



**LGsuper**

Looking after you  
and your super

2014  
Annual report  
to members

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The Queensland Local Government  
 Superannuation Board  
 ABN 94 085 088 484  
 AFS Licence No. 230511  
 Local Government  
 Superannuation Scheme  
 ABN 23 053 121 564

## LGsuper – a complying fund

LGsuper was a complying  
 super fund at all times during  
 the 2013/14 financial year.  
 As a complying fund, LGsuper  
 members receive concessional  
 tax treatment.

Disclaimer: This annual report has been  
 produced by the Queensland Local  
 Government Superannuation Board  
 (ABN 94 085 088 484 AFSL 230511)  
 (LGsuper) as Trustee of the Local  
 Government Superannuation Scheme  
 (ABN 23 053 121 564) and provides  
 general information for LGsuper members.

LGsuper recommends that you should,  
 before acting on this information, consider  
 your own personal objectives, financial  
 needs and situation. LGsuper recommends  
 you consult a licensed financial advisor if  
 you require advice that takes into account  
 your personal circumstances. LGsuper  
 has representatives that are authorised  
 to provide personal advice on LGsuper  
 products and superannuation in general.

The information in this document is up  
 to date at the date of preparation of the  
 document. Some of the information may  
 change following its release. If the change  
 is not significant we may not update the  
 document immediately. Current information  
 about investment performance and other  
 issues will be published on our website and  
 in our newsletters. We will send you a free  
 printed copy at your request.

Where there is an inconsistency between  
 this document and the Fund's rules as per  
 the LGsuper Trust Deed and Government  
 regulations, the rules in the Trust Deed  
 and Government regulations shall prevail.

# Chairman and CEO's report

On behalf of the LGsuper Board of Directors, it is our pleasure to present the 2014 annual report.



## Strong returns as global conditions improve

The 2013/14 year saw consistently strong returns for most LGsuper members as solid earning rates were maintained. Despite geopolitical instability, a federal election, extreme winter weather in the northern hemisphere and the US government shutdown, Australian and global sharemarkets saw substantial gains for the second year in a row. The Australian sharemarket had its best back-to-back returns in 7 years, with the banking sector leading the way and the mining sector making a recovery from its poor performance last year. Overseas, the US housing sector improved with house prices, sales and construction increasing over the year. In contrast, at 30 June Eurozone manufacturing data was at a 7-month low and unemployment still elevated at 11.6%. Europe's economy will rely on strong growth in Asia and the US to give it the boost it needs in the coming year.

As global conditions continue to improve, LGsuper has maintained a highly diversified investment strategy to produce solid returns even when the sharemarket takes a downward turn. This strategy consistently delivers in the long run, with leading independent ratings agency SuperRatings ranking our Balanced option returns in the top ten funds over the 7-year period to 30 June 2014.

## New products and better service for members

Over the past year we've changed for the better by introducing and improving products and services to help members get the most out of their super. We wanted to be able to offer more comprehensive superannuation and retirement planning advice to our members, so we expanded our Member Advice team to include two qualified professional financial planners and two advice representatives.

In line with Stronger Super reforms we launched our new MySuper Lifecycle investment option, which was awarded a SuperRatings platinum rating just 2 months after it became available. We also introduced our LGsuper clearing house service to help employers submit contributions for their employees while complying with the new SuperStream data and payment standards. We produced a new-look website that features easier navigation, tailored information and enhanced functionality. As part of our online developments, non-pension members now also have the ability to switch investment options through LGsuper online. We made all of these improvements without increasing our administration and investment fees charged to members.

## Board changes for strong and diverse governance

Significant changes to the LGsuper Board took place throughout the year as part of a renewal process that will diversify and strengthen our governance structure. From July 2014 the new board structure will consist of three member representative directors, three employer representative directors, three independent directors and an independent chairman.

## Chairman and CEO's report cont.

Our member representative election gave members the chance to have a say in who they wanted representing them on LGsuper's Board. Following the election Noel Cass, Fiona Connor and Ron Curtis were re-elected as member representatives for the 4-year period from 1 July 2014. We also welcomed new independent directors Bronwyn Morris, John Smith and John Wilson on 1 December 2013.

Lastly, we would like to take this opportunity to thank outgoing directors Cr Paul Bell AM, Louise Dudley, Cr Paul Pisasale and Peter Smith. We thank them for their commitment and service to the fund during their time with us.

We encourage you to take a few minutes to read this annual report, and as always, if you have any questions about your super our friendly and knowledgeable team are here to help.



**Brian Roebig OAM**  
Chairman



**David Todd**  
Chief Executive Officer

27 August 2014

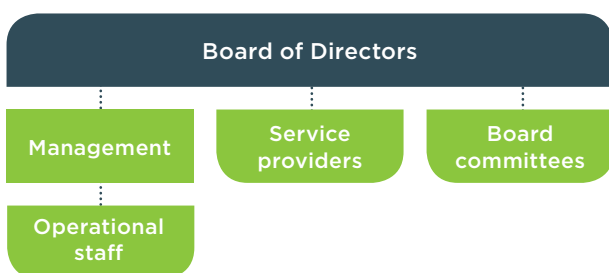
### Looking ahead

LGsuper is dedicated to the following priorities in 2014/15:

- assisting employers with complying with the new SuperStream data payment standards
- putting out a tender to appoint an insurer from 1 July 2015
- undertaking market research to gauge member satisfaction with LGsuper and identify any areas for improvement
- enhancing our website to allow all members to change investment options online, view informative videos and more
- maintaining our low-cost position for members

# Governance statement

The Queensland Local Government Superannuation Board (Board) is established under section 208 of the *Local Government Act 2009* (LGA) as a body corporate. Its function under section 209 of the LGA is to act as trustee of the Local Government Superannuation Scheme (LGsuper).



## Governance structure

The Board functions through a Board of Directors as provided under section 210 of the LGA which further provides that the Board of Directors:

1. is responsible for how the Board performs its responsibilities
2. must ensure that the Board performs its responsibilities in a proper, effective and efficient way.

The Board's functions, responsibilities and powers are further defined through:

- LGsuper's Trust Deed
- the Board's Charter
- the Board's Fit and Proper policy.

Under the Trust Deed, the composition of the Board of Directors until 30 June 2014 shall be:

- a. three persons appointed on nomination of LGAQ Ltd
- b. one person appointed on the nomination of Brisbane City Council
- c. four people appointed on the nomination of members of LGsuper and
- d. one or more independent directors.

The methodology for the appointment of the directors is given in the Trust Deed, in particular:

- employer and member representative directors are appointed for 4-year terms
- member representative directors are appointed following an election by LGsuper members
- independent directors are appointed by the Board with the term of appointment being determined by the Board up to a maximum of 4 years
- a director can be removed in the same way they were appointed or if they fail to meet strict requirements under superannuation legislation.

## Trustee liability insurance

Like most trustees, the Board has obtained trustee liability insurance. This insurance protects LGsuper from losses that might result from wrongful acts of the Board, its directors or its staff.

## Board remuneration policy

### Goals

LGsuper's goal is to provide members with high quality, low cost superannuation services. To provide exceptional, professional services the Board must attract and maintain quality staff. The Board's remuneration policy aims to achieve this.

The Board considers that paying remuneration at market rates, providing challenging work and opportunities for staff to develop personally to be 'the best they can be' will achieve this goal. Incentive payments are only utilised to recognise exceptional performance of staff below manager level.

The Board undertakes annual assessments of itself and its staff to determine:

- whether it has the skills necessary to continue to manage members' retirement savings
- whether it is providing exceptional service to members, through the comparison of performance against key performance indicators
- the professional development needs of its directors and staff.

## Governance statement cont.

### **Independent remuneration consultant**

The Board utilises the services of an independent consultant, McGuirk Management Consultants (McGuirk), to provide surveys of market salary rates and advice on remuneration practices. McGuirk specialises in remuneration for super funds and financial services organisations in Australia.

### **Director and management remuneration**

Director and management remuneration is reviewed against market rates every two years with salaries being indexed to AWOTE for intervening years.

### **Staff remuneration**

Staff remuneration is reviewed against market rates each year to ensure they are being paid at competitive rates. An incentive scheme is paid annually, subject to a review of performance against team and organisation key performance indicators.

# Trust Deed

## **A number of amendments were made to the Trust Deed during the 2013/14 financial year to improve the structure of the trustee board, including to:**

- specify that the Board shall comprise:
  - three employer representative directors nominated by LGAQ Ltd;
  - three member representative directors, and
  - three independent directors.
- allow existing directors (as at 1 July 2013) to continue on the Board up to 30 June 2014 and to allow the existing independent Chairman to continue on the Board up to 31 December 2014.
- limit directors to a maximum tenure of 20 years.
- require member representative directors to be members of LGsuper.
- provide that a director who no longer meets one or more of the fit and proper requirements under superannuation law must vacate their position as director. A procedure was also inserted into the Trust Deed to allow the director to show cause as to why they should not have to vacate their position.

## **Other Trust Deed amendments were to:**

- provide that the accumulation benefit calculation for defined benefit members can include an allowance for the cost of insurance.

# Board of Directors

2013/14

## Transitional Board of Directors

On 1 July 2011 the Local Government Superannuation Scheme (LGsuper) merged with the Brisbane City Council Superannuation Plan (City Super). For the period since merging with City Super until 30 June 2014, a transitional Board of Directors has been in place. This arrangement was designed to provide continuity of oversight during the merger transition period. The transitional Board of Directors consisted of:

- four member representative directors, three of which were elected by LGsuper members in 2008 and one previous City Super member representative nominated by the trustee of City Super
- four employer representative directors, three of which were nominated by the Local Government Association of Queensland (LGAQ) and one previous City Super employer representative nominated by Brisbane City Council
- one independent director appointed by the Board, who also acts as Chairman.

During the year the Board resolved to change its structure to:

- three member representatives to be elected by LGsuper members, effective from 1 July 2014
- three employer representatives to be appointed by the LGAQ, effective from 1 July 2014
- three independent directors appointed by the Board.

A member representative election was held in April 2014, resulting in three of four member representative directors being re-elected. The LGAQ re-appointed Cr Margaret de Wit as an employer representative director. After 30 June 2014, the LGAQ also appointed Cr Peter Matic and Ian Leckenby as two further employer representative directors.

## Independent Director and Chairman



### Brian Roebig OAM

*Member, Audit and Risk Management Committee  
Member, Remuneration and Nominations Committee*

Brian Roebig has been independent director and chairman since 1 August 1995. With more than 30 years' experience in superannuation and finance, Brian's previous positions include General Manager of National Mutual in Queensland, director of numerous finance and investment-related public companies, Director of South Bank Corporation and Chairman of ASX-listed First Australian Building Society (now part of Bendigo Bank).

Brian holds a Bachelor of Arts (Economics), and is a Fellow of both the Australian Institute of Company Directors and the Australian Insurance Institute.



## Member representatives

### Noel Cass Director



*Member, Remuneration and Nominations Committee*

Noel Cass has been a director since 1 July 2008 and had previously been an LGsuper director from 1995 to 2004. Noel has more than 40 years' experience working in local government, including 36 years as a chief executive officer. Noel retired from his position as Chief Executive Officer of Jondaryan Shire Council in 2008. He has qualifications in local government administration, accounting and environmental health.

### Ron Curtis Director



*Member, Remuneration and Nominations Committee*

Ron Curtis has been an LGsuper director since 1 July 2011, and was a member representative director of City Super from 2005. He served as Chair of City Super from 2009 to 2011, and also served on numerous City Super committees. Ron's experience as a representative on superannuation fund boards spans back to 1988, and he has been a Brisbane City Council employee in the Industrial Relations area since 2002.

## Employer representative

### Fiona Connor Director



*Member, Audit and Risk Management Committee  
Member, Remuneration and Nominations Committee*

Fiona Connor has been a director since 1 July 2001 and was previously employed by LGsuper from 1990 to 1999. Fiona has a Bachelor of Business (Public Sector Management), a Certificate in Governance Practice and Administration and a Diploma of Financial Services (Superannuation). She is also a Graduate Member of the Australian Institute of Company Directors and a Member of Chartered Secretaries Australia.

### Cr Margaret de Wit Director



*Member, Remuneration and Nominations Committee*

Cr Margaret de Wit became an LGsuper director on 1 June 2013 and is President of the Local Government Association of Queensland (LGAQ). She has been a Councillor with Brisbane City Council since 1997, and has held several positions there, including her current role as Chairman. Margaret is also on the Board of the Australian Local Government Association (ALGA). Margaret's career also includes 20 years at Telecom Australia (now Telstra) and several years in the not-for-profit sector. She holds a Graduate Diploma of Business Administration and a Diploma of Financial Planning, and is a Graduate of the Australian Institute of Company Directors.

## Board of Directors cont.

### Independent directors

#### Bronwyn Morris Director



*Member, Audit and Risk Management Committee  
Member, Remuneration and Nominations Committee*

Bronwyn Morris became an LGsuper director in December 2013 and has 18 years' experience as a non-executive director, including roles as Chairman and Chair of various committees. She is a Chartered Accountant with 20 years' experience at KPMG and is the current Chairman of RACQ Limited's Governance and Remuneration Committee and Deputy Chairman and Chairman of Finance, Audit and Risk Committee at Children's Health Foundation Queensland. Bronwyn holds a Bachelor of Commerce (Accounting), is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors, and a Member of Chief Executive Women.

#### John Wilson Director



*Member, Remuneration and Nominations committee*

John Wilson was appointed as an LGsuper director in December 2013, and has over 20 years' investment management experience in Australia and overseas. He is a former Chairman and Managing Director of global investment solutions provider PIMCO Australia, and former Head of PIMCO's US Institutional Business Group and Global Consultant Relations Group. John holds a Bachelor of Arts (History), a Bachelor of Laws, a Masters in Laws, and is a Member of both the Australian Institute of Company Directors and the Financial Industry Regulatory Authority (USA).

#### John Smith Director



*Chairman, Remuneration and Nominations Committee*

John Smith commenced his role as an LGsuper director in December 2013. He is a qualified actuary with 30 years' experience providing technical and strategic advice to large superannuation funds and corporations. John is a former Director and Consulting Actuary with the Heron Partnership, and has served as Director, Executive Director and senior Consulting Actuary for other organisations within the finance industry. He was Chair of the Superannuation Policy Committee for a major international conglomerate, holds a Bachelor of Arts (Statistics) and is a Fellow of the Institute of Actuaries of Australia.

## Directors who ceased on 30 June 2014

### Employer Representatives

#### Cr Paul Bell AM Director



*Chairman, Audit and Risk Management Committee  
Member, Remuneration and Nominations Committee*

Cr Paul Bell was a director from 1 July 2004 and is a past President of the Local Government Association of Queensland (LGAQ) and the Australian Local Government Association (ALGA). Paul is currently a Councillor for the Central Highlands Regional Council and was Mayor of Emerald Shire Council from 1991 to 2000. He has been a Councillor since 1985. Paul's previous roles include Director of Ergon Energy and Queensland Rail. He is a Member of the Australian Institute of Company Directors and has a Bachelor of Business (Administration).

#### Louise Dudley Director



*Member, Audit and Risk Management Committee  
Member, Remuneration and Nominations Committee*

Louise Dudley was an LGsuper director from 1 July 2011 and an employer representative director of City Super from 2007. Louise is currently Chief Executive Officer of Queensland Urban Utilities (QUU) and previously held senior executive roles with Brisbane City Council including Executive Manager, Water Retail and Director, Finance and Legal Water Transition Program. Louise is a Chartered Accountant with 27 years' experience and holds a Bachelor of Commerce and a Certificate of Superannuation Management. She is a graduate member of the Australian Institute of Company Directors and an Associate Member of the Institute of Chartered Accountants.

### Member Representative

#### Cr Paul Pisasale Director



*Member, Remuneration and Nominations Committee*

Cr Paul Pisasale was an LGsuper director from 1 September 2012. He has represented the City of Ipswich for 20 years, and was first elected Mayor in March 2004. Among other positions held, Paul is currently Chair of the National Growth Areas Alliance, Director of Events Queensland, Director of Ipswich City Properties Pty Ltd, Ipswich City Developments Pty Ltd, Ipswich City Enterprises Pty Ltd and Ipswich City Enterprises Investments Pty Ltd. Paul is a Fellow of the Australian Institute of Company Directors.

#### Peter Smith Director



*Member, Remuneration and Nominations Committee*

Peter Smith was a director from 1 July 2008 and was LGsuper's Chief Executive Officer from 1988 to 2006. Peter previously held chief executive and other senior positions with superannuation funds for public utilities, global mining and pharmaceutical companies. Peter holds a Diploma of Financial Services and is a Fellow of the Association of Superannuation Funds of Australia (ASFA). He is a retired member of the National Institute of Accountants and a retired member and Senior Associate of the Australian Insurance Institute.

# Management and staff

The Chief Executive Officer reports to the Board of Directors on delegated responsibilities for the administration and operation of LGsuper. The Scheme Secretary and Deputy Chief Executive Officer, General Manager Operations and Chief Financial Officer assist him in this role.

At 30 June 2014 LGsuper had 68 staff.

## Chief Executive Officer



### David Todd

David Todd has been the CEO since 2006 and prior to this he was the Chief Manager Investments from 2005. David's previous roles include General Manager Investments for Reinsurance Australia/Calliden (1994 to 2004), General Manager Treasury for TNT (1983 to 1994) and various accounting positions in Australian companies. David has a Bachelor of Commerce (Accounting, Finance and Systems), is a member of CPA Australia and is a Certified Senior Treasury Professional (Finance and Treasury Association). David is a Responsible Manager under the Board's Australian Financial Services (AFS) licence and a Responsible Officer under the Registrable Superannuation Entity (RSE) licence.

## Scheme Secretary and Deputy Chief Executive Officer



### Ian Harcla

Ian Harcla has been the Scheme Secretary and Deputy CEO since 2006. Ian's previous roles include General Manager of the Queensland Coal and Oil Shale Mining Industry Superannuation Fund (1989 to 2005) and various audit positions with the Queensland Audit Office. He has a Bachelor of Business (Accounting), a Graduate Diploma in Management and a Graduate Diploma in Applied Finance and Investment. Ian is a Fellow of the Association of Superannuation Funds of Australia (ASFA), a member of CPA Australia and a Graduate Member of the Australian Institute of Company Directors. He is a Responsible Manager under the Board's AFS licence and a Responsible Officer under the RSE licence.

## General Manager Operations



### Timothy Willmington

Timothy Willmington has been the General Manager Operations since 2006 and has held various positions with LGsuper since 1989. Previously, he was employed by QSuper (1986 to 1989). Tim has a Bachelor of Business (Management and HRM), a Diploma of Financial Services (Superannuation), an Associate Diploma of Superannuation Management and is a Fellow of ASFA. He is a Responsible Manager under the Board's AFS licence and a Responsible Officer under the RSE licence.

## Chief Financial Officer



### Peter Gamin

Peter Gamin was appointed Chief Financial Officer in 2013. His key responsibility is to manage the financial operations of the Board and LGsuper. Peter's previous roles include Head of Corporate Finance, Head of Fund Finance and other senior finance positions at QIC (2003 to 2012), Group Financial Accountant at Queensland Cement Limited (1995 to 2003) and Manager at KPMG (1988 to 1995). Peter has a Bachelor of Business and a Master of Commerce. He is a Fellow of the Institute of Chartered Accountants, an Associate of Chartered Secretaries Australia and a Certified Finance and Treasury Professional. Peter is a Responsible Officer under the Board's RSE licence.

# Organisational structure

## Chief Executive Officer

**David Todd**<sup>1, 2, 3 (9)</sup>

Oversees and reports to the Board of Directors on all aspects of the administration and operation of LGsuper. Responsible for the development and implementation of investment strategy.

### Scheme Secretary and Deputy Chief Executive Officer

**Ian Harcla**<sup>1, 2, 3 (8)</sup>

Undertakes scheme secretarial duties and responsible for corporate governance. Oversees the risk and compliance functions, including the handling of member complaints.

### General Manager Operations

**Timothy Willmington**<sup>1, 2, 3 (24)</sup>

Responsible for administration, marketing and communications, information technology, insurance and member services and advice functions.

### Chief Financial Officer

**Peter Gamin**<sup>3 (1)</sup>

Manages the financial operations of the Board and LGsuper.

### Manager Compliance

**Stuart Meekin**<sup>1 (3)</sup>

### Manager Administration

**David Sleeman**<sup>1 (6)</sup>

### Manager Finance

**Patrick Rochford**<sup>(24)</sup>

### Investment Manager

**Guy Rundle**<sup>(3)</sup>

### Project Manager

**Barbara Matthews**<sup>1 (27)</sup>

### Manager Marketing and Communications

**Lyndal Ferrari**<sup>1 (8)</sup>

### Manager Member Services and Advice

**Rhonda Maden**<sup>1, 2 (3)</sup>

### Manager Member Advice

**Garnett Hollier**<sup>1 (1)</sup>

### Manager Information Technology

**Rob Fox**<sup>(7)</sup>

### Insurance Manager

**Robert Paré**<sup>(3)</sup>

<sup>1</sup>Authorised representative under Australian Financial Services Licence No. 230511

<sup>2</sup>Responsible Manager under Australian Financial Services Licence No. 230511

<sup>3</sup>Responsible Officer under RSE Licence

Figures in brackets indicate number of completed years of service at 30 June 2014.

# Investments

The Board of Directors' general investment objectives for LGsuper assets are:

- to invest the assets as permitted by the Trust Deed or by law
- to prudently manage all aspects of risk in relation to LGsuper assets, by ensuring:
  - assets are adequately diversified
  - assets have an appropriate level of liquidity
  - assets are sufficient to meet benefit payments when they fall due
  - any third party to whom investment decision-making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to them, and the actions of the third party are fully accountable to the Board.

The Board of Directors holds the following beliefs:

- Our primary objective is to provide a secure source of retirement income for LGsuper members. The Board adheres to the principles of capital market theory which maintain that over the long term, prudent investment risk-taking is rewarded with incremental returns. So, while capital preservation is important, the Board regards prudent risk-taking as justifiable.
- Our main goal is to set an appropriate level of investment risk, and then subject to this, create value by maximising the return per unit of risk. For the accumulation section, the primary risk measure is defined as the volatility of returns. Peer group risk (i.e. the risk of underperforming other superannuation funds of a similar nature) is assessed as a secondary measure. For the defined benefit section, risk is defined relative to the liabilities.

- Strategic asset allocation is the primary determinant of LGsuper returns. It is set with reference to an asset model that factors in long-term expected return and risk characteristics.
- Other things being equal, a strategy that comprises a more diverse exposure to asset class and manager risks is preferable to one with concentrated risk exposures.
- For asset classes for which assumptions are expected to be less robust, or for which there are additional important considerations such as illiquidity, a practical limit is imposed.
- For the introduction of a new asset class into the strategy to be worthwhile in terms of risk and/or return, and taking into account the overall governance, it must be awarded an allocation sufficiently large so as to have a meaningful impact on the total fund or option's expected characteristics.
- Our investment objectives are long-term in nature, and the Board does not believe it has the capability to tactically adjust the strategic allocations to asset classes or currencies to exploit short-term changes in market conditions. However, the strategic asset allocation is expected to be reviewed periodically (typically annually) to allow for significant changes to market conditions and/or long-term asset class assumptions.
- The Board recognises that markets can move outside long-term fair value ranges and will implement medium-term tilts to strategic allocation to add return/reduce risk. This dynamic approach to strategic allocation is typically over a 3 year+ time horizon.

## Allocation of earnings

Earning rates on the following pages are the net investment return that applies to your account, after fees and tax, at the end of each financial year. It can be positive or negative, and is a reflection of how your investment performs.

LGsuper publishes a daily indication of performance of each of LGsuper's investment options—a daily movement percentage and a year to date performance percentage. This reflects the performance of appropriate market benchmarks from two business days earlier. If you make withdrawals or switch investment options during the month we use this rate in our calculation of your current balance.

After the end of each month, the earning rates are adjusted to reflect the actual investment returns achieved for that month (net of any tax and fees).

Following the end of each financial year, an annual earning rate is declared by the LGsuper Board of Directors for each investment option and is based on the investment return achieved on the underlying assets for that option for the year.

During periods of significant market volatility, or other conditions which prevent LGsuper from determining daily and/or weekly benchmark rates, processing of claims and/or switches may be suspended for up to 7 days or longer, as dictated by market conditions.

# Accumulation Benefits Fund

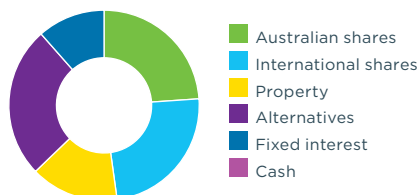
Accumulation accounts, Retained Benefit accounts, Spouse accounts and Pension accounts

## LGsuper MySuper Lifecycle

Under 75

75 plus

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>88.5</b>	<b>81.9-96.0</b>
Australian shares	23.9	16.4-31.4
International shares	23.9	16.4-31.4
Property	15.0	7.5-22.5
Alternatives	25.7	18.2-33.2
<b>Risk-controlling assets</b>	<b>11.5</b>	<b>4.0-19.0</b>
Fixed interest	11.5	4.0-19.0
Cash	0	0-5.0

### Actual asset allocation

At 30 June	2014 %	2013 %
<b>Return-seeking assets</b>	<b>83.3</b>	<b>88.3</b>
Australian shares	25.9	25.7
International shares	25.8	29.4
Property	12.5	13.2
Alternatives	19.1	20.0
<b>Risk-controlling assets</b>	<b>16.7</b>	<b>11.7</b>
Fixed interest	11.8	11.2
Cash	4.9	0.5

### Return target<sup>1</sup>

Return target of 4.0% per year above inflation after fees and taxes over the next ten financial years. Future returns cannot be guaranteed. This is a prediction.

**Risk** Medium to high

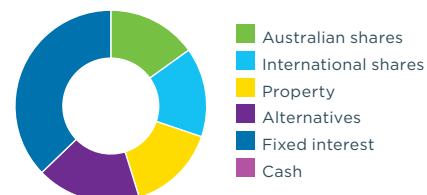


Negative returns expected 3.7 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.
2014	12.30
2013	13.95
2012	1.62
2011	11.59
2010	9.43
5-yr avge % p.a.	9.69
5-yr avge % p.a. over CPI	7.04

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>62.8</b>	<b>55.3-70.3</b>
Australian shares	15.1	7.6-22.6
International shares	15.1	7.6-22.6
Property	15.0	7.5-22.5
Alternatives	17.6	10.0-25.1
<b>Risk-controlling assets</b>	<b>37.2</b>	<b>29.7-44.7</b>
Fixed interest	37.2	29.7-44.7
Cash	0	0-5.0

### Actual asset allocation

At 30 June	2014 %	2013 %
<b>Return-seeking assets</b>	<b>57.6</b>	<b>61.7</b>
Australian shares	16.3	16.2
International shares	16.3	18.6
Property	12.0	13.2
Alternatives	13.0	13.7
<b>Risk-controlling assets</b>	<b>42.4</b>	<b>38.3</b>
Fixed interest	38.2	36.3
Cash	4.2	2.0

### Return target<sup>1</sup>

Return target of 3.5% per year above inflation after fees and taxes over the next ten financial years. Future returns cannot be guaranteed. This is a prediction.

**Risk** Medium



Negative returns expected 2.6 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.
2014	9.74
2013	10.08
2012	5.07
2011	9.68
2010	10.02
5-yr avge % p.a.	8.90
5-yr avge % p.a. over CPI	6.25

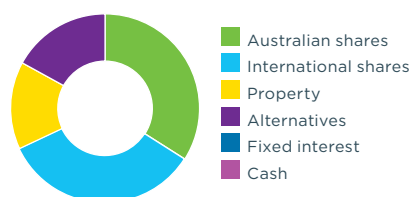
<sup>1</sup> Investment markets are uncertain. LGsuper sets investment objectives for the lifecycle stages and expects to meet or exceed those between half and two thirds of the time. Return target is correct at 30 June.

<sup>2</sup> LGsuper's MySuper Lifecycle option was introduced on 1 January 2014. The past investment returns shown for the period 2010 to 2014 inclusive as well as the 5-year averages are based on the option's predecessor products, Diversified Growth (for Under 75) and Balanced (for 75 plus). Past performance is not an indicator of future performance.

# Accumulation Benefits Fund cont.

## Aggressive

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>100</b>	<b>100</b>
Australian shares	34.0	26.5-41.5
International shares	34.0	26.5-41.5
Property	15.0	7.5-22.5
Alternatives	17.0	9.5-24.5
<b>Risk-controlling assets</b>	<b>0</b>	<b>0</b>
Fixed interest	0	0
Cash	0	0-5.0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>96.0</b>	<b>100</b>
Australian shares	36.7	36.5
International shares	34.8	37.0
Property	12.0	13.2
Alternatives	12.5	13.3
<b>Risk-controlling assets</b>	<b>4.0</b>	<b>0</b>
Fixed interest	0	0
Cash	4.0	0

### Return target<sup>1</sup>

Return target of 4.5% per year above inflation over rolling 5-year periods.

### Risk High



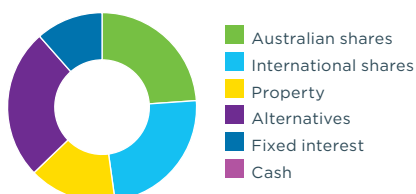
Negative returns expected 4.5 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	15.05	16.78
2013	17.86	19.35
2012	-1.28	-1.35
2011	12.77	13.94
2010	7.63	8.44
5-yr avge % p.a.	10.19	11.18
5-yr avge % p.a. over CPI	7.54	8.53

## Diversified Growth

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>88.5</b>	<b>81.0-96.0</b>
Australian shares	23.9	16.4-31.4
International shares	23.9	16.4-31.4
Property	15.0	7.5-22.5
Alternatives	25.7	18.2-33.2
<b>Risk-controlling assets</b>	<b>11.5</b>	<b>4.0-19.0</b>
Fixed interest	11.5	4.0-19.0
Cash	0	0-5.0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>83.3</b>	<b>88.3</b>
Australian shares	25.9	25.7
International shares	25.8	29.4
Property	12.5	13.2
Alternatives	19.1	20.0
<b>Risk-controlling assets</b>	<b>16.7</b>	<b>11.7</b>
Fixed interest	11.8	11.2
Cash	4.9	0.5

### Return target<sup>1</sup>

Return target of 4.0% per year above inflation over rolling 5-year periods.

### Risk Medium to high



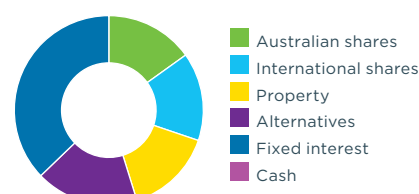
Negative returns expected 3.7 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	12.30	13.89
2013	13.95	15.21
2012	1.62	1.82
2011	11.59	12.80
2010	9.43	10.43
5-yr avge % p.a.	9.69	10.72
5-yr avge % p.a. over CPI	7.04	8.07

## Balanced

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>62.8</b>	<b>55.3-70.03</b>
Australian shares	15.1	7.6-22.6
International shares	15.1	7.6-22.6
Property	15.0	7.5-22.5
Alternatives	17.6	10.1-25.1
<b>Risk-controlling assets</b>	<b>37.2</b>	<b>29.7-44.7</b>
Fixed interest	37.2	29.7-44.7
Cash	0	0-5.0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>57.6</b>	<b>61.7</b>
Australian shares	16.3	16.2
International shares	16.3	18.6
Property	12.0	13.2
Alternatives	13.0	13.7
<b>Risk-controlling assets</b>	<b>42.4</b>	<b>38.3</b>
Fixed interest	38.2	36.3
Cash	4.2	2.0

### Return target<sup>1</sup>

Return target of 3.5% per year above inflation over rolling 5-year periods.

### Risk Medium



Negative returns expected 2.6 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	9.74	11.14
2013	10.08	11.12
2012	5.07	5.71
2011	9.68	10.89
2010	10.02	11.21
5-yr avge % p.a.	8.90	9.99
5-yr avge % p.a. over CPI	6.25	7.34

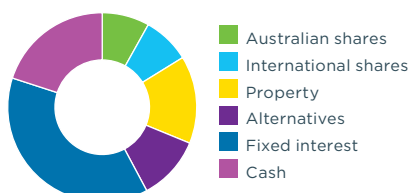
1 Investment markets are uncertain. LGsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time. Return target is correct at 30 June 2014.

2 Past performance is not an indicator of future performance.



## Stable

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>42.2</b>	<b>34.7-49.7</b>
Australian shares	8.05	0.6-15.6
International shares	8.05	0.6-15.6
Property	15.0	7.5-22.5
Alternatives	11.1	3.6-18.6
<b>Risk-controlling assets</b>	<b>57.8</b>	<b>50.3-65.3</b>
Fixed interest	37.8	30.3-45.3
Cash	20.0	12.5-27.5

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>37.6</b>	<b>40.4</b>
Australian shares	8.7	8.6
International shares	8.7	9.9
Property	12.0	13.2
Alternatives	8.2	8.7
<b>Risk-controlling assets</b>	<b>62.4</b>	<b>59.6</b>
Fixed interest	38.8	36.8
Cash	23.6	22.8

### Return target<sup>1</sup>

Return target of 2.5% per year above inflation over rolling 5-year periods.

### Risk Low to medium



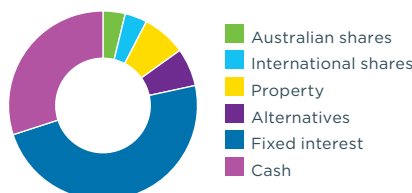
Negative returns expected 1.2 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	7.17	8.31
2013	7.16	8.05
2012	6.24	7.10
2011	7.90	9.00
2010	8.53	9.64
5-yr avge % p.a.	7.40	8.42
5-yr avge % p.a. over CPI	4.75	5.77

## Defensive

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>21.6</b>	<b>14.1-29.1</b>
Australian shares	3.8	0-11.3
International shares	3.8	0-11.3
Property	7.5	0-15.0
Alternatives	6.5	0-14.0
<b>Risk-controlling assets</b>	<b>78.4</b>	<b>70.9-85.9</b>
Fixed interest	48.4	40.9-55.9
Cash	30.0	22.5-37.5

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>19.0</b>	<b>20.5</b>
Australian shares	4.1	4.1
International shares	4.1	4.7
Property	6.0	6.6
Alternatives	4.8	5.1
<b>Risk-controlling assets</b>	<b>81.0</b>	<b>79.5</b>
Fixed interest	49.7	47.1
Cash	31.3	32.4

### Return target<sup>1</sup>

Return target of 2.0% per year above inflation over rolling 5-year periods.

### Risk Very low



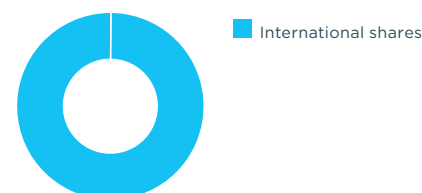
Negative returns expected 0.3 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	5.56	6.53
2013	4.86	5.61
2012	7.27	8.63
2011	6.27	7.45
2010	8.68	9.88
5-yr avge % p.a.	6.52	7.61
5-yr avge % p.a. over CPI	3.87	4.96

## International Shares

### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>100</b>
Australian shares	0
International shares	100
Property	0
Alternatives	0
<b>Risk-controlling assets</b>	<b>0</b>
Fixed interest	0
Cash	0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>100</b>	<b>100</b>
Australian shares	0	0
International shares	100	100
Property	0	0
Alternatives	0	0
<b>Risk-controlling assets</b>	<b>0</b>	<b>0</b>
Fixed interest	0	0
Cash	0	0

### Return target<sup>1</sup>

Return target is to outperform a composite index of international shares over rolling 5-year periods.

### Risk High



Negative returns expected 5.3 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	17.63	20.10
2013	26.57	29.91
2012	0.27	0.36
Avge since inception. (% p.a.)	14.29	16.12

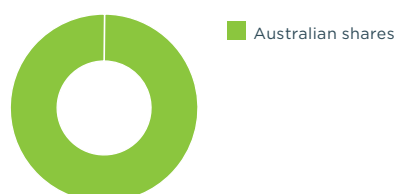
1 Investment markets are uncertain. LGsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time. Return target is correct at 30 June 2014.

2 Past performance is not an indicator of future performance.

## Accumulation Benefits Fund cont.

### Australian Shares

#### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>100</b>
Australian shares	100
International shares	0
Property	0
Alternatives	0
<b>Risk-controlling assets</b>	<b>0</b>
Fixed interest	0
Cash	0

#### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>100</b>	<b>100</b>
Australian shares	100	100
International shares	0	0
Property	0	0
Alternatives	0	0
<b>Risk-controlling assets</b>	<b>0</b>	<b>0</b>
Fixed interest	0	0
Cash	0	0

#### Return target<sup>1</sup>

Return target is to outperform a composite index of Australian shares over rolling 5-year periods.

#### Risk Very high



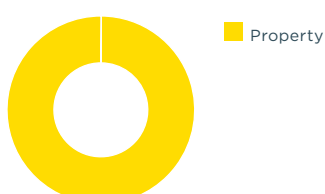
Negative returns expected 6.0 out of 20 years

#### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	15.44	16.28
2013	15.82	16.69
2012	-9.56	-10.54
Avg since inception. (% p.a.)	6.54	6.67

### Property

#### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>100</b>
Australian shares	0
International shares	0
Property	100
Alternatives	0
<b>Risk-controlling assets</b>	<b>0</b>
Fixed interest	0
Cash	0

#### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>100</b>	<b>100</b>
Australian shares	0	0
International shares	0	0
Property	100	100
Alternatives	0	0
<b>Risk-controlling assets</b>	<b>0</b>	<b>0</b>
Fixed interest	0	0
Cash	0	0

#### Return target<sup>1</sup>

Return target of 4.5% per year above inflation over rolling 5-year periods.

#### Risk Medium to high



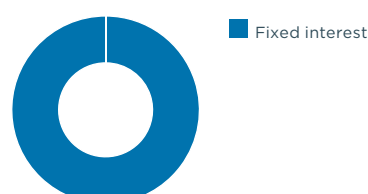
Negative returns expected 3.3 out of 20 years

#### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	8.53	10.12
2013	10.47	11.69
2012	6.80	7.59
Avg since inception. (% p.a.)	8.59	9.79

### Diversified Fixed Interest

#### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>0</b>
Australian shares	0
International shares	0
Property	0
Alternatives	0
<b>Risk-controlling assets</b>	<b>100</b>
Fixed interest	100
Cash	0

#### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>0</b>	<b>0</b>
Australian shares	0	0
International shares	0	0
Property	0	0
Alternatives	0	0
<b>Risk-controlling assets</b>	<b>100</b>	<b>100</b>
Fixed interest	100	100
Cash	0	0

#### Return target<sup>1</sup>

Return target is to outperform a composite index of Australian and international fixed interest over rolling 5-year periods.

#### Risk Very low



Negative returns expected 0.4 out of 20 years

#### Returns<sup>2</sup>

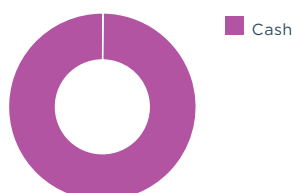
Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	5.17	6.08
2013	2.35	2.83
2012	10.13	11.99
Avg since inception. (% p.a.)	5.84	6.90

1 Investment markets are uncertain. LGsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time. Return target is correct at 30 June 2014.

2 Past performance is not an indicator of future performance.

## Cash

### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>0</b>
Australian shares	0
International shares	0
Property	0
Alternatives	0
<b>Risk-controlling assets</b>	<b>100</b>
Fixed interest	0
Cash	100

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>0</b>	<b>0</b>
Australian shares	0	0
International shares	0	0
Property	0	0
Alternatives	0	0
<b>Risk-controlling assets</b>	<b>100</b>	<b>100</b>
Fixed interest	0	0
Cash	100	100

### Return target<sup>1</sup>

Return target is the RBA official cash rate over rolling 5-year periods.

### Risk Very low



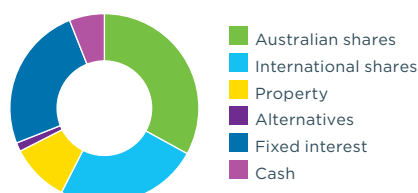
Negative returns expected 0.0 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	2.47	2.95
2013	3.18	3.78
2012	4.18	4.96
2011	4.05	4.81
2010	2.93	3.52
5-yr avge % p.a.	3.36	4.00
5-yr avge % p.a. over CPI	0.71	1.35

## SR Balanced

### Strategic asset allocation (SAA) and ranges



	SAA %	Ranges %
<b>Return-seeking assets</b>	<b>69</b>	
Australian shares	33	26-40
International shares	24.5	15-35
Property	10	0-15
Alternatives	1.5	0-6
<b>Risk-controlling assets</b>	<b>31</b>	
Fixed interest	25	15-30
Cash	6	0-16

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>69.6</b>	<b>70.0</b>
Australian shares	33.8	32.2
International shares	25.9	25.5
Property	8.1	10.0
Alternatives	1.8	2.3
<b>Risk-controlling assets</b>	<b>30.4</b>	<b>30.0</b>
Fixed interest	19.2	16.5
Cash	11.2	13.5

### Return target<sup>1</sup>

Return target of 4.0% per year above inflation over rolling 5-year periods.

### Risk High



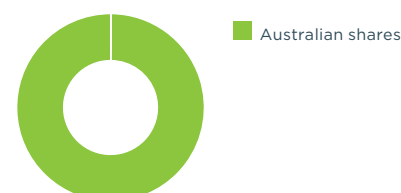
Negative returns expected 4.0 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	11.78	12.97
2013	16.73	18.50
2012	-0.83	-0.81
2011	7.65	8.61
2010	8.03	9.23
5-yr avge % p.a.	8.52	9.51
5-yr avge % p.a. over CPI	5.87	6.86

## SR Australian Shares

### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>100</b>
Australian shares	100
International shares	0
Property	0
Alternatives	0
<b>Risk-controlling assets</b>	<b>0</b>
Fixed interest	0
Cash	0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>100</b>	<b>100</b>
Australian shares	100	100
International shares	0	0
Property	0	0
Alternatives	0	0
<b>Risk-controlling assets</b>	<b>0</b>	<b>0</b>
Fixed interest	0	0
Cash	0	0

### Return target<sup>1</sup>

Return target is to outperform S&P ASX300 Accumulation Index over rolling 5-year periods.

### Risk Very high



Negative returns expected 6.0 out of 20 years

### Returns<sup>2</sup>

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2014	15.85	16.69
2013	28.86	30.39
2012	-1.49	-1.55
Avge since inception. (% p.a.)	13.72	14.42

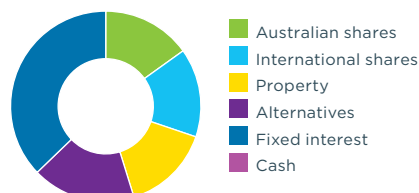
1 Investment markets are uncertain. LGsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time. Return target is correct at 30 June 2014.

2 Past performance is not an indicator of future performance.

# Defined Benefits Funds

## Defined Benefits Fund

### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>62.8</b>
Australian shares	15.1
International shares	15.1
Property	15.0
Alternatives	17.6
<b>Risk-controlling assets</b>	<b>37.2</b>
Fixed interest	37.2
Cash	0.0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>57.6</b>	<b>61.7</b>
Australian shares	16.3	16.2
International shares	16.3	18.6
Property	12.0	13.2
Alternatives	13.0	13.7
<b>Risk-controlling assets</b>	<b>42.4</b>	<b>38.3</b>
Fixed interest	38.2	36.3
Cash	4.2	2.0

### Return target<sup>1</sup>

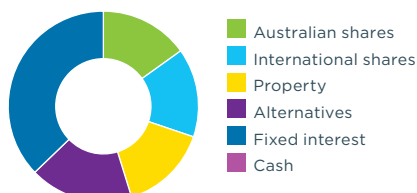
Return target is to achieve returns in excess of salary inflation plus 1.5% p.a. over rolling 3-year periods.

### Returns<sup>2</sup>

Year ending 30 June	Investment return %	Accumulation comparison rate %
2014	9.86	9.36
2013	10.08	8.60
2012	5.07	6.43
2011	9.68	8.43
2010	10.02	6.55
3-yr avge % p.a.	8.31	8.12
3-yr excess over AWOTE <sup>3</sup>	4.25	4.06

## Defined Benefit Account (former City Super)

### Strategic asset allocation (SAA)



	SAA %
<b>Return-seeking assets</b>	<b>62.8</b>
Australian shares	15.1
International shares	15.1
Property	15.0
Alternatives	17.6
<b>Risk-controlling assets</b>	<b>37.2</b>
Fixed interest	37.2
Cash	0.0

### Actual asset allocation

	2014 %	2013 %
<b>Return-seeking assets</b>	<b>57.6</b>	<b>61.7</b>
Australian shares	16.3	16.2
International shares	16.3	18.6
Property	12.0	13.2
Alternatives	13.0	13.7
<b>Risk-controlling assets</b>	<b>42.4</b>	<b>38.3</b>
Fixed interest	38.2	36.3
Cash	4.2	2.0

### Return target<sup>1</sup>

Return target is to achieve returns in excess of salary inflation plus 1.5% p.a. over rolling 3-year periods.

### Returns<sup>2</sup>

Year ending 30 June	Investment return %	Crediting rate %
2014	10.07	7.57
2013	10.84	7.00
2012	2.03	6.77
2011	8.31	1.50
2010	10.15	-3.88
3-yr avge % p.a.	7.57	7.11
3-yr excess over AWOTE <sup>3</sup>	3.51	3.05

1 Investment markets are uncertain. LGsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time. Return target is correct at 30 June 2014.

2 Past performance is not an indicator of future performance.

3 Proxy for salary growth

## Actuarial valuations

LGsuper has two defined benefit funds that are separately managed and regularly reviewed through actuarial valuations to determine if there are sufficient funds to pay members' benefits. The next actuarial valuations for both funds will be undertaken at 1 July 2015.

### Regional Defined Benefits Fund

The last actuarial valuation of the regional Defined Benefits Fund was conducted at 1 July 2012. The actuary concluded from the review that the regional Defined Benefits Fund was in a satisfactory but modest financial position.

### Former City Super Defined Benefits Fund

The former City Super Defined Benefit Fund was transferred to LGsuper on 1 July 2011 as part of the LGsuper and City Super merger. The last full actuarial valuation was conducted at 1 July 2012.

### Vested Benefits Index

The Vested Benefits Indexes below show the ratio of fund assets to the amount of members' vested benefits at 30 June.

Fund	2014 %	2013 %	2012 %
Regional Defined Benefits Fund	109-110*	106-107*	103.5
Former City Super Defined Benefits Fund	114-116*	108*	102.6

\*Preliminary

# Market update

LGsuper delivered strong, positive returns for 2013/14 as global conditions improved. The following market update explains.

## Australian shares

The ASX300 Accumulation Index returned 17.3%, predominantly on the back of the financial sector which was up 21.9% and the materials sector which also experienced strong returns. The resources sector recovered from its poor performance the previous year to post strong gains although returns were subdued by weaker commodity prices, particularly in iron ore (down almost 20%) and coal (down 15%). LGsuper's small cap and micro-cap managers performed particularly well, with both Eley Griffiths and Acorn producing returns over 20% for the year.

## International shares

Global sharemarkets performed strongly over the last year, despite challenges such as geopolitical instability, extreme winter weather in the northern hemisphere and the US government shutdown. The US S&P500 returned 22.0% to post a new record high, while Germany's DAX returned 23.5%, India 34.5% and France 18.3%. The Chinese Shanghai Composite index was only up 3.5% as the government moved to curb lending within the shadow banking sector and concerns grew over the property sector.

The US housing sector continued to improve as house prices, sales and construction increased over the year and unemployment was at a post-GFC low of 6.1%. In contrast the recovery in Europe lost momentum, with manufacturing data at a 7-month low and 11.6% unemployment rates continuing to impair household consumption growth. Given this deterioration a Targeted Long-Term Refinancing Operation (TLTRO) was announced by the ECB to provide cheap funding for the banks to encourage them to lend to the corporate and household sectors.

## Property

LGsuper's highly diversified property portfolio consists of high quality office buildings, retail shopping centres and industrial properties both in Australia and abroad. Low gearing and low vacancy rates mean these investments provide consistent rental income streams and strong capital growth. Most notable investments were the GPT Office Fund which returned 11.2% and Dexus Wholesale Fund which returned 9.3%.

In addition to the solid performance of our unlisted property holdings, LGsuper's global listed properties performed very well and returned 17.1%.

## Alternatives

Our investments in alternatives returned an impressive 9.8% for 2013/14 before tax and fees. Within this sector we invest across three broad themes—infrastructure, hedge funds and emerging market/high-yield debt, each designed to reduce risk and smooth investment returns. All of our investments contributed to this positive performance, and our infrastructure holdings were particularly strong.

Throughout the year LGsuper continued to invest in infrastructure assets, particularly the renewable energy sector. We invest in an alternative waste treatment facility in Australia, solar farms in Japan and bio-refinery facilities in the Philippines, among many other diverse assets. We will continue to build on this sector over the coming years as new investment opportunities present themselves.

## Fixed interest and cash

A relatively strong economy, AAA credit rating and low inflation all contribute to Australia's safe-haven status, which continued to attract overseas investors. The RBA cut the official cash rate only once in August 2013 to a low of 2.50%. With the peak in the mining boom now behind us the RBA attempted to stimulate other sectors of the economy, particularly the housing industry.

The Australian dollar (AUD) appreciated by 3.2% against the US dollar over the course of the year, although it traded in quite a large range – from a high of \$0.97 US in October to a low of \$0.86 US in January.

## Looking forward

In the year ahead financial markets will continue to focus on macroeconomic themes. Strong US economic and housing data indicates continued growth in the near-term and shows both business and consumer confidence trending higher. The US will likely be a key driver of future global growth. Europe's economy will rely on strong growth in Asia and the US to give it the boost it needs in the coming year.

Moving forward from the mining boom, Australia will need to continue to stimulate other sectors of the economy to ensure growth is maintained.

## Where your money is invested

### Top 10 Australian shares at 30 June 2014

- 1** BHP Billiton  
MINING
- 2** ANZ  
FINANCE
- 3** Westpac  
FINANCE
- 4** CBA  
FINANCE
- 5** Rio Tinto  
MINING
- 6** QBE Insurance  
INSURANCE
- 7** Telstra  
TELECOMMUNICATIONS
- 8** 21st Century Fox  
MEDIA
- 9** NAB  
FINANCE
- 10** Macquarie  
FINANCE

### Top 10 International shares at 30 June 2014

- 1** Microsoft  
SOFTWARE
- 2** British American Tobacco  
TOBACCO
- 3** BP  
RESOURCES
- 4** Unilever  
CONSUMER GOODS
- 5** Mastercard  
FINANCE
- 6** Samsung  
ELECTRONICS
- 7** Philip Morris  
TOBACCO
- 8** Citigroup  
FINANCE
- 9** Avalonbay Communities  
PROPERTIES
- 10** SL Green Realty Corp  
PROPERTY

## 2013/14 LGsuper portfolio returns by asset class

Returns shown are before fees and tax.

Asset class	Gross return % p.a.
Australian shares	17.0
International shares	20.7
Property	10.7
Alternatives	9.8
Fixed interest	6.7
Cash	3.3

# Fees and other costs

## Actual fees charged for 2013/14<sup>1</sup>

Type of fee	Investment options												How and when paid
	Ready-made options					Single asset class options					Socially responsible		
	Aggressive	Diversified Growth	Balanced	Stable	Defensive	International Shares	Australian Shares	Property	Diversified Fixed Interest	Cash	SR Balanced	SR Australian Shares	
<b>Investment fee</b>	0.49% p.a.	0.47% p.a.	0.40% p.a.	0.31% p.a.	0.23% p.a.	0.41% p.a.	0.41% p.a.	0.67% p.a.	0.21% p.a.	0.04% p.a.	0.86% p.a.	0.86% p.a.	Deducted from investment earnings as they are credited to your account
<b>Administration fee</b>	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	Deducted from investment earnings as they are credited to your account
<b>Buy-sell spread</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
<b>Switching fee</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
<b>Exit fee</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
<b>Advice fees</b>	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$0-\$440	\$220 (incl. GST) is charged for an in person or phone meeting and \$220 (incl. GST) is charged for personal advice. The fee may be deducted directly from your account on request.
<b>Other fees and costs</b>	Insurance fee: Included in the insurance premiums deducted from your account												
<b>Indirect cost ratio</b>	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	0.12% p.a.	Deducted from gross investment earnings prior to determining earning rates applicable to your account

<sup>1</sup> The fees and costs for managing your investment, including performance fees charged. Actual charged to LGsuper members in 2013/14.

## Additional explanation of fees and costs

### Fee changes

We report the actual fees in this Annual report to members each year. Before the start of each financial year LGsuper estimates fees for the year ahead. These estimates only change where necessary to ensure costs are covered. For current fee estimates see the Product Disclosure Statement (PDS) for your account.

### Performance fees

Performance fees are paid to some investment managers when they outperform a set benchmark. These fees are calculated by comparing the difference between the benchmark and actual performance for each investment, and multiplying the outperformance by the performance bonus rate payable. Performance fees of approximately \$1.3 million are included in the management costs for 2013/14.

### Advice fees

LGsuper does not charge a fee for the provision of general advice, or for limited single issue personal advice (e.g. salary sacrifice, super co-contribution) where a limited Statement of Advice is provided following face-to-face or phone consultation with an LGsuper representative.

LGsuper members who receive more comprehensive personal advice and/or meet with an LGsuper advice representative will be charged on a fee-for-service basis. A fee of \$220 including GST will be charged for an in person or phone meeting and a fee of \$220 including GST will be charged for more comprehensive personal advice.

The fee charged for advice directly related to your LGsuper account may be deducted from your LGsuper account on request. The fees will be explained to you in detail if you ask for this advice. These advice fees apply to the 2013/14 financial year only. For current advice fees see the PDS for your account.

### Transactional and operational costs

Net returns declared by investment managers reflect the transactional and operational expenses of investing, such as brokerage, stamp duty, direct property repair and maintenance costs and buy-sell spreads where applicable. These net returns are, in turn, reflected in the final earning rates determined each year. No brokerage or buy-sell spreads are charged directly to members.

### Indirect costs

Indirect costs are any amounts that we know, or reasonably ought to know, will directly or indirectly reduce the return on your investments that are not charged to your account as a fee. The Australian Government requires us to establish and maintain adequate operational risk reserves. LGsuper has determined a target level of 0.50% of funds under management for these reserves.

From 1 September 2012 to 30 June 2014, 0.01% per month was deducted from earning rates for all investments to build the operational risk reserves. For full disclosure of all indirect costs see the PDS for your account.

### Insurance fee

An Insurance administration fee of 1.087% plus GST is included in all Death, Total and Permanent Disablement and Income Protection premiums. This fee is retained by LGsuper and used to partially offset the administration cost of managing the insurance arrangements.



# Investment managers

The Board is responsible for investing members' money to achieve sound returns above inflation over the long term. To do this, the Board uses an expert asset consultant who assists it in selecting well known and trusted professional investment managers who each have a specific area of investment expertise.

The Board regularly reviews investment manager performance and contribution to overall objectives. In addition, the Board ensures external managers comply with the guidelines, requirements and objectives specified in their Investment Management Agreements. LGsuper allows managers to use derivatives in order to hedge risk and/or increase transactional efficiency. Investment managers who use derivatives must adopt an acceptable Derivative Risk Statement that specifies how derivatives are used and what controls are in place.

The Board also has an Investment Governance Framework that details its investment policies and procedures.

## Total Scheme investment returns

At 30 June 2014	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	13.06	9.99	10.59	4.94	8.11
Composite benchmark	12.61	9.70	9.72	5.73	8.02
% p.a. above/below benchmark	0.45	0.29	0.87	-0.79	0.09

## Administration and investment management expenses

Year ending 30 June 2014	Administration expenses as % of FUM <sup>1</sup>	Investment management expenses as % of FUM	Average FUM \$M
2014	0.21	0.27	7,404.7
2013	0.21	0.27	6,377.7
2012	0.18	0.28	6,066.7
2011	0.18	0.39	4,161.7
2010	0.18	0.31	3,577.8
2009	0.17	0.26	3,484.5

<sup>1</sup> After the deduction of administration expenses relating to investment and insurance.

## Investment managers

	Australian shares	International shares	Property	Alternatives	Socially Responsible	Fixed interest	Cash	
Acorn Capital	1							91.4
Altis			2					65.1
AMP Capital Investors	1	4	2	2				645.2
Ardea						1		114.8
Arrowstreet Fund		1						92.2
Artisan Emerging Markets		1						58.2
BlackRock		2						739.3
Brandes		1						165.6
Bridgewater				1				152.7
Clearbell			1					13.9
Colonial First State		1				1		212.1
Dexus			1					85.3
Eley Griffiths	1							98.0
EQT				2				22.1
Equis				1				46.6
Goldman Sachs						1		164.8
GPT			1					91.1
Independent	1							255.6
JCP Investment Partners	1							263.9
K2 Advisors				1				220.9
Lazard Thematic		1						192.1
LGsuper (internal)							1	596.8
Lend Lease			1					90.0
Macquarie Funds Management	1			1				547.3
Members Equity				1				0.8
Merlon Capital	1							243.1
MFS Global		1						199.4
Morgan Stanley Investment Mgt				1				32.2
Northcape Capital	1							288.6
Orion European Funds			1					4.6
Palisade Investment Partners				1				211.9
Perpetual Ltd					1			55.2
PIMCO						1		228.1
QIC		1				4	1	970.3
Resolution Capital			1					115.6
Retirement Villages Group			1					8.6
Rockspring			2					20.8
Rogge Global Partners				1				91.3
Sanders Capital		1						177.0
Stone Harbor				1				272.5
Vontobel		1						198.8
Wellington						1		156.4
Westbourne Capital				1				144.3
<b>Total</b>								<b>8,444.6</b>

## Investment managers by asset class

As at 30 June 2014			As at 30 June 2014		
Investment manager	\$M	%	Investment manager	\$M	%
<b>Australian shares</b>	<b>1,898.6</b>	<b>22.5</b>	<b>Alternatives</b>	<b>1,321.8</b>	<b>15.7</b>
Acorn Capital	91.4	1.1	AMP Infrastructure	46.0	0.5
AMP Capital Investors	191.0	2.3	Bridgewater	152.7	1.8
Eley Griffiths	98.0	1.2	EQT Infrastructure	22.1	0.3
Independent	255.6	3.0	Equis Infrastructure	46.6	0.6
JCP Investment Partners	263.9	3.1	K2 Advisors	220.9	2.6
Macquarie Passive Index	466.9	5.5	Macquarie RMBS	80.4	1.0
Merlon Capital	243.1	2.9	Members Equity	0.8	0.0
Northcape Capital	288.6	3.4	Morgan Stanley Infrastructure	32.2	0.4
<b>International shares</b>	<b>1,879.7</b>	<b>22.3</b>	Palisade Investment Partners	211.9	2.5
Arrowstreet Emerging Markets	92.2	1.1	Rogge	91.3	1.1
Artisan Emerging Markets	58.2	0.7	Stone Harbor	272.5	3.2
BlackRock	739.3	8.8	Westbourne Capital	144.3	1.7
Brandes Investment Partners	165.6	2.0	<b>Socially responsible Balanced</b>	<b>18.6</b>	<b>0.2</b>
CFS Emerging Markets	57.2	0.7	AMP RIL Balanced Fund	18.6	0.2
Lazard Thematic	192.1	2.3	<b>Socially responsible Australian shares</b>	<b>94.9</b>	<b>1.1</b>
MFS Global Equity	199.4	2.4	AMP Sustainable Share Fund	39.7	0.5
Sanders Capital	177.0	2.1	Perpetual Ethical SRI Fund	55.2	0.7
Vontobel	198.8	2.4	<b>Diversified fixed interest</b>	<b>1,550.8</b>	<b>18.4</b>
<b>Property</b>	<b>956.8</b>	<b>11.3</b>	Ardea ILB	114.8	1.4
Altis AREEP I & II	65.1	0.8	Colonial First State - ILB	154.9	1.8
AMP Property	349.9	4.1	Goldman Sachs Global Fixed Interest	164.8	2.0
Clearbell UK Property	13.9	0.2	PIMCO Global Credit	228.1	2.7
Dexus Wholesale Property Fund	85.3	1.0	QIC - Australian Diversified	264.7	3.1
GPT Wholesale Office Fund	91.1	1.1	QIC - Australian Government	274.2	3.2
Lend Lease APPF Retail	90.0	1.1	QIC - Inflation Plus	117.5	1.4
Orion European Real Estate	4.6	0.1	QIC - Passive Australian ILB	75.4	0.9
QIC Shopping Centre Fund	111.8	1.3	Wellington Global	156.4	1.9
Resolution Global REIT	115.6	1.4	<b>Cash</b>	<b>723.6</b>	<b>8.6</b>
Retirement Villages Group	8.6	0.1	QIC	126.7	1.5
Rockspring UK & European Fund	20.8	0.2	LGsuper	596.8	7.1
			<b>Total</b>	<b>8,444.6</b>	<b>100</b>

# Other important information

## Tax

Employer contributions and investment earnings are subject to income tax at the rate of 15%. The full 15% tax on employer contributions is deducted from members' accounts. The tax on investment earnings can be less than 15% due to tax deductions, credits and offsets. Members who have insurance premiums deducted from their accounts receive a 15% tax deduction on the premiums.

## Surcharge payments

The superannuation surcharge tax was an additional tax paid by higher income earners on employer contributions they received. This tax was abolished from 1 July 2005. If you've incurred any surcharge tax, LGsuper will pay it directly to the Australian Taxation Office (ATO), and then recover it from your account.

## Temporary residents

Temporary residents who permanently leave Australia may be able to access their superannuation money.

If you are eligible, you can claim your money directly from LGsuper within 6 months of leaving Australia. Once 6 months have passed, LGsuper will be required to transfer your money to the Australian Taxation Office (ATO) if they request us to do so. Once transferred to the ATO, your money will not earn any interest and you will need to contact the ATO directly for a refund.

LGsuper relies on the ASIC class order relief (CO 09/437), which means we do not have to let you know if your benefit has been transferred to the ATO.

## Complaints

We hope you are satisfied with LGsuper and the service we provide. If you are not satisfied we have a complaints handling process. You can contact our Complaints Officer as follows:

**Post** Complaints Officer  
LGsuper  
GPO Box 264  
Brisbane Qld 4001

**Email** [complaints@lgsuper.org](mailto:complaints@lgsuper.org)

**Phone** 1800 444 396

**Fax** (07) 3244 4344

## Privacy

LGsuper respects the privacy of your personal information. We comply with the Australian Government's Privacy Act, and only collect the information we need to look after your account and keep in touch with you. You can obtain a copy of our *Privacy statement* from our website or call us on 1800 444 396 and we will send you a free copy.

# Abridged financial statements

The abridged financial statements are at a total fund level. They are unaudited and based on information available at the time of publication. The *2014 Annual report - Queensland Local Government Superannuation Board* will include the audited financial statements and will be published on the website and made available on request from November 2014.

## Preliminary unaudited statement of net assets

		2014 \$M	2013 \$M
Investments	Cash and cash equivalents	448	306
	Fixed interest securities	1,976	1,684
	Listed equity investments and property trusts	2,310	1,901
	Unlisted equity investments and trusts	3,745	3,562
	Derivatives	32	21
	Direct property	-	67
Other assets		149	168
<b>Total assets</b>		<b>8,660</b>	<b>7,709</b>
<b>Total liabilities</b>		<b>300</b>	<b>352</b>
<b>Net assets to pay benefits at 30 June</b>		<b>8,360</b>	<b>7,357</b>

## Preliminary unaudited statement of changes in net assets (total funds)

	2014 \$M	2013 \$M
<b>Net assets to pay benefits at 1 July</b>	<b>7,357</b>	<b>6,361</b>
<b>Plus: income</b>		
Contributions	580	544
Transfers from other funds	121	112
Insurance claim proceeds	19	15
Net investment revenue	947	871
<b>Total income</b>	<b>1,667</b>	<b>1,542</b>
<b>Less: expenses</b>		
Benefits paid	471	393
Administration expenses	15	14
Insurance premiums	26	26
Income and contributions tax	152	113
<b>Total expenses</b>	<b>664</b>	<b>546</b>
<b>Net assets available to pay benefits at 30 June<sup>1</sup></b>	<b>8,360</b>	<b>7,357</b>

1 Total includes Operational Risk Reserve and Accumulation and Defined Benefit monies

## Abridged financial statements cont.

### Reserves and funds

Reserves are maintained for operational risk and to further secure the defined benefits funds.

#### Operational Risk Reserve

Operational risk reserves have been established to set aside funds to meet possible operational errors in the future which would otherwise be funded from investment earnings. The federal government also requires trustees to establish operational risk reserves. The Board has determined a target level of 0.50% of funds under management for the reserves. The reserves were initially funded by transfers of surplus funds from the Insurance Fund and subsequent funding is by deductions from fund earnings and investment earnings on reserve balances. Reserves for Accumulation Benefit Fund balances are invested 60% in the Cash option and 40% in the Balanced option. Reserves for the Defined Benefits Funds are invested within the Defined Benefits Funds investment strategy.

The reserve balance includes a provision (\$5.8m) for significant future capital expenses incurred in the management of LGsuper. The provision is funded from surplus administration costs charged to LGsuper members.

	2014 \$M	2013 \$M	2012 \$M
<b>Balance at 1 July</b>	<b>30.9</b>	<b>7.3</b>	<b>9.1</b>
Plus City Super transfers	-	-	4.9
Plus/minus intra-scheme transfers	-	0.9	1.5
Allocation from (to) scheme earnings	4.2	18.1	(8.8)
Investment income	1.7	0.9	0.6
Transfer from DBF assets	-	3.7	-
<b>Balance at 30 June</b>	<b>36.8</b>	<b>30.9</b>	<b>7.3</b>

#### Smoothing reserve (closed 30 June 2013)

The Smoothing reserve was established to support smoothing of investment returns for the Accumulation Benefits Fund Diversified Growth plus Reserves investment option. The Reserve was invested in the Accumulation Benefits Fund Diversified Growth plus Reserves investment option.

From 1 July 2011 the Diversified Growth plus Reserves investment option was closed to new funds. Over the following two years the reserve was distributed to members invested in the Diversified Growth plus Reserves option. At 30 June 2013, the reserve was fully returned to members. The investment option closed on 30 June 2013. Members under age 75 had their funds transferred to the Diversified Growth option, with those aged 75 or over transferred to the Balanced option.

	2014 \$M	2013 \$M	2012 \$M
<b>Balance at 1 July</b>	<b>-</b>	<b>28.0</b>	<b>102.7</b>
Transfer to/from investment income	-	(28.0)	(74.7)
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>	<b>28.0</b>
<b>% of member balances</b>	<b>-</b>	<b>-</b>	<b>1.64%</b>

#### Insurance Fund (closed 30 June 2013)

The Insurance Fund was established to provide for insurance benefits payable by LGsuper up to the outsourcing of insurance benefits in July 2007. As the potential for benefits payable from the Insurance Fund is considered low, the Fund has been closed and the balance transferred to the Operational Risk reserves. Any subsequent liabilities will be payable from the Operational Risk reserves.

	2014 \$M	2013 \$M	2012 \$M
<b>Balance at 1 July</b>	<b>-</b>	<b>0.8</b>	<b>2.3</b>
Plus/minus intra-scheme transfers	-	(0.5)	(1.6)
Insurance premiums	-	(0.3)	-
Investment income	-	-	0.1
Claims paid	-	-	-
Administration expenses	-	-	-
<b>Balance at 30 June</b>	<b>-</b>	<b>-</b>	<b>0.8</b>

# Specialist consultants and advisors

**Actuarial advice**

Mr J Burnett, Towers Watson

**Asset consultants**

Towers Watson

**Auditors**

PricewaterhouseCoopers, Brisbane (external)

KPMG, Brisbane (internal)

**Information services**

Bravura, Sydney

Brennan IT

Decimal

Westpac

**Custodian**

JP Morgan Chase Bank, Sydney

**Senior Medical Officer**

Dr E Pollard MBBS FRACP, Brisbane

**Solicitors**

King & Company, Brisbane

Mr S Fynes-Clinton, Barrister at Law, Brisbane

**Tax consultant**

PricewaterhouseCoopers, Brisbane

**Group Life Insurer**

One Path Life Limited