

Rapid movements in the relative values of liabilities, assets and currency created real difficulties in managing to strategic policy settings. As a consequence, at various times during the year, we were both over and underweight with our long-term strategic asset allocations, particularly in the Balanced Growth investment option in which the majority of our members invest. There were no changes to the strategic policies during the year, only difficulty in implementing these policies. At different times this worked both for and against performance.

What is a median return?

The median is the middle number in any set of numbers (e.g. if there were 49 investment options in the Shares Plus survey, the median return would have been ranked number 25).

Investment management



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 adviser review

Where appropriate, we use specialist consultants to provide us with strategic investment advice and manager research. A full review of our requirements and an extensive competitive tender process was conducted during the year.

This resulted in the reappointment of Frontier Investment Consulting as our primary investment adviser, JG Service was appointed as our specialist property adviser, and Sovereign Investment Research as our specialist private equity adviser.

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. Providing we are able to do so, we rebalance our portfolios regularly, returning each investment option to its target asset allocation. Sometimes rebalancing is achieved by redirecting contributions to a particular asset sector. At other times, it requires taking money from one manager and giving it to another. Regular rebalancing manages investment risk and can reduce the volatility of returns.

Our fund managers - Traditional investments

	30 June 2009		30 June 2008	
	\$million	%	\$million	%
Growth Investments				
Australian Shares				
GMO Australia Limited – Value Tilt	109.2	3.0%	138.5	3.3%
Intech Investment Consultants – High Alpha Trust (HAT)	76.1	2.1%	91.8	2.1%
Schroder Investment Management Australia Limited – Growth Tilt	121.0	3.3%	135.6	3.3%
Vanguard Sustainability Leaders Australia Share Fund	17.8	0.5%	18.6	0.5%
Macquarie Funds Group – Enhanced Index	309.4	8.4%	352.8	8.6%
Warakirri Asset Management Pty Ltd – Small Companies Fund	66.00	1.8%	91.6	2.2%
Total Australian Shares	699.5	19.1%	828.9	20.0%
International Shares				
Alliance Bernstein Australia Limited – Global Equity Blend	44.0	1.2%	84.7	2.1%
Baillie Gifford Overseas Ltd. – Long Term Global Growth Equities	47.3	1.3%	84.3	2.1%
Global Currents Asset Management LLC – Value Approach Strategy	60.4	1.6%	80.6	2.0%
Colonial First State – Global Emerging Markets Leaders Fund	57.6	1.6%	60.3	1.5%
Generation Investment Management – Global Equity Strategy	43.8	1.2%	44.5	1.1%
Vanguard Sustainability Leaders International Shares Fund	15.4	0.4%	17.8	0.4%
State Street Global Advisors – Index Plus Strategy	229.7	6.3%	263.8	6.4%
Turner Investment Partners – Small Cap Core Equity	15.1	0.4%	25.8	0.6%
Turner Investment Partners – Mid Cap Growth Equity	15.8	0.4%	26.6	0.6%
Intech Investment Consultants – High Opportunities Trust (HOT)	14.9	0.4%	29.2	0.7%
HFA Asset Management – International Shares Fund (Long/Short Unconstrained)	46.1	1.3%	61.2	1.5%
Total International Shares	590.1	16.1%	778.8	19%
Currency				
FX Concepts Inc. – Active	0.1	–	-3.6	-0.1%
FX Concepts Inc. – Passive	7.3	0.2%	3.9	0.1%
Millenium Global Investments Ltd – Active	1.8	–	–	–
Millenium Global Investments Ltd – Passive	-0.7	–	–	–
Bridgewater Associates Inc. – Overlay Portfolio	0.00	–	0.2	–
Total Currency	8.5	0.2%	0.5	0.0%
Property				
AMP Capital Investors – Property Unit	114.4	3.1%	128.6	3.1%
Colonial First State Property – Direct Property Investment Fund (Retail)	24.5	0.7%	30.0	0.7%
Industry Super Property Trust – Core Fund	105.3	2.9%	130.3	3.2%
Eureka Fund Management – Core Property Fund 3	58.1	1.6%	48.1	1.2%
QIC Properties Pty Ltd – Shopping Centre Fund (Retail)	36.5	1.0%	37.2	0.9%
Total Property	338.8	9.3%	374.2	9.1%
Defensive Investments				
Cash				
Internal Management (Vision Super)	603.7	16.4%	413.4	10.1%
Total Cash	603.7	16.4%	413.4	10.1%
Fixed Interest				
Alliance Bernstein Australia Ltd – Domestic Fixed Income	63.3	1.7%	98.3	2.4%
Hastings Funds Management Limited – Yield Fund	116.7	3.2%	139.7	3.4%
Members Equity Portfolio Management Limited – Super Loans Trust	10.7	0.3%	10.8	0.3%
Bridgewater Associates Inc. – Global Bond Fund	62.6	1.7%	134.0	3.3%
Western Asset Management Company – Diversified Fixed Income	77.4	2.1%	115.9	2.8%
Total Fixed Interest	330.7	9.0%	498.7	12.2%
Total Traditional Investments	\$2,571.3	70.1%	2894.5	70.4%

Investment management



Investment managers

Having established an investment portfolio, 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 pages 6 and 7.

The Trustee monitors the structure and performance of each portfolio and the individual managers on an ongoing basis.

Currency

While there was no change to our international equities managers over the period, there was considerable activity in currency management. As a result of a change in corporate direction, Bridgewater Associates withdrew as one of our currency managers.

After reviewing currency managers we decided that currency management would in future be divided equally between Millennium Global and FX Concepts.

Absolute Return Strategies

A strategic review was in progress at 30 June. At this stage, our agreement with Warrakirri Mesirow Absolute Return Fund has been terminated and money withdrawn from the Bridgewater All Weather Fund. The portfolio remains invested with BlackRock and the Bridgewater Pure Alpha Fund.

Our fund managers – Alternative investments

	30 June 2009		30 June 2008	
	\$million	%	\$million	%
Infrastructure				
IFM Australian & International Infrastructure	353.5	9.6%	405.9	9.9%
Hastings Funds Management Limited – Utility Trust of Australia	66.0	1.8%	51.2	1.2%
Regional Infrastructure Fund	9.0	0.2%	10.6	0.3%
Total Infrastructure	428.5	11.6	467.7	11.4%
Private Equity				
IFM Australian Private Equity Funds II & III	35.1	1.0%	42.1	1.0%
Allegro Private Equity – Fund I	2.5	0.1%	12.5	0.3%
IFBT – Industry Fund Banking Trust	15.0	0.4%	19.4	0.5%
ING Investment Management – Private Capital Fund No.1	7.1	0.2%	8.3	0.2%
Quay Partners Pty Ltd – Australia 2, 3 & 4 Funds	32.5	0.9%	27.0	0.7%
Macquarie Alternative Investment Fund IV & V	30.5	0.8%	32.0	0.8%
IFM International Private Equity Fund I, II & III	62.0	1.7%	65.4	1.6%
Montagu Newhall Global Partners III & IV, L.P.	19.1	0.5%	13.3	0.3%
Generation Investment Management – Climate Solutions Fund	7.9	0.2%	5.2	0.1%
LGT Capital Partners AG – Crown European Private Equity PLC	19.0	0.5%	16.4	0.4%
Fortis Investment Mgmt Aust. Ltd – Mid Europa Emerging Europe Conv. Fund II, L.P	38.0	1.0%	24.2	0.6%
Private Equity Trust *	83.5	2.3%	74.5	1.8%
Vencap 12 Limited	8.4	0.2%	2.9	0.1%
Hawkesbridge Private Equity Fund 3 – Trust C	12.5	-	-	-
Hawkesbridge Private Equity Pty Ltd	1.2	-	-	-
FX Concept Inc. – Private Equity Europe Hedge	1.4	-	-	-
FX Concept Inc. – Private Equity USD Hedge	6.9	0.2%	-	-
Total Private Equity	382.6	10.3%	343.2	8.4%
Property Opportunistic				
APN Funds Management Ltd – Development Fund No.1	8.1	0.2%	6.1	0.1%
Colonial First State Property – Opportunistic Partnership No. 1	0.3	-	0.2	0.0%
Eureka Funds Management – Property Fund No.1 & 2	13.4	0.4%	11.3	0.3%
Macquarie Wanda Real Estate Fund	27.1	0.7%	22.8	0.6%
Private Equity Trust – Property Opportunistic**	58.0	1.6%	65.5	1.6%
Warakirri Asset Management Pty Ltd – Dairy Farm Trust	10.1	0.3%	10.1	0.2%
Warakirri Asset Management Pty Ltd – Dairy Land Trust	39.0	1.1%	26.7	0.7%
Investa – Enhanced Fund	24.4	0.7%	35.2	0.9%
Gresham Partners Limited – Property Mezzanine Fund No. 2 & 3	17.0	0.5%	8.2	0.2%
FX Concept Inc. – Property Opportunistic Europe Hedge	0.5	-	-	-
FX Concept Inc. – Property Opportunistic USD Hedge	2.8	0.1%	-	-
Total Property Opportunistic	200.7	5.6%	186.1	4.5%
Absolute Return Strategies				
Bridgewater Associates Inc. – Pure Alpha Fund	30.1	0.8%	31.5	0.8%
Bridgewater Associates Inc. – All Weather Fund	-	-	2.7	0.1%
BlackRock Alternative Advisors – QBLK ARS III	60.8	1.7%	92.4	2.3%
Warakirri Asset Management Pty Ltd – Absolute Strategy Fund	-	-	86.7	2.1%
Total Absolute Return Strategies	90.9	2.5%	213.3	5.3%
Total Alternative Investments	1,102.7	29.9%	1210.3	29.6%
Total	3,674.0	100%	4,104.8	100%

* Private Equity Trust is inclusive of the following managers – Adevq Europe Partners III, L.P., Lexington Capital Partners VI-B & Mesirow Financial Private Equity III, L.P.

** Private Equity Trust Property Opportunistic is inclusive of the following Manager/Funds – Macquarie Global Property Advisors Asia & Europe Funds II & III.

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.

Operational performance

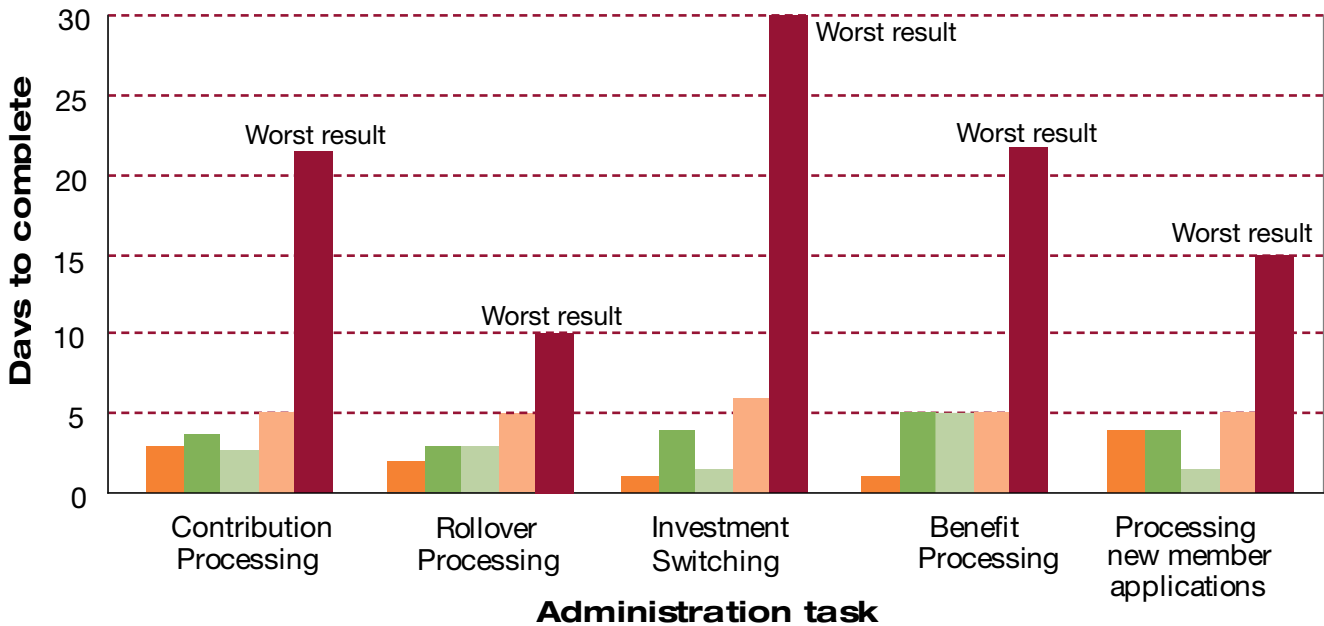


Administration efficiency

The chart below is extracted from the SuperRatings "Rating and Benchmarking Report 2009" 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 inhouse administration provides members and employers with administration levels above industry averages.

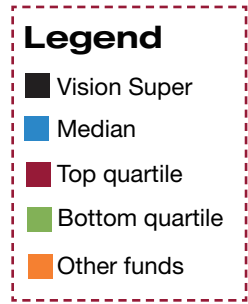
Administration standards

2008/2009



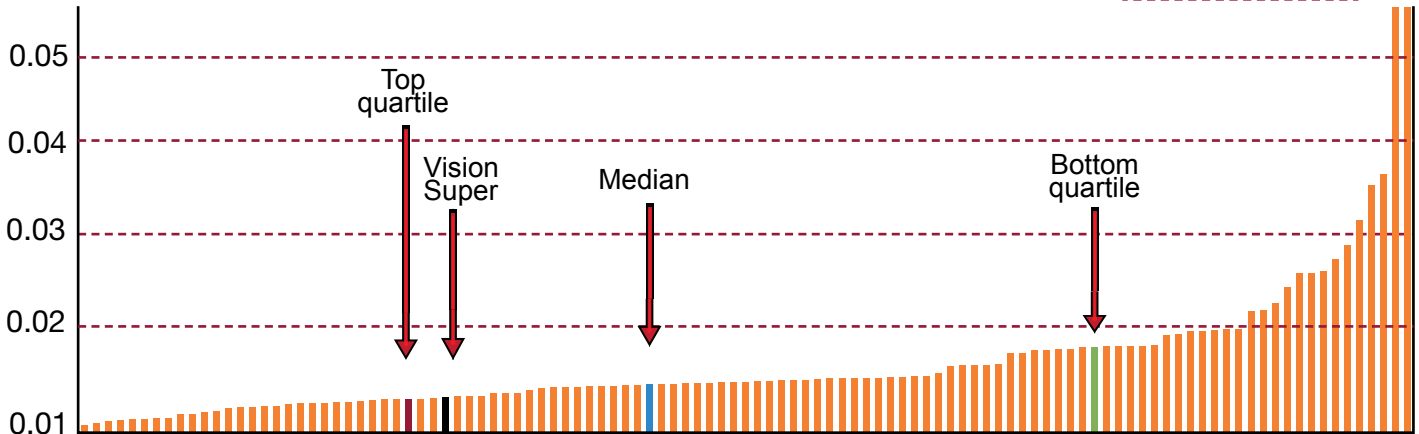
Relative financial performance

The following table from SuperRatings "Rating and Benchmarking Report 2009" demonstrates Vision Super's management efficiency. The Management Expense Ratio (MER) of 0.371% is well below the industry median of 0.542%. 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

2008/2009



Vision Super's MER of 0.371% sits below the Not For Profit fund median of 0.542%.

Strategic initiatives



Member Services

Our people answer calls, letters and emails; providing general advice about super and our various plans and services. We don't use outsourced call centres or automated telephone response systems: when you ring Vision Super you are actually talking to another Vision Super member. No robots allowed!



Last year we extended our service in two ways:

For members joining

We now welcome new members with a personal phone call, guiding them through their super options, helping them make the most of their membership with us. This typically involves ensuring that members understand how their super works and are happy with their investment, insurance and contribution options.

For members changing employers

Vision Super now also contacts members when they leave their employer to inform them of the options available to them, and assist them in taking action. This helps members avoid having several super funds and multiple fees, and allows them to retain the benefit of their existing insurance with us.

We can't guarantee to call everyone, but we aim to contact as many members as we can.

Member education

Our Super Consultants travel throughout Victoria providing general advice about Vision Super benefits and services to your employees. This popular service sees consultants delivering seminars at employer work sites, then holding "one-on-ones" with members for a general discussion about their super options and the services available to them. This helps members engage with their super and better understand their entitlements.

More to offer with RG200

One of the super regulators, ASIC, recently issued new regulatory guidelines called RG200. These new guidelines make it much easier for super funds with the appropriate licence to provide members with simple advice about their options as a fund member. Our consultants will be able to provide members with extra practical advice about their benefits and entitlements as a member of Vision Super, taking their relevant personal circumstances into account.

Retirement Planning Services

When it comes to planning for retirement, our financial planning team provides members with personal advice about their super. There is no additional charge for this service. We want to keep our members for life, so retirement planning is a logical extension of our services.

Member retention

Keeping members in the Fund is a great way to help us keep costs low. Our asset retention rate for the 2009 financial year increased by 7.8%. This figure has been steadily increasing over the past 3 years, and will help us to continue to offer low fees and low cost services to members.

Local Super & Quadrant partnerships

Vision Super has formed partnerships with two other local government super funds. We provide full administration and web services to Local Super in South Australia, and recently signed an agreement with Quadrant Super in Tasmania for them to join us as an investor in the Vision Super Pooled Superannuation Trust. These strategic partnerships provide Vision Super with improved economies of scale and sharing opportunities that ultimately benefit Vision Super members.

Servicing members

– a snapshot of activities to 30 June 2009

Member Services	Calls received	47,903
	Welcome calls	1,093
	Member emails	4,379
	Member mail	643
	Member meetings	289
Member Education	Seminars	201
	One on one meetings	953



Welcome booklet

For new members, or current members who would like to give their super the attention it deserves, we've produced a new Welcome booklet.

This colourful tabbed booklet provides a quick and easy overview of the essential super issues.

Your industry super fund

- ✓ Low fees
- ✓ No commissions
- ✓ Run only to profit members

Take 9 minutes to kick start your super

Call 9911 3222 (regional callers 1300 300 820) www.visionsuper.com.au

2009

What employers should know



Only minor budget changes to super

In the weeks before the May 2009 Federal Budget, the media was full of speculation about the Government “hitting” super to help pay for the costs of the global financial crisis (GFC). In the end, the changes were minimal but quite concerning for some members.

However, in the words of the former Minister for Super, Nick Sherry, “Super remains the most advantageous form of investment after your home”.

Budget overview – what’s changing from 1 July 2009?

- Co-contributions; for qualifying members, the Government currently pays up to \$1,500 for every \$1,000 invested. This will temporarily be cut to \$1,000 – that’s still a 100% return!
- New concessional contribution limits; the Government wants people to start saving for super earlier, rather than making their biggest contributions just before retirement. Members should consider reviewing options if they’re higher income earners, sacrificing as much salary as they can into super and taking money from their Allocated Pensions.
- Lost super accounts will be transferred to the ATO. Make sure your money isn’t part of this.
- The age at which you can get the Age Pension will progressively increase to 67, but not until July 2017.

New Contribution Limits

In 2007, the Government allowed people who were still working to set up a transition to retirement (TTR) income stream to supplement their income. The idea was that this would allow people approaching retirement to slow down or work part-time for a few extra years, rather than retiring completely.

Like many ideas, this did not work out in practice the way it was planned in theory. The rules allowed people over 60, who already had large amounts of money in super, to live off their pensions while sacrificing up to 100% of their salary into super. With the tax on super only 15% and no tax on pensions after 60, an unintended consequence of the government’s own rules was that it was losing out on tax.

The transition to retirement strategy still exists but, going forward, fewer people will be able to take advantage of it unless they start putting more into their super earlier. This is because the Government has put a cap on the amount of “concessional” contributions that will be taxed at 15%.

“Concessional” contributions are broadly made up of the 9% of salary that your employer pays into super on your behalf plus salary that you “sacrifice” by putting into super rather than taking as cash.

This year, if you were under 50 you could put up to \$50,000 into super and only have 15% tax taken out. From 1 July this year this will be cut to \$25,000. If you were over 50, you could put in \$100,000 a year up to 30 June 2012. From 1 July this year, this will reduce to \$50,000.

From 1 July 2012 the maximum concessional contribution will be \$25,000 for all, irrespective of age. There is no point putting in more, because any excess will be taxed, not at 15%, but at the penalty rate of 46.5%.

Concessional contribution caps		
Year ending 30 June	Concessional contribution cap#	Transitional concessional contribution cap*
30 June 2009	\$50,000	\$100,000
30 June 2010	\$25,000	\$50,000
30 June 2011	\$25,000	\$50,000
30 June 2012	\$25,000	\$50,000
30 June 2013	\$25,000	N/A

Subject to indexation

* Applies to individuals who are 50 years or over during relevant years

Implications of new contribution limits

- This has received a lot of publicity but it is unlikely to affect many people. Less than 2% of members contribute to the maximum.
- People who are already salary sacrificing should ensure that they don’t breach the contribution cap. To get the super you planned at retirement may mean you need to put more in earlier.
- It is only “concessional” contributions that are capped at new levels. People can still contribute up to \$150,000 a year (or \$450,000 over 3 years) in other “non-concessional” (i.e. voluntary, after-tax) contributions.
- People using transition to retirement strategies should examine the implications of the capping limits on their cash flow and contribution strategies.
- If your members need advice, get them to call us. Vision Super provides general and personal financial planning advice at no charge to members.

Income protection

Updating member’s salary details

Employers only need to advise us of a member’s salary when they start employment.

Members wishing to increase their cover after a salary increase should apply to us independently. Members can increase their cover by providing us with a written request and proof of their salary increase from their payroll department.

No underwriting will be required provided that this is done within 60 days and their new salary does not exceed \$80,000 p.a. (10 units of cover).

Reportable Employer Superannuation Contributions (RESC)

As from 1 July 2009, employers will need to report salary sacrifice contributions to superannuation on annual Payment Summaries (Group Certificates). This is to ensure that the government is correctly assessing entitlements such as income support and family assistance payments.

Salary sacrifice can no longer be used to reduce assessable income to qualify for government entitlements. Payments that need to be included on Payment Summaries are shown on the right.

Plan	Type of Contribution	RESC?
Super Saver	Employee – after tax	No
	Employee – salary sacrifice	Yes
Defined Benefit	Employee 6.0% – after tax	No
	Employee 6.0% – salary sacrifice	Yes*
Defined Benefit	Employee ABC Contributions – after tax	No
	Employee ABC Contributions – salary sacrifice	Yes
Defined Benefit	Employer ABC Contributions	No **

* Note that where a DB member is paying their contributions before tax, the grossed up amount to include the Contributions Tax is the amount to report.

** These contributions will be reportable if the employee has influenced the level of employer contributions (e.g. an agreement in which the employee reduces salary and accepts an equivalent increase in employer contributions).

What you need to do!

As a result of these changes you should:

1. Be aware of the new Concessional Contribution Limits and advise any high income earners or staff that are contributing large amounts as salary sacrifice to seek advice.
2. From 1 July 2009, you need to report salary sacrifice contributions on your annual payment summaries for all employees.



Combined financial report

Below please find the combined financial report, incorporating the Local Authorities Superannuation Fund (LASF) and the Vision Superannuation Fund (VSF). Even though most of your employees have their super invested in the LASF, many members transfer to the VSF post retirement or when leaving local government so the two reports have been combined to give you a more accurate picture.

The full audited financial statements will be published on our website, or will be available on request, from October 2009. To download them go to www.visionsuper.com.au and click **About Vision**, then **Financial Statements**.



Financial Report – Combined

Incorporating Local Authorities Super Fund and Vision Superannuation Fund.

Net Assets as at 30 June	2008/2009	2007/2008
	\$000	\$000
Assets	3,793,007	4,136,073
Other receivables	5,093	3,430
Total Assets	3,798,100	4,139,503
<i>Less Liabilities</i>	54,516	48,954
Net assets	3,743,584	4,090,549

Changes in Net Assets for year ended 30 June	2008/2009	2007/2008
	\$000	\$000
Net Assets at beginning of the year	4,090,548	4,124,354
Investment Income	(480,970)	(130,898)
Employer contributions	271,229	250,814
Member contributions	125,633	148,904
Other revenue	676	915
Total	(83,432)	269,735
<i>Outgoings</i>		
Benefit payments	209,702	254,907
Administration Expenses	13,086	15,173
Other	40,744	33,461
Total	263,532	303,541
Net Assets at end of year	3,743,584	4,090,548

Managing the fund



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 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 2009, are detailed in the table below.

From 1 July 2009 the four member representative directors are appointed by the Board on the nomination of the Australian Services Union. Employer representative directors will be appointed by the Board on the nomination of the above employer associations.

Fund Administration

Chief Executive Officer: Rob Brooks
 Company Secretary: Paul Curtin
 External auditor: Ernst & Young
 Internal auditor: KPMG
 Master Custodian: NAB Asset Servicing

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

Director changes

Bill Watton retired on 30 June 2009, and will be replaced by Russell Atwood. Director Dick Gross' term of appointment ended on 30 June 2009 and he will be replaced by MAV nominee Geoffrey Lake.

Principal advisors

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

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.

Our contact details

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