MEET Peter
He and the team are looking after you and your super.

2015 ANNUAL REPORT

LGsuper
Looking after you and your super

Celebrating 50 years
A proud history, a strong future

Contents

Contact

Level 20, 333 Ann Street
Brisbane Qld 4000
GPO Box 264
Brisbane Qld 4001

Toll free 1800 444 396
Facsimile 07 3244 4344
info@lgsuper.org
www.lgsuper.org

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

LGsuper – a complying fund

LGsuper was a complying super fund at all times during the 2014/15 financial year. As a complying fund, LGsuper members receive concessional tax treatment.

This year we'd like to introduce you to the staff who work behind the scenes to look after you and your super. From us to you, here is the 2015 Annual report.

MEET Anita

She makes everyone feel welcome when they visit the LGsuper office.

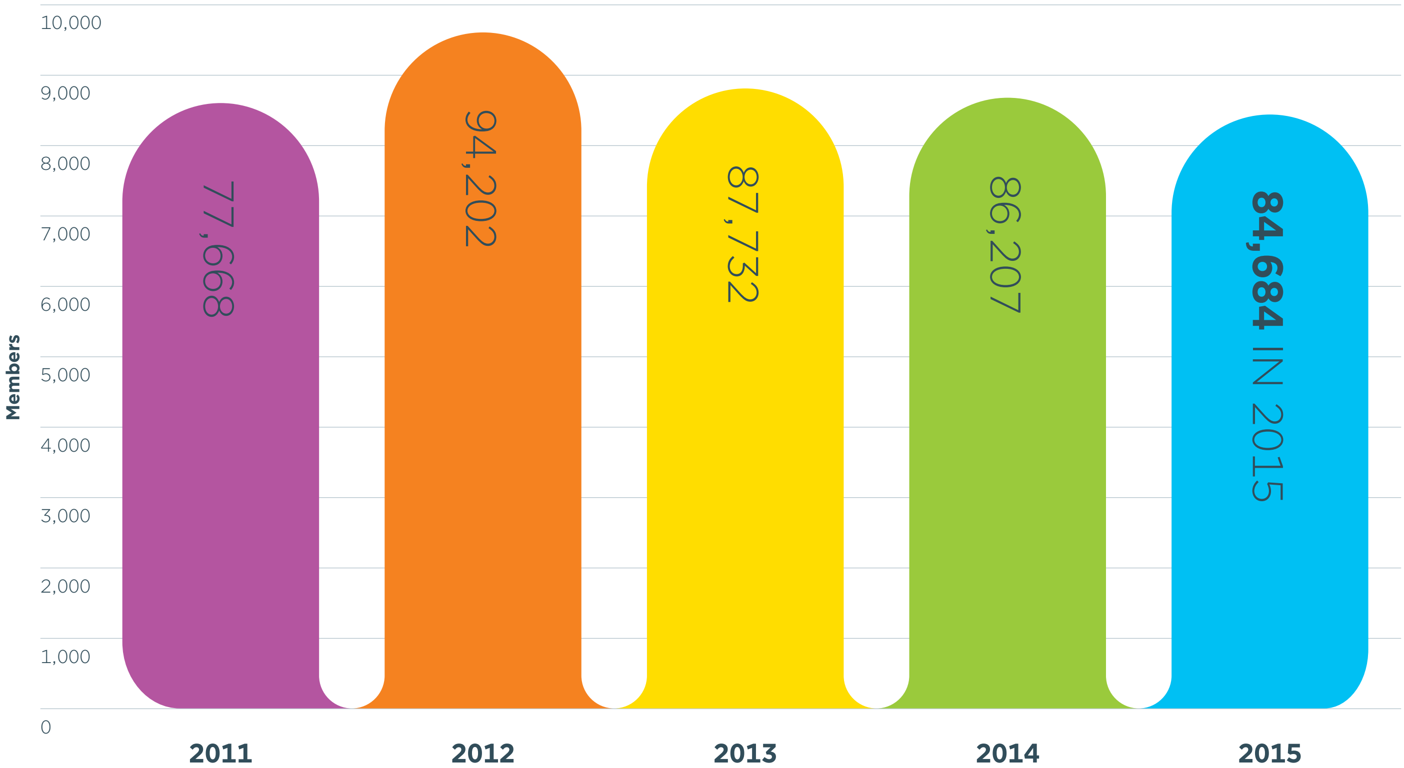
LGsuper snapshot

Membership

There were

84,684

LGsuper members at 30 June 2015.



Account types

The membership comprised:

Accumulation Benefits Fund members			
Council employees			
Contributory	33,723		
Non-contributory	6,365		
Councillors	299		
		40,387	
Former council employees and spouses			
Retained Benefit	36,192		
Spouses	1,308		
Pensioners	3,740		
		41,240	
			81,627
Defined Benefits Fund members			**3,057**
TOTAL MEMBERS			**84,684**

Employers

94

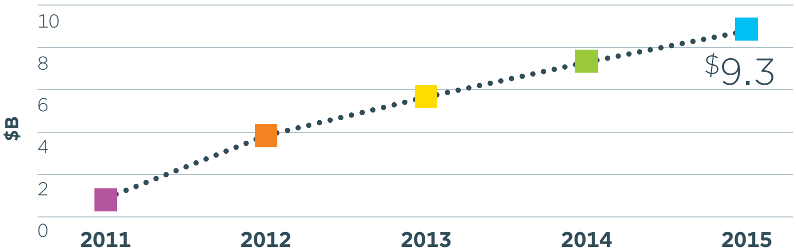
local government employers were contributing to LGsuper as at 30 June 2015.

Funds under management

LGsuper invested

$9.3 billion

in funds under management during the 2014/15 financial year.

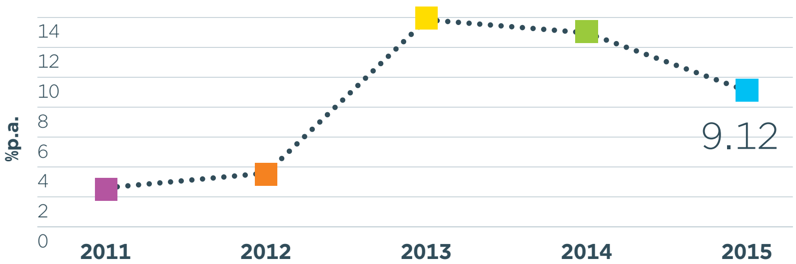


Investment performance

The total investment return for LGsuper was

9.12% P.A.

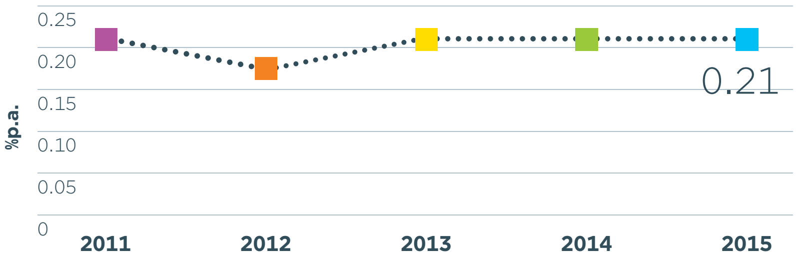
before tax and fees for 2014/15.



Administration expenses

Administration expenses for running LGsuper were

0.21% P.A. in 2014/15.



Chair and CEO's report

On behalf of the LGsuper Board of Directors, it is our pleasure to present the 2015 annual report.

Looking after members and employers

Over the past year we continued to visit workplaces and communities around Queensland. We held 299 seminars where we connected with 6,050 members, and our *Planning for retirement* and *All about pensions* seminars helped members understand the paths to retirement and beyond. In addition, as part of our advice services we held 2,400 member interviews both in our office and in regional locations.

LGsuper's insurance arrangements were reviewed during the year, and after a competitive tender process, OnePath was reappointed as the fund's insurer effective from 1 July 2015. With insurance claims and payouts rising across the industry, many super funds have increased their group premiums. For the first time since July 2012, LGsuper's insurance premiums also increased, although members can be assured we negotiated the best possible deal to limit the extent of these increases.

New interactive tools

We've listened to our members and produced new tools to help improve their super savings. Our series of videos help members learn how to grow and consolidate super, transition to retirement, and salary sacrifice. We also developed a performance graph tool to provide a visual representation of how our investment options have performed over time. More recently we launched our online transfer tool so members can combine their super into LGsuper in less than five minutes without the need to complete paperwork.

High member satisfaction reflected in market research

In 2014 we commissioned a study to gauge member satisfaction. Without identifying LGsuper as the study sponsor, more than 1,000 randomly selected Queenslanders were asked how satisfied they were with the products and services they received from their super fund. Independent researchers surveyed members of many funds, including QSuper, AustralianSuper, Sunsuper and AMP. The outcome was even better than we expected, with LGsuper found to be the highest performing fund rated in the study. Overall, 97% of members surveyed rated us as excellent, good or adequate, with 28% rating us as excellent and 49% rating us as good.

LGsuper leads the way with best practice governance

Strong governance is critical for the Board to successfully oversee the fund and its activities. That's why in 2013 LGsuper became the first profit-for-members super fund to voluntarily adopt a board structure of one third independent directors, as proposed in draft legislation.

LGsuper's nine-member Board includes an equal mix of independent directors, member representative directors and employer representative directors. Each independent director has their own set of specialist skills, and the additional finance, investment and actuarial experience they bring to the table make our already strong board even stronger.

On September 30 2014 we farewelled Brian Roebig, who became LGsuper's first independent Chairman in 1995. We thank Brian for his very substantial contribution over 19 years leading LGsuper, and wish him all the best for the future.

MEET
Bronwyn, our Chair, and David, our CEO.
Together they lead the LGsuper team.

Awards and industry recognition

Over the past year LGsuper was recognised among Australia's top super funds. In November we were named finalists in the SelectingSuper Awards for Workplace Super Product of the Year (value choice) and MySuper product of the year. The criteria for these awards included investment performance, insurance, price value, communications, administration and menu range. As a nominee, LGsuper was independently assessed and recognised as one of the nation's best performing super funds across the criteria.

Once again LGsuper's MySuper, superannuation and pension products were awarded a platinum rating by independent ratings agency SuperRatings. 2015 was the seventh consecutive year our superannuation and pension products were awarded a platinum rating, which is only awarded to the top funds in each category.

As well as being recognised for our achievements, we also took the opportunity to recognise someone who has gone beyond the call of duty in providing service to their council and community by sponsoring the Local Government Managers Australia Queensland Above and Beyond Award. We would like to congratulate Allan Hazell, who won the award for his outstanding achievements and contribution to the Noosa Council.

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.

Looking ahead

In 2015 LGsuper celebrates 50 years of looking after our members and their super. In our 50th year we are dedicated to the following priorities:

- Assisting employers in complying with the new SuperStream data payment standards
- Pursuing digital solutions for members including personalised video statements, new calculators for extra contributions and retirement projections, and a new responsive website for a better user experience from mobile and tablet devices
- Providing superior member experiences and maintaining our value-for-money position for members
- Holding more seminars for members, with a focus on the investment landscape and potential performance outcomes.

Bronwyn Morris
Independent Director and Chair

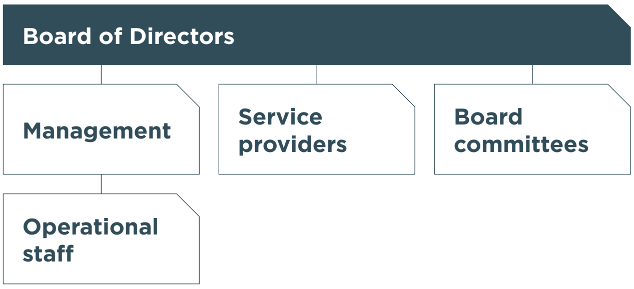
David Todd
Chief Executive Officer

MEET Drew, Renuka and John from our Education and Advice teams.

They work closely with members to find the best super solution for every situation.

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 is:

a) three people appointed on the nomination of LGAQ Ltd
b) three people appointed on the nomination of members of LGsuper, and
c) three independent directors appointed by the Board.

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.

Governance statement (cont.)

Board remuneration policy

Goals

LGsuper's goal is to provide members with high quality, value for money 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.

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.

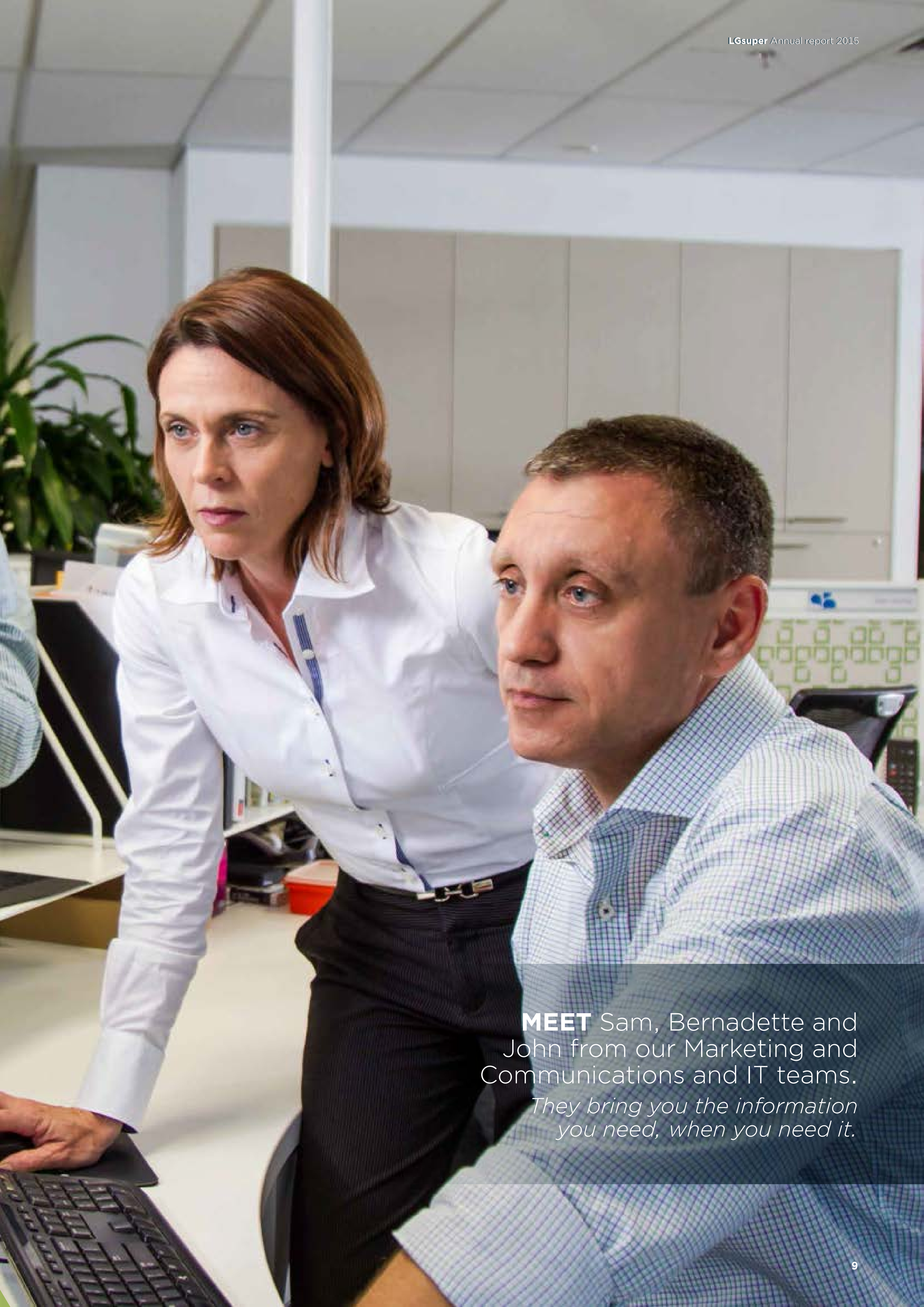
Staff remuneration

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

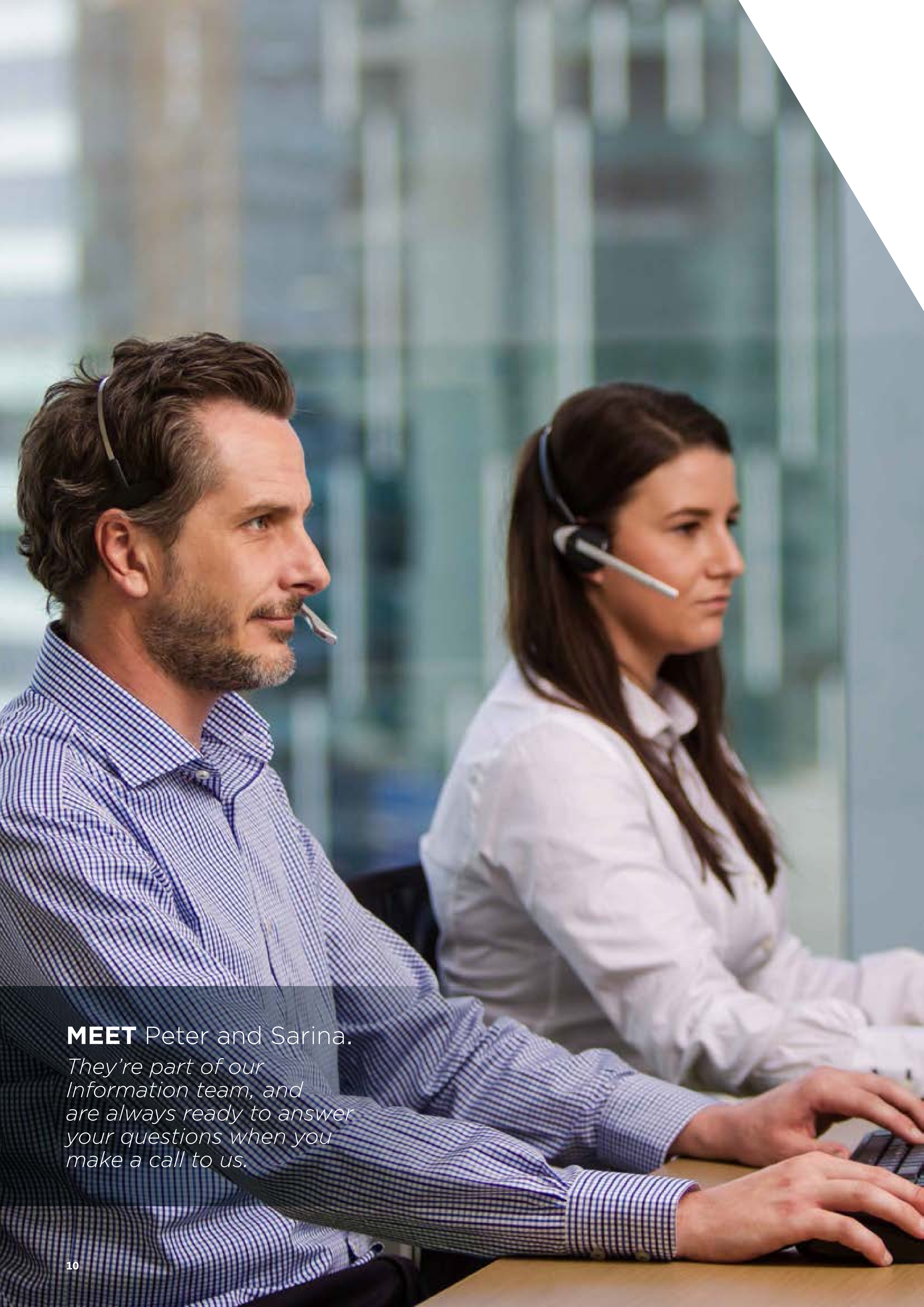
Amendments were made to the Trust Deed during the 2014/15 financial year, including to:

- reduce the maximum tenure of directors from 20 years to 12 years
- enable the Board to use an electronic system for meeting papers for resolutions passed outside the Board meetings
- discontinue failure of health benefits for all members, excluding Regional Defined Benefit Fund members.



MEET Sam, Bernadette and John from our Marketing and Communications and IT teams.

They bring you the information you need, when you need it.



MEET Peter and Sarina.

They're part of our Information team, and are always ready to answer your questions when you make a call to us.

Board of Directors

The Board's structure aligns with draft legislation that will require boards of APRA-regulated super funds to have an independent chair and at least one-third independent directors on trustee boards. LGsuper is the first profit-for-members super fund to voluntarily adopt this board structure.

At 30 June 2015 the Board comprised:

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

Farewell and thank you to Brian Roebig OAM

On 30 September 2014, Brian Roebig retired from his position as Independent Director and Chairman after 19 years of dedicated service at the helm of LGsuper. Under Brian's leadership, LGsuper grew from $702 million in funds under management and 31,500 members to $8.5 billion in funds and almost 90,000 members. He was responsible for guiding LGsuper's merger with City Super, introducing the ability for non-local government employers to contribute to LGsuper and introducing a more diversified and efficient investment portfolio. This long list of achievements is testament to Brian's leadership, vision and commitment to delivering strong retirement outcomes for members. Independent Director Bronwyn Morris was appointed to the position of Chair from 1 October 2014.

Independent Director and Chair

Bronwyn Morris

Director

Member, Audit and Risk Management Committee

Member, Remuneration, HR and Nominations Committee

Bronwyn Morris became an LGsuper director in December 2013 and Chair from 1 October 2014. She 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.

Board of Directors (cont.)

Independent directors

John Smith

Director

Chair, Audit and Risk Management Committee

Member, Investment 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.

John Wilson

Director

Chair, Investment 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).

Member representatives

Noel Cass

Director

Member, Remuneration, HR and Nominations Committee

Member, Investment 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 formal qualifications in local government administration, accounting and environmental health.

Fiona Connor

Director

Member, Audit and Risk Management 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 the Governance Institute of Australia.

Employer representatives

Ron Curtis

Director

Chair, Remuneration, HR and Nominations Committee

Member, Investment 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. Ron has completed various courses through the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees, and is a Member of the Association of Superannuation Funds of Australia.

Cr Margaret de Wit

Director

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.

Ian Leckenby

Director

Member, Investment Committee

Member, Remuneration, HR and Nominations Committee

Ian Leckenby became an LGsuper director in July 2014. He has held several positions in the Queensland Government and was Director of the Business Support Branch for LGAQ. Ian is the current Chairman of Local Buy Pty Ptd and Director of Local Government Mutual, Local Government Workcare and Propel Partnerships, as well as the Principal of Ian Leckenby Consulting. He holds a Bachelor of Commerce, a Diploma from the Australian Institute of Company Directors and a Certificate IV in Assessment and Workplace training.

Cr Peter Matic

Director

Member, Audit and Risk Management Committee

Cr Peter Matic has been a director at LGsuper since July 2014. He has been the Brisbane City Councillor for Toowong Ward since he was first appointed in 2007 and elected in 2008. Peter has held various positions with Brisbane City Council (BCC) and is the current Chairman of the Public and Active Transport Committee. His other current roles include BCC representative on the LGAQ Policy Executive and Director on the Board of South East Queensland Catchments. Peter has 10 years of experience as a solicitor, and holds a Bachelor of Arts, a Bachelor of Laws and a Master of Laws as well as being a Member of the Australian Institute of Company Directors.

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 2015 LGsuper had 74 staff.

Chief Executive Officer

David Todd

David Todd has been the CEO since 2006. 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 Person 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 Person 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 Person 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 the Institute of Governance Australia and a Certified Senior Finance and Treasury Professional. Peter is a Responsible Person under the Board's RSE licence.

Organisational structure

Chief Executive Officer
David Todd [1, 2, 3] (10)
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 [1, 2, 3] (9)
Undertakes scheme secretarial duties and responsible for corporate governance. Oversees the risk and compliance functions, including the handling of member complaints.

Manager Compliance
Stuart Meekin [1] (4)

General Manager Operations
Timothy Willmington [1, 2, 3] (25)
Responsible for administration, marketing and communications, information technology, insurance and member services and advice functions.

Manager Administration
David Sleeman [1] (7)

Project Manager
Barbara Matthews [1] (28)

Manager Marketing and Communications
Lyndal Ferrari [1] (9)

Manager Member Services and Advice
Rhonda Maden [1, 2] (4)

Manager Member Advice
Garnett Hollier [1] (2)

Manager Information Technology
Rob Fox (8)

Insurance Manager
Robert Paré (4)

Chief Financial Officer
Peter Gamin [3] (2)
Manages the financial operations of the Board and LGsuper. Oversees the financial and tax regulatory requirements.

Financial Controller
Fleur Perbellini (1)

Tax Manager
Patrick Rochford (25)

Investment Manager
Guy Rundle (4)

[1] Authorised representative under Australian Financial Services Licence No. 230511
[2] Responsible Manager under Australian Financial Services Licence No. 230511
[3] Responsible Person under the RSE Licence
Figures in brackets indicate number of completed years of service at 30 June 2015

MEET Tim, Ian, David and Peter.

They make up LGsuper's Executive team, and keep the fund running smoothly.

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. They 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.

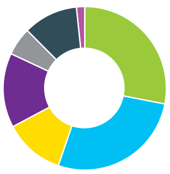
Accumulation Benefits Fund

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

LGsuper MySuper Lifecycle

Under 75

Actual asset allocation at 30 June 2015



Return target[1] 4.0% per year above inflation after fees and taxes over the next ten financial years.

Risk MEDIUM TO HIGH

Returns[2]

At 30 June	Accumulation acc % p.a.
2015	8.18
2014	12.30
2013	13.95
2012	1.62
2011	11.59
5-yr avg (% p.a.)	9.44
5-yr avg % p.a. over CPI	7.11

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**88.5**	**81.0–96.0**
Australian shares	23.9	16.4–31.4
International shares	23.9	16.4–31.4
Property	15.0	7.5–22.5
Infrastructure	7.7	0.2–15.2
Other	18.0	10.5–25.5
Commodities	0.0	0.0–7.5
Risk-controlling	**11.5**	**4.0–19.0**
Fixed interest	11.5	4.0–19.0
Cash	0.0	0.0–5.0

75 plus

Actual asset allocation at 30 June 2015

Return target[1] 3.5% per year above inflation after fees and taxes over the next ten financial years.

Risk MEDIUM

Returns[2]

At 30 June	Accumulation acc % p.a.
2015	6.79
2014	9.74
2013	10.08
2012	5.07
2011	9.68
5-yr avg (% p.a.)	8.25
5-yr avg % p.a. over CPI	5.92

Strategic asset allocation and ranges

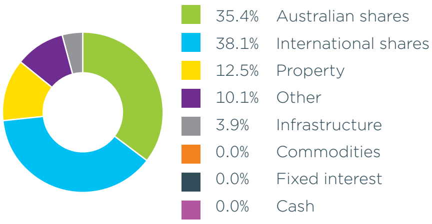
At 30 June	SAA %	Ranges %
Return-seeking	**62.8%**	**55.3–70.3**
Australian shares	15.1%	7.6–22.6
International shares	15.1%	7.6–22.6
Property	15.0%	7.5–22.5
Infrastructure	5.3%	0.0–12.8
Other	12.3%	4.8–19.8
Commodities	0.0%	0.0–7.5
Risk-controlling	**37.2%**	**29.7–44.7**
Fixed interest	37.2%	29.7–44.7
Cash	0.0%	0.0–5.0

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.

2 LGsuper's MySuper Lifecycle investment 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.

Aggressive

Actual asset allocation at 30 June 2015



Return target[1] 4.5% per year above inflation over rolling 5-year periods.

Risk HIGH

Returns[2]

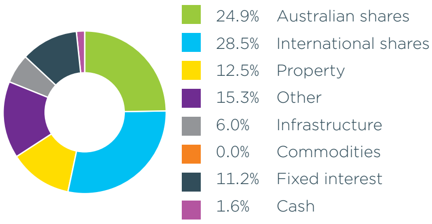
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	9.75	10.92
2014	15.05	16.78
2013	17.86	19.35
2012	-1.28	-1.35
2011	12.77	13.94
5-yr avg (% p.a.)	10.62	11.68
5-yr avg % p.a. over CPI	8.29	9.35

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**100**	**100**
Australian shares	34.0	26.5–41.5
International shares	34.0	26.5–41.5
Property	15.0	7.5–22.5
Infrastructure	5.1	0.0–12.6
Other	11.9	4.4–19.4
Commodities	0.0	0.0–7.5
Risk-controlling	**0.0**	**0.0**
Fixed interest	0.0	0.0–0.0
Cash	0.0	0.0–5.0

Diversified Growth

Actual asset allocation at 30 June 2015



Return target[1] 4.0% per year above inflation over rolling 5-year periods.

Risk MEDIUM TO HIGH

Returns[2]

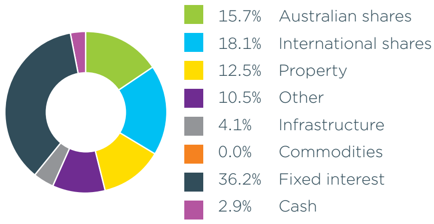
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	8.18	9.29
2014	12.30	13.89
2013	13.95	15.21
2012	1.62	1.82
2011	11.59	12.80
5-yr avg (% p.a.)	9.44	10.49
5-yr avg % p.a. over CPI	7.11	8.16

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**88.5**	**81.0–96.0**
Australian shares	23.9	16.4–31.4
International shares	23.9	16.4–31.4
Property	15.0	7.5–22.5
Infrastructure	7.7	0.2–15.2
Other	18.0	10.5–25.5
Commodities	0.0	0.0–7.5
Risk-controlling	**11.5**	**4.0–19.0**
Fixed interest	11.5	4.0–19.0
Cash	0.0	0.0–5.0

Balanced

Actual asset allocation at 30 June 2015



Return target[1] 3.5% per year above inflation over rolling 5-year periods.

Risk MEDIUM

Returns[2]

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	6.79	7.81
2014	9.74	11.14
2013	10.08	11.12
2012	5.07	5.71
2011	9.68	10.89
5-yr avg (% p.a.)	8.25	9.31
5-yr avg % p.a. over CPI	5.92	6.98

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**62.8%**	**55.3–70.3**
Australian shares	15.1%	7.6–22.6
International shares	15.1%	7.6–22.6
Property	15.0%	7.5–22.5
Infrastructure	5.3%	0.0–12.8
Other	12.3%	4.8–19.8
Commodities	0.0%	0.0–7.5
Risk-controlling	**37.2%**	**29.7–44.7**
Fixed interest	37.2%	29.7–44.7
Cash	0.0%	0.0–5.0

[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.
[2] Past performance is not an indicator of future performance.

Accumulation Benefits Fund (cont.)

Stable

Actual asset allocation at 30 June 2015

Return target[1] is 2.5% per year above inflation over rolling 5-year periods.

Risk LOW TO MEDIUM

Returns[2]

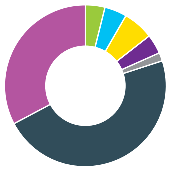
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	5.31	6.19
2014	7.17	8.31
2013	7.16	8.05
2012	6.24	7.10
2011	7.90	9.00
5-yr avg (% p.a.)	6.75	7.72
5-yr avg % p.a. over CPI	4.42	5.39

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**42.2**	**34.7–49.7**
Australian shares	8.1	0.6–15.6
International shares	8.1	0.6–15.6
Property	15.0	7.5–22.5
Infrastructure	3.3	0.0–10.8
Other	7.7	0.2-15.2
Commodities	0.0	0.0–7.5
Risk-controlling	**57.8**	**50.3–65.3**
Fixed interest	37.8	30.3–45.3
Cash	20.0	12.5–27.5

Defensive

Actual asset allocation at 30 June 2015



Return target[1] is 2.0% per year above inflation over rolling 5-year periods.

Risk VERY LOW

Returns[2]

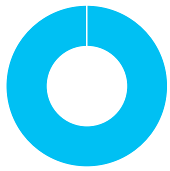
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	4.14	4.89
2014	5.56	6.53
2013	4.86	5.61
2012	7.27	8.63
2011	6.27	7.45
5-yr avg (% p.a.)	5.61	6.61
5-yr avg % p.a. over CPI	3.28	4.28

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**21.6%**	**14.1–29.1**
Australian shares	3.8%	0.0–11.3
International shares	3.8%	0.0–11.3
Property	7.5%	0.0–15.0
Infrastructure	2.0%	0.0–9.5
Other	4.5%	0.0–12.0
Commodities	0.0%	0.0–7.5
Risk-controlling	**78.4%**	**70.9–85.9**
Fixed interest	48.4%	40.9–55.9
Cash	30.0%	22.5–37.5

International Shares

Actual asset allocation at 30 June 2015



Return target[1] is to outperform a composite index of international shares over rolling 5-year periods.

Risk HIGH

Returns[2]

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	17.01	19.57
2014	17.63	20.10
2013	26.57	29.91
2012	0.27	0.36
4-yr avg % p.a.	14.97	16.98

Strategic asset allocation and ranges

At 30 June	SAA %
Return-seeking	**100**
International shares	100
Risk-controlling	**0**

[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.
[2] Past performance is not an indicator of future performance.

Australian Shares

Actual asset allocation at 30 June 2015

100%	Australian shares
0.0%	International shares
0.0%	Property
0.0%	Other
0.0%	Infrastructure
0.0%	Commodities
0.0%	Fixed interest
0.0%	Cash

Return target[1] is to outperform a composite index of Australian shares over rolling 5-year periods.

Risk VERY HIGH

Returns[2]

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	3.42	3.59
2014	15.44	16.28
2013	15.82	16.69
2012	-9.56	-10.54
4-yr avg % p.a.	5.75	5.89

Strategic asset allocation and ranges

At 30 June	SAA %
Return-seeking	**100**
Australian shares	100
Risk-controlling	**0**

Property

Actual asset allocation at 30 June 2015

0.0%	Australian shares
0.0%	International shares
100%	Property
0.0%	Other
0.0%	Infrastructure
0.0%	Commodities
0.0%	Fixed interest
0.0%	Cash

Return target[1] is 4.5% per year above inflation over rolling 5-year periods.

Risk MEDIUM TO HIGH

Returns[2]

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	9.26	11.05
2014	8.53	10.12
2013	10.47	11.69
2012	6.80	7.59
4-yr avg % p.a.	8.76	10.10

Strategic asset allocation and ranges

At 30 June	SAA %
Return-seeking	**100**
Property	100
Risk-controlling	**0**

Diversified Fixed Interest

Actual asset allocation at 30 June 2015

0.0%	Australian shares
0.0%	International shares
0.0%	Property
0.0%	Other
0.0%	Infrastructure
0.0%	Commodities
100%	Fixed interest
0.0%	Cash

Return target[1] is to outperform a composite index of Australian and international fixed interest over rolling 5-year periods.

Risk VERY LOW

Returns[2]

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	3.58	4.31
2014	5.17	6.08
2013	2.35	2.83
2012	10.13	11.99
4-yr avg % p.a.	5.27	6.25

Strategic asset allocation and ranges

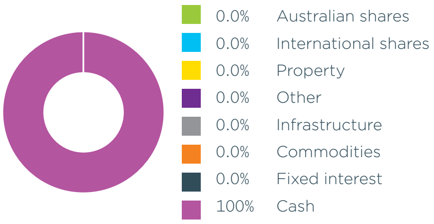
At 30 June	SAA %
Return-seeking	**0**
Risk-controlling	**100**
Fixed interest	100

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.
2 Past performance is not an indicator of future performance.

Accumulation Benefits Fund (cont.)

Cash

Actual asset allocation at 30 June 2015



Return target[1] is the RBA official cash rate over rolling 5-year periods.

Risk VERY LOW

Returns[2]

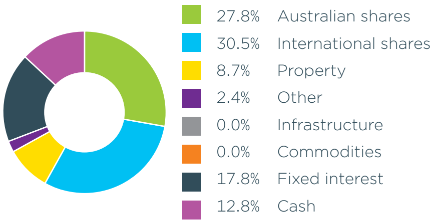
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	2.07	2.49
2014	2.47	2.95
2013	3.18	3.78
2012	4.18	4.96
2011	4.05	4.81
5-yr avg (% p.a.)	3.19	3.79
5-yr avg % p.a. over CPI	0.86	1.46

Strategic asset allocation and ranges

At 30 June	SAA %
Return-seeking	**0**
Risk-controlling	**100**
Cash	100

SR Balanced

Actual asset allocation at 30 June 2015



Return target[1] 2.0% per year above inflation over rolling 5-year periods.

Risk HIGH

Returns[2]

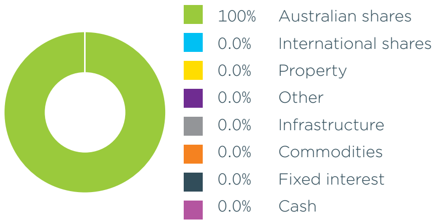
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	8.87	9.79
2014	11.78	12.97
2013	16.73	18.50
2012	-0.83	-0.81
2011	7.65	8.61
5-yr avg (% p.a.)	8.69	9.63
5-yr avg % p.a. over CPI	6.36	7.30

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**69.0**	
Australian shares	33.0	26.0–40.0
International shares	24.5	15.0–35.0
Property	10.0	0.0–15.0
Infrastructure	1.0	0.0–6.0
Other	0.5	0.0–6.0
Commodities	0.0	0.0–0.0
Risk-controlling	**31.0**	
Fixed interest	25.0	15.0–30.0
Cash	6.0	0.0–16.0

SR Australian Shares

Actual asset allocation at 30 June 2015



Return target[1] is to outperform S&P ASX300 Accumulation Index over rolling 5-year periods.

Risk VERY HIGH

Returns[2]

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2015	7.83	8.24
2014	15.85	16.69
2013	28.86	30.39
2012	-1.49	-1.55
4-yr avg % p.a.	12.22	12.84

Strategic asset allocation and ranges

At 30 June	SAA %
Return-seeking	**100**
Australian shares	100
Risk-controlling	**0**

[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.
[2] Past performance is not an indicator of future performance.

Defined Benefits Funds

Defined Benefits Fund

Actual asset allocation at 30 June 2015

Return target[1] is to achieve returns in excess of salary inflation plus 1.5% p.a. over rolling 3-year periods.

Returns[2]

At 30 June	Investment return %	Accumulation comparison rate %
2015	6.79	7.82
2014	9.86	9.36
2013	10.08	8.60
2012	5.07	6.43
2011	9.68	8.43
3-year avg (% p.a.)	8.90	8.59
3-year excess over AWOTE[3]	5.70	5.39

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**62.8**	**55.3–70.3**
Australian shares	15.1	7.6–22.6
International shares	15.1	7.6–22.6
Property	15.0	7.5–22.5
Infrastructure	5.3	0.0–12.8
Other	12.3	4.8–19.8
Commodities	0.0	0.0–7.5
Risk-controlling	**37.2**	**29.7–44.7**
Fixed interest	37.2	29.7–44.7
Cash	0.0	0.0–5.0

Defined Benefit account (former City Super)

Actual asset allocation at 30 June 2015

Return target[1] is to achieve returns in excess of salary inflation plus 1.5% p.a. over rolling 3-year periods.

Returns[2]

At 30 June	Investment return %	Crediting rate %
2015	7.01%	9.29
2014	10.07%	7.57
2013	10.84%	7.00
2012	2.03%	6.77
2011	8.31%	1.50
3-year avg (% p.a.)	9.29%	7.95
3-year excess over AWOTE[3]	6.09	4.75

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	**62.8**	**55.3–70.3**
Australian shares	15.1	7.6–22.6
International shares	15.1	7.6–22.6
Property	15.0	7.5–22.5
Infrastructure	5.3	0.0–12.8
Other	12.3	4.8–19.8
Commodities	0.0	0.0–7.5
Risk-controlling	**37.2**	**29.7–44.7**
Fixed interest	37.2	29.7–44.7
Cash	0.0	0.0–5.0

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.

2015 %	2014 %	2013 %
Regional Defined Benefits Fund		
110-112[4]	109-110[4]	106-107[4]
Former City Super Defined Benefits Fund		
119-121[4]	114-116[4]	108[4]

[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.
[2] Past performance is not an indicator of future performance.
[3] Proxy for salary growth
[4] Preliminary

Market update

Global economic conditions pointed to a relatively slow recovery for the 2014 financial year, with plummeting oil prices sparking deflationary fears, Chinese economic activity weighed down by a sharp correction in the property market, and Greece still at risk of being forced to exit the European Union.

Australian shares

Australia's economy is still transitioning away from its reliance on the mining sector, but following a very large fall in commodity prices throughout the year GDP growth has started to slow.

The Australian sharemarket posted modest gains for the year with the ASX 300 up 5.6%. The Industrials sector returned 11.2% while the Resources sector was down 16.7% on the back of falling commodity prices. Returns were higher for the second half of the year assisted by two interest rate cuts by the RBA.

International shares

International shares had a great run, returning 25.2% for the year. Unhedged returns were significantly increased by the steady decline of the Australian Dollar over the course of the year. In local currency terms the US S&P500 Index was up 5.2%, with both the Healthcare and Consumer Discretionary sectors up 22.2% and 14.7% respectively. Similar to the Australian experience, the Energy sector was down 24.3%.

The recovery story in the US continued, with the unemployment rate falling to a seven-year low of 5.3%. US GDP growth as at 31 March 2015 came in at 2.4%, largely supported by increases in consumer spending following improvements in the jobs market.

Economic and business conditions in Europe improved as the threat of deflation subsided throughout the second half of the year, assisted by a partial recovery in commodity prices.

In January 2015 the ECB launched its quantitative easing program. Aimed at revitalising the Eurozone and countering deflationary pressures, it will purchase more than €1 trillion of government and private sector bonds.

The Euro Stoxx 50 Index returned 6.1%, while China was up a massive 108.8% and the Japan Nikkei Index up 33.5%.

Property

The wholesale property markets in Australia performed particularly well with office, industrial and retail sectors all gaining ground on the back of secure income yields provided by well–leased properties. Low gearing and low vacancy rates mean these investments provide consistent rental income streams and strong capital growth.

For the LGsuper portfolio, the GPT Office fund was of particular note returning 12.9% and the QIC Property Fund returning 10.5%. Our value-add exposures, while only relatively small, performed exceptionally well returning 23.5% for the year.

Infrastructure

Our infrastructure investments performed particularly well. With some of our managers winding up funds and exiting investments, we saw some strong exit prices. LGsuper continued to invest in infrastructure assets, including the renewable energy sector with further investments in China and India where the supply of renewable energy is a very important focus.

Alternatives

The alternatives sector is broadly split into absolute return strategies and emerging market/high-yield debt exposures. While our infrastructure debt exposures performed extremely well, our emerging market debt fund slowed performance.

Fixed interest and cash

The Australian Fixed Income sector provided solid returns for investors, delivering 5.6% for the year. In both February and May, the Reserve Bank of Australia cut the cash rate by 0.25%, ending the year with a cash rate of 2.0%.

The Australian dollar fell gradually throughout the year, assisted by the two interest rate cuts, ending the year at 76.97 US cents down from 94.20 US cents. The Australian dollar also fell against the currencies of its major trading partners, as measured by the Trade Weighted Index, closing the year down 11.4%.

Looking forward

All eyes will continue to watch the US Federal Reserve to see when they will lift interest rates and the impact this will have on the global economy. Chinese equity markets are likely to face continued volatility, as the stellar gains made in 2014/15 have already begun to unwind and government policy changes have been implemented to deal with the sharp sell-off in equities.

Europe will be watching Greece to see if they can implement further austerity measures and continue to pay their bailout instalments.

MEET Guy, our Investment Manager.

He's got his finger on the pulse when it comes to the markets.

Where your money is invested

Top 10 Australian shares at 30 June 2015	
1	BHP BILLITON LIMITED MINING
2	WESTPAC BANK FINANCE
3	CBA FINANCE
4	ANZ BANK FINANCE
5	QBE INSURANCE GROUP INSURANCE
6	RIO TINTO MINING
7	WOOLWORTHS RETAIL
8	MACQUARIE FINANCE
9	NATIONAL AUSTRALIA BANK FINANCE
10	AMP FINANCE

Top 10 International shares at 30 June 2015	
1	SIMON PROPERTY GROUP PROPERTY
2	APPLE ELECTRONICS
3	ROCHE HOLDING PHARMACEUTICAL
4	MASTERCARD FINANCE
5	MICROSOFT TECHNOLOGY
6	CITIGROUP FINANCE
7	JPMORGAN CHASE & CO FINANCIAL SERVICES
8	BAT INC TOBACCO
9	VISA INC FINANCE
10	MERCK & CO. INC. PHARMACEUTICAL

2014/15 LGsuper portfolio returns by asset class

Returns shown are before fees and tax.

Asset class	Gross return % p.a.
Australian shares	4.3
International shares	20.3
Property	11.6
Alternatives	1.1
Fixed interest	4.9
Cash	2.8

Fees and other costs

Actual fees charged for 2014/15*

	Investment options						
	LGsuper MySuper Lifecycle		Ready-made options				
Type of fee	Under 75	Over 75	Aggressive	Diversified Growth	Balanced	Stable	Defensive
Investment fee	0.48% p.a.	0.43% p.a.	0.51% p.a.	0.48% p.a.	0.43% p.a.	0.34% p.a.	0.26% p.a.
Administration fee	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.
Buy-sell spread	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Switching fee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Exit fee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Advice fees	$0-$440	$0-$440	$0-$440	$0-$440	$0-$440	$0-$440	$0-$440
Other fees and costs	Insurance fee of 1.087% included in the insurance premiums deducted from your account.						
Indirect cost ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* The fees and costs for managing your investment, including performance fees charged. Actual charged to LGsuper members in 2014/15.

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 the relevant 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 $4.5 million are included in the management costs for 2014/15.

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 2014/15 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.

	Investment options							
	Single asset class options					Socially responsible		
	International Shares	**Australian Shares**	**Property**	**Diversified Fixed Interest**	**Cash**	**SR Balanced**	**SR Australian Shares**	**How and when paid**
	0.47% p.a.	0.45% p.a.	0.69% p.a.	0.28% p.a.	0.05% p.a.	0.85% p.a.	0.81% p.a.	Deducted from investment earnings as they are credited to your account
	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
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
	$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 (inc. GST) is charged for personal advice. The fee may be deducted directly from your account on request.
	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Deducted from gross investment earnings prior to determining earning rates applicable to your account.

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. LGsuper currently does not need to deduct any other amounts from investment returns other than those we disclose above.

Insurance fee

An Insurance administration fee of 1.087% plus GST was 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 fund investment returns

At 30 June 2015	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	9.12	12.02	10.26	6.78	7.54
Composite benchmark	7.81	11.05	9.31	7.23	7.54
% p.a. above/below benchmark	1.31	0.87	0.95	-0.45	0.00

Administration and investment management expenses

Year ending 30 June 2015	Administration expenses as % of FUM[1]	Investment management expenses as % of FUM	Average FUM $M
2015	0.21	0.29	8,929.80
2014	0.21	0.27	7,404.70
2013	0.21	0.27	6,377.70
2012	0.18	0.28	6,066.70
2011	0.21	0.39	4,161.70
2010	0.18	0.31	3,577.80
2009	0.17	0.26	3,484.50

Investment managers

Investment managers	Australian shares	International shares	Property	Alternatives	Infrastructure	Socially Responsible	Fixed interest	Cash	$M
Acorn	1								100.0
Altis			3						96.6
AMP Capital	1		4			2			666.0
Ardea							1		117.7
Arrowstreet		1							98.0
Equis Funds Group					1				149.2
BlackRock		2							855.0
Brandes Investment Partners		1							199.1
Bridgewater				1					163.6
Clearbell			1						27.7
Colonial First State		1					1		232.0
Columbus Circle		1							145.3
Dexus			1						93.7
Eley Griffiths	1								104.1
EQT					2				22.3
Goldman Sachs							1		174.0
GPT			1						112.0
I Squared Capital					1				4.1
Independent	1								243.3
JCP Investment Partners	1								284.5
K2 Advisors				1					460.4
Lazard Thematic		1							238.0
LGsuper (internal)								1	417.6
Lend Lease			1						98.1
Macquarie	1			1					575.7
Members Equity				1					0.6
Merlon Capital	1								253.3
MFS Global		1							250.3
Morgan Stanley					1				17.0
Northcape Capital	1								308.9
Orion European Funds			1						33.9
Palisade Investment Partners					1				265.0
Perpetual Ltd						1			61.1
PIMCO							1		236.4
QIC			1				4	1	918.2
Resolution Capital			1						129.9
Retirement Villages Group			1						8.5
Rockspring			2						4.7
Rogge Global Partners				1					96.8
Sanders Capital		1							227.5
Stone Harbor				1					261.1
Vontobel		1							256.9
Wellington							1		162.1
Westbourne Capital				1					148.6
Total									**9,318.9**

[1] After the deduction of administration expenses relating to investment and insurance.

Investment managers by asset class

	As at 30 June 2015	
Investment Manager	**$M**	**%**
Australian shares	**1,990.3**	**21.4%**
Acorn	100.0	1.1%
AMP	203.4	2.2%
Eley Griffiths	104.1	1.1%
JCP Investment Partners	284.5	3.1%
Merlon Capital	253.4	2.7%
Independent	243.3	2.6%
Northcape	308.9	3.3%
Macquarie Passive Index Trust	492.8	5.3%
International shares	**2,337.6**	**25.1%**
Arrowstreet Fund	98.0	1.1%
BlackRock Fission	454.5	4.9%
BlackRock International Equity Index Fund	400.6	4.3%
Brandes Investment Partners	199.1	2.1%
CFS Emeging Markets	67.4	0.7%
Lazard Thematic	238.0	2.6%
MFS Global Equity	250.3	2.7%
Sanders Capital	227.5	2.4%
Vontobel	256.9	2.8%
Columbus Circle SMID	145.3	1.6%
Property	**1,125.5**	**12.1%**
Altis AREEP 1	0.8	0.0%
Altis AREEP 2	55.1	0.6%
Altis AREEP 3	40.7	0.4%
AMP Shopping Centre Fund	119.2	1.3%
AMP Global REIT	129.6	1.4%
AMP Property Income Fund	0.2	0.0%
AMP Wholesale Office Fund	150.9	1.6%
Clearbell II UT LP	27.7	0.3%
Dexus Wholesale Property Fund	93.7	1.0%
GPT Wholesale Office Fund	112.0	1.2%
Lend Lease APPF Retail	98.1	1.1%
Orion European Real Estate Fund IV CV	33.9	0.4%
QIC Shopping Centre Fund	120.4	1.3%
Resolution Global REIT	130.0	1.4%
Retirement Villages Group	8.5	0.1%
Rockspring Eur Part	0.9	0.0%
Rockspring UK Value Fund	3.8	0.0%

	As at 30 June 2015	
Investment Manager	**$M**	**%**
Alternatives	**1,214.1**	**13.0%**
Bridgewater Pure Alpha Fund Series 2	163.6	1.8%
Kosciusko LG Multi Strategy Fund	460.4	4.9%
Macquarie RMBS	82.9	0.9%
Members Equity SMHL	0.6	0.0%
Rogge Emerging Markets Currencies	96.8	1.0%
Stone Harbour Aggregate*	261.2	2.8%
Westbourne Yield Fund No.4	148.6	1.6%
Infrastructure	**457.5**	**4.9%**
Asian Infrastructure Trust	149.2	1.6%
EQT Infrastructure Fund I	10.1	0.1%
EQT Infrastructure Fund II	12.2	0.1%
I Squared Capital	4.1	0.0%
Morgan Stanley Infrastructure Fund No. 3	17.0	0.2%
Palisade Infrastructure	264.9	2.8%
SRI	**20.5**	**0.2%**
AMP RIL Balanced Fund	20.5	0.2%
SRI Australian shares	**103.3**	**1.1%**
AMP Sustainable Share Fund	42.2	0.5%
Perpetual Ethical SRI Fund	61.1	0.7%
Diversified Fixed Interest	**1,623.7**	**17.4%**
Domestic		
Colonial First State	164.6	1.8%
QIC FI	280.2	3.0%
QIC Australian Government	289.9	3.1%
QIC Inflation Plus	118.6	1.3%
Ardea ILB	117.7	1.3%
QIC Passive Australia ILB	80.2	0.9%
International		
PIMCO Global Credit	236.4	2.5%
Wellington Global Total Return Fund	162.1	1.7%
Goldman Sachs Global Fixed Interest	174.0	1.9%
Cash	**446.4**	**4.8%**
Internal (includes earnings)	417.5	4.5%
QIC Cash Enhanced Fund (includes earnings)	28.9	0.3%
Total	**9,318.9**	**100%**

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

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.

MEET Linda and Anita

They work in our Insurance and Administration teams managing claims and benefit payments.

Specialist consultants and advisors

Actuarial advice

- Mr J Burnett, Towers Watson

Asset consulting

- Towers Watson

Auditors

- PricewaterhouseCoopers, Brisbane (external)
- KPMG, Brisbane (internal)

Information services

- Bravura Solutions, Australia
- Brennan IT
- Decimal
- Westpac
- Technology One

Master 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

- OnePath

Trustee insurances broker

- AON Risk Services

MEET Fleur and Linda from our Finance team.

They work with teams across LGsuper to manage the organisation's finances.

Financial Statements

For the year ended 30 June 2015

Local Government Superannuation Scheme ABN 23 053 121 564

Contents

Statement of changes in net assets for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Net investment revenue			
Interest revenue		74,342	67,804
Dividends & trust distributions		302,930	249,981
Real estate property rentals		-	889
Change in net market value of investments, derivative assets and derivative liabilities	5	392,046	646,337
Other investment revenue	6	4,696	3,611
		774,014	**968,622**
Direct investment expenses	7	(26,509)	(21,601)
		747,505	**947,021**
Contribution revenue			
Member contributions		137,929	122,002
Employer contributions		480,105	454,433
Commonwealth government co-contributions		3,547	3,706
		621,581	**580,141**
Other revenue			
Transfers from other funds		140,023	121,213
Sundry revenue		854	506
Proceeds group life policy		23,087	18,455
		163,964	**140,174**
TOTAL REVENUE FROM ORDINARY ACTIVITIES		**1,533,050**	**1,667,336**
Less: expenses incurred			
Fund administration expenses	8	13,600	12,360
Benefits paid	9	545,644	471,007
Contribution split payments		755	775
Depreciation and gain/loss on disposal		673	897
Amortisation of capitalised merger costs		413	413
Group life insurance premiums		27,165	26,112
Other fees		159	88
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		**588,409**	**511,652**
Change in net assets before income tax		944,641	1,155,684
Less: Income tax expense	16	128,091	152,385
Change in net assets after income tax		816,550	1,003,299
NET ASSETS AVAILABLE TO PAY BENEFITS At the beginning of the financial year		**8,360,179**	**7,356,880**
NET ASSETS AVAILABLE TO PAY BENEFITS At the end of the financial year		**9,176,729**	**8,360,179**

The above *Statement of changes in net assets* should be read in conjunction with the accompanying notes.

Statement of net assets as at 30 June 2015

	Notes	2015 $'000	2014 $'000
Assets			
Investments			
Cash & cash equivalents		520,964	448,397
Fixed interest securities		1,770,023	1,975,847
Listed equity investments and property trusts		2,675,431	2,309,902
Unlisted equity investments and trusts		4,395,240	3,744,642
Derivative assets		34,468	32,334
TOTAL INVESTMENTS	10	**9,396,126**	**8,511,122**
Other assets			
Cash at bank		12,035	1,377
Contributions receivable		11,012	12,466
Prepaid expenses		746	624
Receivables/unsettled trades	11	69,222	87,466
Income tax refundable		346	-
Property, plant & equipment	12	1,683	1,687
Capitalised merger costs		413	827
TOTAL OTHER ASSETS		**95,457**	**104,447**
TOTAL ASSETS		**9,491,583**	**8,615,569**
Liabilities			
Benefits due and unpaid	13	493	1,473
Derivative liabilities	10	55,976	11,875
Payables/unsettled trades	14	111,292	159,137
Accrued employee entitlements	2(i)(ii)	1,758	1,462
Provision for income tax payable		-	15,680
Deferred tax liability (net)	16	145,335	65,763
TOTAL LIABILITIES		**314,854**	**255,390**
NET ASSETS AVAILABLE TO PAY BENEFITS		**9,176,729**	**8,360,179**

The above *Statement of net assets* should be read in conjunction with the accompanying notes.

Note 1
General information

The Local Government Superannuation Scheme is a superannuation fund domiciled in Australia.
The Scheme, hereafter referred to as (the "Fund") is constituted by a Trust Deed dated 5 April 1995, as amended, which established the Fund with effect from 1 July 1995 and provides retirement benefits to its members. The Fund comprises an accumulation fund, defined benefit sub-plans and a pension division.

The Trustee of the Fund is the Queensland Local Government Superannuation Board (the "Trustee") and the registered office is Level 20, 333 Ann Street, Brisbane, Queensland.

The financial statements were approved by the Board of Directors of the Trustee on 7 October 2015.

The Fund accepts contributions from employers. In relation to defined benefit members, the contribution rate is the rate agreed by the actuary and the employer. Member contributions are compulsory for permanent employee members in most instances and members may also make voluntary pre and post-tax contributions.

The Fund also receives transfers in from other super funds. The Fund obtained from the Australian Prudential and Regulatory Authority (APRA) its RSE licence on 5 September 2005 (registration number R1000160) and its MySuper licence on 24 May 2013 (registration number 23053121564638).

Note 2
Statement of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose reports which have been prepared in accordance with Australian Accounting Standards including *Financial Reporting by Superannuation Plans* (AAS25) as amended by AASB 2005–13 *Amendments to Australian Accounting Standards* [AAS25], the *Superannuation Industry (Supervision) Act 1993* and regulations and the provisions of the Trust Deed of the Fund.

The financial statements have been presented under the historical cost convention, except for the valuation of investments, which are measured at net market value.

(b) Statement of compliance

This financial report is prepared based on applicable Australian Accounting Standards. Since AAS 25 is the principal standard that applies to the financial statements, other standards are also applied where necessary except to the extent that they differ from AAS 25.

Rounding and functional currency

The financial statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars except where otherwise stated.

New and amended standards adopted by the Fund

The Fund has applied the following new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014:

- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendment provides relief from the requirement to consolidate any investments in subsidiaries. The Fund meets the definition of an investment entity under the standard. Therefore any investment in subsidiaries (other than those subsidiaries that provide investment related services) must be measured as fair value through profit and loss. The adoption of the amendment does not have any impact as the Fund does not have investments in subsidiaries.

The adoption of AASB 2013-4 did not have any impact on the current period or any prior period and is not likely to affect future periods.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that have a material impact on the Fund.

Application of Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the annual reporting period ended 30 June 2015. These are outlined in the table below.

AASB Amendment/ Standard	Title	Nature of change to accounting policy	Application date of standard	Adoption date for LGsuper
AASB 9	Financial Instruments	Addresses the classification, measurement and derecognition of financial assets and financial liabilities.	1 Jan 18	1 Jul 18
AASB 1056	Superannuation Entities	Specifies requirements for the general purpose financial statements of superannuation entities.	1 July 16	1 July 16
AASB 15	Revenue from Contracts with Customers	Specifies that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the notion of risks and rewards.	1 Jan 18	1 July 18

AASB 9 Financial Instruments has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. This standard is not expected to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

The Australian Accounting Standards Board (AASB) approved AASB 1056 Superannuation Entities in June 2014. The new standard has been developed in light of significant changes in recent years, including developments in the superannuation industry and Australia's adoption of IFRS. The new standard is designed to provide greater transparency and consistency in reporting by superannuation entities and to substantially align the reporting practices of superannuation entities with other entities applying Australian Accounting Standards.

The new Standard will replace AAS 25 Financial Reporting by Superannuation Plans, which was issued in 1993. AASB 1056 includes the developments of the proposals made in two Exposure Drafts, ED 179 Superannuation Plans and Approved Deposit Funds and ED223 Superannuation Entities, and other forms of consultation that the AASB has performed since 2012.

The key disclosure changes detailed in AASB 1056 include:

(i) Preparation of five statements under the new standard:
  a. Statement of Financial Position;
  b. Income Statement;
  c. Statement of Changes in Equity/Reserves;
  d. Statement of Cash Flows; and
  e. Statement of Changes in Member Benefits.

(ii) Recognition of member benefits as a liability on the face of the Statement of Financial Position
(iii) Net assets of the Fund to reflect the Fund's reserves, including the Operational Risk Financial Reserve
(iv) Increased disclosure in relation to insurance arrangements.
(v) Management expects that adopting the new reporting standard will have no (material) impact on the reported results or financial position of the Fund.

AASB 15 Revenue from Contracts with Customers replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of income is interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

Standards and interpretations that are not expected to have a material impact on the Fund have not been referred to in this section

Note 2
Statement of significant accounting policies (continued)

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria will also be met before revenue is recognised:

Changes in net market values

Changes in the net market value of investments and derivatives are calculated as the difference between the net market value at sale, or at balance date, and the net market value at the previous valuation point and are recognised in the *Statement of changes in net assets*.

Contributions and transfers

Contributions and transfers are recognised when they are recorded, gross of any tax, in the period to which they relate.

Interest

Revenue is recognised as interest accrues using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends and distributions

Revenue is recognised when the right to receive payment is established.

Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives are recognised as an integral part of total rental income.

Group life insurance proceeds

Insurance claim proceeds are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the Fund.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

Operating lease commitments

The Board has entered into commercial property leases on its investment property portfolio and has determined that since all the significant risks and rewards of ownership are retained, the leases are to be classified as operating leases.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Valuation of investments and derivatives

The key assumptions are set out below in note 2 (e).

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For more information on how fair value is calculated please see note 2 (e) and note 10 to the financial statements.

Valuation of accrued benefits

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 15.

(e) Investments (including derivatives)

Investments (including derivatives) of the Fund are initially recognised at cost, being the best estimation of fair value.

After initial recognition, investments (including derivatives) are measured at net market value in accordance with AAS 25. Gains or losses on investments (including derivatives) are recognised in the *Statement of changes in net assets*.

The net market value of investments (including derivatives) has been determined as follows:

- Shares in listed entities: At last sale price quoted by the Stock Exchange at the close of business on the balance date;
- Government and other fixed interest securities: At last market sale price quoted;
- Unit trusts and property trusts: At redemption price at balance date as quoted by the investment manager;
- Derivative financial instruments: Derivative financial instruments including forward exchange contracts and fixed interest rate futures are recorded at market rates at close of business on the balance date;
- Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value; and
- Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Board commits to purchase or sell the asset. The Board has concluded that the above measurement bases are appropriate. Due to the nature of the assets and liabilities the measurement amounts may change over time.

(f) Property, plant and equipment

The Fund's property, plant and equipment are stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and any impairment if required. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the following methods over the asset's estimated useful economic life.

	Depreciation Method	Useful Life
Computer hardware	Diminishing value	3 - 5 years
Computer software	Straight line	4 years
Office furniture and equipment	Diminishing value	3 – 14 years
Motor vehicles	Diminishing value	4 years
Leasehold improvements	Diminishing value	Lesser of unexpired lease term or 10 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

The Board has determined that the carrying amounts approximate net market value.

(g) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

Income tax in the *Statement of net assets* for the year comprises current and deferred tax. Income tax is reflected in the *Statement of changes in net assets*.

Current income tax expense is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for Fund income and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Note 2

Statement of significant accounting policies (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Liability for accrued benefits

The liabilities for accrued benefits for both the Regional Defined Benefits Fund and City Defined Benefits Fund are not included in the *Statement of net assets*, but their respective liabilities at the latest measurement date are reported by way of note.

The liability for accrued benefits is actuarially measured on at least a triennial basis, and represents the value of the Fund's present obligations to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments, which arise from membership of the Regional Defined Benefits Fund and City Defined Benefits Fund up to the date of measurement. The present value reported in the note is determined by reference to expected future salary levels and by application of a current market-based, risk-adjusted discount rate in conjunction with appropriate actuarial assumptions.

The report on the most recent actuarial investigation of the Fund, as at 1 July 2012, contains details of the accrued benefit liability at that date. The report also provides details of the basis used to calculate the accrued benefit liability (refer Note 15 and the attachments to the financial statements).

(i) Employee and director entitlements

(i) Superannuation

Employees and certain Directors of the Superannuation Board are members of the Fund.

Contributions to the Fund (or in the case of a number of Directors, to external superannuation funds) made by the Board are represented as a charge against income.

(ii) Accrued leave

Provisions for employee annual leave and long service leave entitlements are disclosed under liabilities in the financial statements and have been determined in accordance with the provisions of Australian Accounting Standard *Employee Benefits* (AASB 119).

(j) Currency fluctuations

Transactions in foreign exchange are recorded at the rate of exchange applicable at the date of each transaction. At balance date, investments and amounts payable and receivable in overseas currencies are converted to Australian Dollars at the rate of exchange applying at that date. Any exchange differences relating to foreign currency monetary items are brought to account in the *Statement of changes in net assets.*

(k) Payment of benefits

Benefits paid (refer Note 9) recognise all benefits due and payable from the Fund. Benefits payable (refer Note 13) are settled in accordance with the Fund's trust deed and are excluded from vested benefits.

(l) Accounting for Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as a current asset in the balance sheet.

(m) Receivables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is evidence that the debt will not be collected.

(n) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund and are carried at nominal amounts which approximate net market value. Payables are normally settled on 30 day terms.

(o) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(p) Cash

For the purpose of presentation in the Statement of net assets, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

(r) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(s) Operational Risk reserve

Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS114) which became effective 1 July 2013, requires Registered Superannuation Entity (RSE) licensees to maintain adequate financial resources to address losses arising from operational risks that may affect such entities within their business operations. The Fund's Operational Risk reserve has been established for this purpose.

As a minimum the fund aims to hold a target amount equal to 30 basis points of assets under management subject to a predetermined tolerance limit. The tolerance limit is set by the Trustee to reduce the need for small transfers to or from the Operational Risk reserve for immaterial fluctuations in the reserve's value.

The Operational Risk reserve may only be used to make a payment to address an operational risk event as defined by SPS 114.

When the amount falls below the tolerance limit additional funds are transferred into the Operational Risk reserve. Any transfers to the Operational Risk reserve must be approved by the Board.

Note 3
Operation of the Fund

The Local Government Superannuation Scheme continues in existence under the *Local Government Act (2009)*. The Fund is a hybrid Fund which incorporates both a Defined Benefits Fund (DBF) and an Accumulation Benefits Fund. Effective 1 July 2011, the Brisbane City Council Superannuation Plan (City Super) merged with the Local Government Superannuation Fund (LGsuper) to form a consolidated fund under the name of the Local Government Superannuation Scheme. LGsuper is the successor fund.

The merged fund consists of two separate defined benefits funds, namely, the Regional Defined Benefits Fund (pertaining to LGsuper members) and the City Defined Benefits Fund (relating to previous City Super members), and a combined Accumulation Benefits Fund.

The Regional Defined Benefits Fund was closed to new entrants from 1 July 1998, with all new entrants since then joining the Accumulation Benefits Fund. The City Defined Benefits Fund was closed to new entrants from 30 October 1994, with all new entrants since then joining the Accumulation Benefits Fund.

Local Government employers contribute to the Fund in respect of certain of their employees, for defined benefit arrangements; and certain of their employees (including councillors and contractors) for defined contribution superannuation arrangements, in accordance with the Trust Deed and relevant statutory requirements.

From 12 June 2009, the *Local Government Act (1993)* was amended to allow the Board to specify in the Trust Deed the rate of Regional DBF contributions paid into the Fund by Local Government employers. The level of Regional DBF contributions must be in accordance with advice received from an actuary. This amendment enables the Board to vary the rate of employer contributions where the actuary has concerns as to the ongoing solvency of the Regional Defined Benefits Fund.

Benefits of members in the Defined Benefits Funds are calculated by way of formula as defined in the Trust Deed. Benefits of members of the Accumulation Benefits Fund are equal to the member's account balance, which is credited each year with contributions and a proportionate share of net investment earnings (positive or negative), expenses, insurance premium and income tax expense of the Fund.

In accordance with amendments to the *Superannuation Industry (Supervision) Act 1993* the Fund was registered with the Australian Prudential Regulation Authority on 5 September 2005 (RSE Registration No. R1000160).

Note 4
Reconciliation of Fund net assets to member liabilities and reserves

The Fund comprises three funds:

- the Regional Defined Benefits Fund (which was closed to new entrants from 1 July 1998);
- the City Defined Benefits Fund (which was closed to new entrants from 30 October 1994 and transferred from City Super on 1 July 2011); and
- the Accumulation Benefits Fund.

Throughout the year the Fund is managed on a single-entity basis. At the close of each year Fund movements throughout the year (refer *Statement of changes in net assets*) are apportioned to each of the funds of the Fund.

The Defined Benefits Funds are subject to periodic actuarial investigation as to their state and sufficiency to meet emerging benefit liabilities of the Fund (Refer Note 20).

The Fund's Trust Deed provides for dealings between the funds of the Fund by the Board. Such dealings are as shown in the following schedule.

	Regional DB Fund		City DB Fund		Accumulation Benefits Fund		Total Fund	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance 1 July	**1,150,085**	**1,139,706**	**93,150**	**90,826**	**7,116,944**	**6,126,348**	**8,360,179**	**7,356,880**
Adjustment prior year	-	-	-	-	(29)	(38)	(29)	(38)
Amended opening balance	**1,150,085**	**1,139,706**	**93,150**	**90,826**	**7,116,915**	**6,126,310**	**8,360,150**	**7,356,842**
Transfer (to)/from reserves	(12)	-	-	-	18,896	(3,846)	18,884	(3,846)
Interfund transfers	(740)	(1,430)	-	-	740	1,430	-	-
Revenue								
Contribution revenue	37,600	43,591	5,346	3,714	580,088	533,036	623,034	580,341
Benefits retained	-	-	233	-	616,040	508,449	616,273	508,449
Transfers from other funds	-	-	-	-	140,023	121,213	140,023	121,213
Insurance claim proceeds	129	444	-	353	22,958	17,658	23,087	18,455
Net investment revenue (a)	76,973	115,543	5,827	9,745	586,409	738,519	669,209	863,807
	114,702	**159,578**	**11,406**	**13,812**	**1,945,518**	**1,918,875**	**2,071,626**	**2,092,265**
Expenses								
Benefits paid	132,930	138,889	9,354	10,728	1,020,385	830,614	1,162,669	980,231
Fund administration expenses (b)	2,098	2,181	170	141	12,986	11,761	15,254	14,083
Premiums paid to external insurer	1,004	1,308	137	181	21,966	20,673	23,107	22,162
Financial planning fees	-	-	3	1	155	88	158	89
Income tax expense (c)	4,699	5,391	658	437	67,386	62,689	72,743	68,517
	140,731	**147,769**	**10,322**	**11,488**	**1,122,878**	**925,825**	**1,273,931**	**1,085,082**
Closing balance 30 June	**1,123,304**	**1,150,085**	**94,234**	**93,150**	**7,959,191**	**7,116,944**	**9,176,729**	**8,360,179**

Note 4

Reconciliation of Fund net assets to member liabilities and reserves (continued)

(a) Net investment revenue

Net investment revenue is apportioned to members' Accumulation Benefits Fund accounts according to the investment strategy applicable to each member.

Net investment income apportioned to the Operational Risk reserve was based upon a 60% cash investment strategy and 40% balanced investment strategy.

(b) Fund administration expenses

Allowance for Fund administration expenses for Accumulation Benefits Fund members is made by way of deduction of 0.21% from the net earning rate for each available member investment strategy.

(c) Income tax expense

Allowance for income tax expense in relation to Fund investment income for the Accumulation Benefits Fund is made by way of a deduction from the earning rate for each investment strategy available for nomination by Accumulation Benefits Fund members.

(d) Operational Risk and General reserves

The Operational Risk reserve is used to offset potential losses incurred by the Fund's Accumulation Benefits Fund and Defined Benefit Fund members due to operational errors. The reserve can also be used to minimise the solvency risk in the Accumulation Benefits Fund and Defined Benefits Fund.

The General reserve is used to cover any potential losses incurred by Accumulation Benefits Fund members due to operational errors and significant capital expenses which could not be funded from the Operational Risk reserve.

Movement of the Accumulation Fund Operational Risk reserve and General reserve during the year were as follows:

Accumulation Benefits Fund - Operational Risk reserve

	2015 $'000	2014 $'000
Opening balance 1 July	21,490	18,361
Inter-fund transfer	-	(1)
Insurance claim	(133)	-
Amounts added (deducted) to support Accumulation Benefits Fund	-	2,104
Earnings credited	866	1,026
Closing balance 30 June	**22,223**	**21,490**

Accumulation Benefits Fund - General reserve

	2015 $'000	2014 $'000
Opening balance 1 July	11,586	8,851
Amounts added (deducted) to support Accumulation Benefits Fund	19,030	2,076
Earnings credited	702	659
Closing balance 30 June	**31,318**	**11,586**

The amount transferred to the General reserve of $19m is comprised of the excess of administration fees charged to members (21bps) over actual administration expenses ($4.5m), the surplus of investment assets over member liabilities ($7.2m) and reimbursement to the reserve from 2014/2015 earning rates of a deficit of investment assets over member liabilities for 2013/2014 ($7.3m).

Movement of the Defined Benefits Fund Operational Risk reserve during the year was as follows:

Defined Benefits Fund–Operational Risk reserve

	2015 $'000	2014 $'000
Opening balance 1 July	3,719	3,680
Inter-fund transfer	(72)	-
Transfers from Defined Benefits Fund assets	(13)	39
Closing balance 30 June	**3,634**	**3,719**

Note 5
Change in net market value of investments, derivative assets and derivative liabilities

	2015 $'000	2014 $'000
Unrealised at reporting date:		
Cash and cash equivalents	(438)	736
Fixed interest securities	37,569	31,182
Equity investments and unlisted trusts	495,497	460,837
Derivatives	(48,993)	147,011
	483,635	**639,766**
Realised during the period:		
Fixed interest securities	14,987	11,392
Equity investments and unlisted trusts	96,337	93,881
Derivatives	(202,913)	(99,851)
Direct property investments	-	1,149
	(91,589)	**6,571**
Total	**392,046**	**646,337**

The changes in net market value of investments reflect investment market conditions prevailing as at balance date in respect of investments held at balance date and during the year in respect of investments realised during the period.

Note 6
Other investment revenue

	2015 $'000	2014 $'000
Management fee rebates	2,379	2,027
Securities lending revenue	1,571	1,113
Proceeds from class actions and compensation claims	31	329
Equalisation revenue	550	-
Other	165	142
Total	**4,696**	**3,611**

Note 7
Direct investment expenses

	2015 $'000	2014 $'000
External investment management fees	16,189	14,514
Master custodian fees	2,343	2,249
Administration expenses – Fund investment operations	1,654	1,723
Other management fees & taxes	433	379
Performance fees	4,472	1,124
Asset consultant fees	1,240	1,151
Options/futures brokerage fees & other expenses	178	187
Direct property operating expenses	-	274
Total	**26,509**	**21,601**

Note 8
Fund administration expenses

	2015 $'000	2014 $'000
Staff salaries and associated costs	8,217	7,426
Taxation and other government charges	1,439	2,202
Consultants' fees	1,311	1,254
Occupancy expenses	1,201	985
Maintenance and service agreements	870	637
Communication expenses	422	472
Insurances	322	85
Printing expenses	331	348
Staff travel and business expenses	312	231
Marketing expenses	299	113
Other management expenses	530	330
Total	**15,254**	**14,083**
Less:		
Reallocation to direct investment expenses (refer Note 7)	(1,654)	(1,723)
Total	**13,600**	**12,360**

Note 9
Benefits paid

	2015 $'000	2014 $'000
Lump sum benefits		
Resignation	48,836	60,944
Age retirement	504,104	421,251
Total and permanent disablement	19,841	18,275
Failure of health	-	740
Death	23,934	17,906
Withdrawals	404,532	341,204
	1,001,247	**860,320**
Pension benefits		
Allocated pension facility	160,603	119,061
Lifetime pensions	64	74
	160,667	**119,135**
Total	**1,161,914**	**979,455**
Less:		
Transfer of retained members benefits to new accounts	(616,270)	(508,448)
Total	**545,644**	**471,007**

Note 10

Investments and derivatives

The disclosure below is prepared on a look through basis to the financial assets and liabilities underlying the Fund's direct investments. Details of these investments and derivatives are as follows:

	2015 $'000	2014 $'000
Cash and cash equivalents		
Cash accounts	227,010	260,176
Short-term money market accounts	285,000	180,500
Futures deposit accounts	8,954	7,721
	520,964	**448,397**
Fixed interest securities		
Discount securities	247,135	136,076
Term deposits	110,000	380,000
Corporate bonds	272,613	248,083
Floating rate notes	93,552	93,216
Government and semi-government bonds	1,027,661	1,108,535
Other fixed interest securities	19,062	9,937
	1,770,023	**1,975,847**
Listed equity investments and property trusts		
Equity investments	2,411,647	2,047,287
Property trusts	263,784	262,615
	2,675,431	**2,309,902**
Unlisted equity investments and trusts		
Equity investments	2,946,801	2,420,600
Alternatives	347,873	349,599
Property trusts	814,677	704,591
Diversified fixed interest	162,062	156,357
Socially responsible investments	123,827	113,495
	4,395,240	**3,744,642**
Derivative assets		
Options		
Equity options	15,878	11,793
Fixed interest and currency options	7,277	2,699
Futures		
Equity futures	29	-
Fixed interest futures	1,080	1,885
Money market futures	250	497
Swaps		
Swaps floating	2,934	561
Swaps fixed	7,020	2,729
Forward foreign exchange	-	12,170
	34,468	**32,334**
Total investments	**9,396,126**	**8,511,122**

	Notes	2015 $'000	2014 $'000
Derivative liabilities			
Options			
Fixed interest and currency options		(939)	(49)
Futures			
Equity futures		(915)	(6)
Fixed interest futures		(677)	(2,877)
Money market futures		(87)	(108)
Swaps			
Swaps floating		(981)	(467)
Swaps fixed		(15,577)	(8,368)
Forward foreign exchange		(36,800)	-
		(55,976)	**(11,875)**
Other financial assets			
Investment revenue receivable	11	44,819	36,082
Other receivables/unsettled trades	11	22,717	49,931
		67,536	**86,013**
Other financial liabilities			
Other payables/unsettled trades	14	(99,797)	(149,228)
Net investment assets		**9,307,889**	**8,436,032**

(a) Classification of financial instruments under the fair value hierarchy

The Fund's financial instruments have been grouped into the following fair value hierarchy. Financial instruments have been valued using net market value, which is considered a reasonable approximation of fair value.

Level 1 – Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 and 3 – Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period for an instrument with similar terms and conditions.

Note 10
Investments and derivatives (continued)

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The foreign currency contracts are valued at the forward rate.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such trusts.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

On this basis it is the Fund's policy to classify investments in unlisted trusts as level 3 investments.

30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity investments	2,406,271	4,145	1,231	2,411,647
Listed property trusts	263,784	-	-	263,784
Unlisted trusts	-	-	4,395,240	4,395,240
Fixed interest securities	21,175	1,625,713	13,135	1,660,023
Derivatives	1,359	33,038	71	34,468
Financial liabilities				
Derivatives	(1,678)	(54,298)	-	(55,976)
Total	**2,690,911**	**1,608,598**	**4,409,677**	**8,709,186**

30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity investments	2,044,244	1,722	1,321	2,047,287
Listed property trusts	262,615	-	-	262,615
Unlisted trusts	-	-	3,744,642	3,744,642
Fixed interest securities	33,432	1,562,415	-	1,595,847
Derivatives	2,383	29,935	16	32,334
Financial liabilities				
Derivatives	(2,991)	(8,884)	-	(11,875)
Total	**2,339,683**	**1,585,188**	**3,745,979**	**7,670,850**

Investments not included in the above table are cash, cash equivalents, deposits and short-term receivables and payables as the carrying amount is a reasonable approximation of fair value.

(b) A reconciliation of movements in Level 3 of the fair value hierarchy between the beginning and end of the reporting period is disclosed in the following table:

2015 financial year	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Derivatives $'000	Total $'000
Balance at 1 July 2014	1,321	3,744,642	-	16	3,745,979
Purchases	800	501,996	13	-	502,809
Sales	(1,173)	(225,578)	-	-	(226,751)
Settlements during the year	-	38,650	-	-	38,650
Transfers into level 3	399	-	12,316	45	12,760
Transfers out of level 3	-	-	-	-	-
Unrealised gains/(losses)	(116)	335,530	806	10	336,230
Balance at 30 June 2015	**1,231**	**4,395,240**	**13,135**	**71**	**4,409,677**

2014 financial year	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Derivatives $'000	Total $'000
Balance at 1 July 2013	70	3,562,304	-	-	3,562,374
Purchases	966	287,958	-	-	288,924
Sales	-	(334,594)	-	-	(334,594)
Settlements during the year	327	(58,629)	-	-	(58,302)
Transfers into level 3	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-
Unrealised gains/(losses)	(42)	287,603	-	16	287,577
Balance at 30 June 2014	**1,321**	**3,744,642**	**-**	**16**	**3,745,979**

Valuation inputs and relationship to fair value

The following table summarises quantitative information about significant unobservable inputs used in level 3 fair value measurements. See (a) above for the valuation techniques adopted.

	Fair Value $'000	Valuation Approach	Key unobservable inputs	Inter-relationship between unobservable inputs and fair value
Equity securities	1,231	Last traded price	Trading price	Less actively traded equities or trading in less developed markets may alter the fair value
Unlisted unit trusts	4,395,240	Investment Manager - net asset value/ redemption price	Valuation of underlying investments	Increase/(reduction) in the value of Fund investments will result in higher/(lower) fair values
Fixed interest securities	13,135	Discounted cashflow	Face value and interest rate of notes/bonds	Increase/(decrease) in interest rate results in an increase/(decrease) in fair value
Derivatives	71	Pricing models	Yields, cash flows, volatility, default probability	Higher/(lower) yields, cash flows and counterparty credit quality will result in higher /(lower) fair values

Note 10

Investments and derivatives (continued)

(c) Gains or losses recognised in the *Statement of changes in net assets* for Level 3 transactions are as follows:

2015 financial year	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Derivatives $'000	Total $'000
Total realised gains (losses)					
Trading income	(324)	13,408	-	(16)	13,068
Total unrealised gains (losses)					
Trading income	208	322,122	806	25	323,161

2014 financial year	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Derivatives $'000	Total $'000
Total realised gains (losses)					
Trading income	(5)	13,087	-	-	13,082
Total unrealised gains (losses)					
Trading income	(37)	274,516	-	16	274,495

(d) Movements between levels in the fair value hierarchy are as follows:

2015 financial year	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity securities	-	(399)	399	-
Fixed interest securities	-	(12,316)	12,316	-
Derivatives	-	(45)	45	-
Total	**-**	**(12,760)**	**12,760**	**-**

2014 financial year	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity securities	-	-	-	-
Unlisted unit trusts	-	-	-	-
Fixed interest securities	-	-	-	-
Derivatives	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 11
Receivables/unsettled trades

	2015 $'000	2014 $'000
Investment revenue receivable		
Interest receivable	1,733	2,730
Dividends receivable	7,383	8,192
Trust distributions receivable	35,703	25,160
	44,819	**36,082**
Other		
Sundry & other debtors	1,686	1,453
Other receivables & unsettled trades	22,717	49,931
	24,403	**51,384**
Total	**69,222**	**87,466**

Note 12
Property, plant and equipment

	Furniture and equipment $'000	Computer hardware $'000	Computer software $'000	Leasehold improve-ments $'000	Motor vehicles $'000	Total $'000
Opening balance 1 July 2013	111	227	625	367	227	1,557
Additions	24	208	725	49	72	1,078
Disposals	(2)	(2)	(15)	(283)	(31)	(333)
Depreciation	(27)	(137)	(333)	(62)	(56)	(615)
Closing balance 30 June 2014	**106**	**296**	**1,002**	**71**	**212**	**1,687**
Opening balance 1 July 2014	106	296	1,002	71	212	1,687
Additions	21	152	342	154	-	669
Disposals	(1)	(1)	-	-	-	(2)
Depreciation	(28)	(170)	(397)	(29)	(47)	(671)
Closing balance 30 June 2015	**98**	**277**	**947**	**196**	**165**	**1,683**

Note 13
Benefits due and unpaid

Benefits due and unpaid represent payments pending at balance date in respect of former members who are deceased.

	2015 $'000	2014 $'000
Lump sum death benefits	493	1,473
Total	**493**	**1,473**

Note 14
Payables/unsettled trades

	2015 $'000	2014 $'000
Other payables & unsettled trades	99,797	149,228
Trade & sundry creditors	11,312	9,805
PAYG tax payable	183	104
Total	**111,292**	**159,137**

Note 15
Accrued benefits

The amount of accrued benefits in respect of the Regional and City Defined Benefits Funds members has been determined on the basis of the present value of expected future payments, which arise from membership of the Defined Benefits Funds up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

The valuation of accrued benefits for the Regional Defined Benefits Fund was undertaken by the actuary as part of a comprehensive actuarial review as at 1 July 2012 (Refer Note 20(a)). Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken as at 1 July 2009.

	2012 $'000	2009 $'000
Accrued benefits as at 1 July	1,073,200	969,200
Accrued Benefits Reserve Index	104%	103%

The calculation of the Accrued Benefits Reserve Index as at 1 July 2012 was as follows:

$$\frac{\text{Net assets value}}{\text{Accrued benefits}} = \frac{\$1{,}111.1\text{M}}{\$1{,}073.2\text{M}}$$

$$= 104\%$$

The valuation of accrued benefits for the City Defined Benefits Fund was undertaken by the City Super actuary as part of a comprehensive actuarial review as at 1 July 2012 (Refer Note 20(b)). Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken as at 1 July 2008.

	2012 $'000	2008 $'000
Accrued benefits as at 1 July	85,100	82,973
Accrued Benefits Reserve Index	103%	94%

The calculation of the Accrued Benefits Reserve Index as at 1 July 2012 was as follows:

$$\frac{\text{Net assets value}}{\text{Accrued benefits}} = \frac{\$87.3\text{M}}{\$85.1\text{M}}$$

$$= 103\%$$

Note 16
Income tax

Major components of income tax expense were:

	2015 $'000	2014 $'000
Statement of changes in net assets		
Current income tax expense	48,519	58,557
Deferred income tax expense	79,572	93,828
Total	**128,091**	**152,385**
A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:		
Change in net assets before income tax	944,641	1,155,684
Tax at the rate of 15%	141,696	173,353
Add–tax effect of non-deductible:		
– benefits paid	80,596	69,994
– other	24	13
– expenses relating to exempt pension income	7,480	6,072
	88,100	**76,079**
Less–tax effect of non-assessable:		
– contributions	20,646	18,479
– transfers from other funds	21,004	18,182
– proceeds group life policy	3,463	2,768
– pension income	9,567	8,890
Dividend imputation and foreign tax credits (net)	31,594	25,180
	86,274	**73,499**
Adjusted income tax expense	**143,522**	**175,933**
– Under provision (over provision) for current income tax in prior year	(1,797)	(4,904)
– Under provision (over provision) for deferred income tax in prior year	4,675	18
– Other movements in deferred tax assets/deferred tax liabilities	(19,082)	(19,601)
– Recovery of anti-detriment payments from ATO	773	939
	(15,431)	**(23,548)**
Income tax expense reported in Statement of changes in net assets	128,091	152,385

Note 16
Income tax (continued)

	2015 $'000	2014 $'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred income tax liabilities		
Taxable temporary differences – assets subject to CGT	141,251	94,655
Taxable temporary differences – other assets	19,399	15,247
	160,650	**109,902**
Movements:		
Opening balance at 1 July	109,902	70,782
Charged/(credited) to the Statement of changes in net assets	50,748	39,120
Closing balance at 30 June	**160,650**	**109,902**

The deferred tax liabilities expected to be settled in more than 12 months are $141,251k (2014: $94,655k).

	2015 $'000	2014 $'000
Deferred income tax assets		
Taxable temporary differences – assets subject to CGT	48	41,231
Taxable temporary differences – other assets	15,267	2,908
	15,315	**44,139**
Movements:		
Opening balance at 1 July	44,139	98,847
Charged/(credited) to the statement of changes in net assets	(28,824)	(54,708)
Closing balance at 30 June	**15,315**	**44,139**
NET DEFERRED TAX LIABILITY	**145,335**	**65,763**

The deferred tax assets expected to be settled in more than 12 months are $48k (2014: $41,231k).

Note 17
Vested benefits – Defined Benefits Funds

The amount of vested benefits is the value of defined benefits which would be due and payable if all members resigned or retired (where eligible) from the service of local government at balance date, excluding benefits payable at balance date.

The Vested Benefits Index (i.e. the value of net assets expressed as a percentage of vested benefits) as at 30 June 2015 was as follows for the two defined benefits funds:

	Regional Defined Benefits		City Defined Benefits	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Net assets value	1,120.0	1,150.1	94.0	93.2
Vested benefits	1,001.2	1,044.0	77.3	79.8
Vested Benefits Index (VBI)	111.87%	110.16%	121.60%	116.73%

Note 18
Guaranteed benefits

To ensure the ongoing solvency of the Regional Defined Benefits Fund (DBF) which was closed to new entrants as from 1 July 1998, the Local Government Act 1993 was amended in June 2009 to empower the Board to vary the rate of contributions paid into the Fund by relevant Local Government employers subject to advice from the Fund's actuary. As at reporting date no changes had been made to prescribed employer contributions which remain at 12% of employee salaries.

Employers of members in the City Defined Benefits Fund have given a formal guarantee and undertaking to fund the benefits of their employees in the Fund. As at the reporting date the prescribed employer contribution is 14% of employee salaries.

Note 19
Funding arrangements

The funding policy adopted in respect of superannuation Fund defined benefits is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

Given the closure of the Regional Defined Benefits Fund to new entrants as from 1 July 1998, the actuary, in conducting future investigations of the Regional Defined Benefits Fund, adopted a valuation method known as 'Target' Funding. During 2015 employers contributed 12% (2014: 12%) of employees' salaries, while employees contributed 6% (2014: 6%) of their salaries.

For the City Defined Benefits Fund, during 2015 employers contributed 14% (2014: 14%) of employee salaries while employees contributed 5% (2014: 5%) of their salaries.

Note 20
Actuarial investigation

(a) Regional Defined Benefits Fund

In compliance with the Superannuation Industry (Supervision) Regulations the Board must undertake an actuarial investigation of the Defined Benefits Funds no later than 3 years after the date as at which the last actuarial investigation was made.

The most recent actuarial investigation of the Fund was conducted by Mr John Smith of the Heron Partnership, based on Fund membership and asset data at 1 July 2012. The Board has determined that the next actuarial investigation of the Defined Benefits Funds will be undertaken as at 1 July 2015. (Refer Attachment A *Summary of Actuarial Report 2012*).

The liabilities of the Fund's accumulation benefits members are matched by the assets supporting those liabilities and therefore do not explicitly require an actuarial evaluation of contribution sufficiency.

The net asset value of the Regional Defined Benefits Fund at 30 June 2012 representing defined benefits members' funds was used for the purpose of the 1 July 2012 actuarial valuation:

Defined benefits members' funds as at 1 July 2012	$1,111.1m

(b) City Defined Benefits Fund

The last full actuarial investigation of the City Defined Benefits Fund was conducted by Mr John Smith of the Heron Partnership, based on membership and asset data as at 1 July 2012. The Board has determined that the next actuarial investigation of the City Defined Benefits Fund will be undertaken as at 1 July 2015.
(Refer Attachment A *Summary of Actuarial Report 2012*).

The net asset value of the City Defined Benefits Fund at 30 June 2012 representing defined benefits members' funds was used for the purpose of the 1 July 2012 actuarial valuation:

Defined benefits members' funds as at 1 July 2012	$87.3m

Note 21
Financial instruments and risk management

(a) General financial instruments

The Fund's assets are principally financial in nature comprising quoted and non-quoted equity investments, property (direct & indirect), fixed interest investments, units in listed and unlisted trusts, cash/short term deposits and a variety of derivative financial instruments. These investment assets are managed by Board appointed investment managers in accordance with specific investment mandates and according to the Board's investment beliefs and long-term strategic objectives. The Board's general investment objectives are to ensure assets are adequately diverse, have appropriate levels of liquidity and are sufficient to meet benefit payments when due.

The allocation of funds to various asset classes is based on long-term achievement of stated objectives. Diversification is used to manage risk. The Board utilises the expertise of external asset consultants where necessary. Divergence from target asset allocations and the composition of portfolios is monitored by the Fund's management monthly or more frequently during periods of volatility.

The Fund's investment portfolio is exposed to the following risks:

- market risk (including currency risk, interest rate risk and asset price risk)
- liquidity risk
- credit risk

The nature, extent and sensitivity of exposures arising from the Board's investment portfolio are discussed and quantified below. This note presents information about the Board's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Board is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Board's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Board's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. To assist in carrying out its risk management responsibilities the Board receives monthly performance and risk management reports from its master custodian.

(b) Market risk

Market risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates, interest rates, asset prices and other prices and derivatives contracts related to these assets. Market risk is minimised by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Share price and bond futures may be used by external managers engaged by the Board to hedge against adverse price movements in the value of financial assets. Further, these managers enter into derivative transactions, for example futures contracts, to further mitigate market risks.

Currency risk

Currency risk is the risk that the value or future cash flows of an asset will fluctuate due to changes in foreign exchange rates.

As a result of significant investments held in foreign markets, the Fund's financial position can be affected significantly by movements in overseas currency when translated into Australian dollars. The Board manages the Fund's exposure to foreign currency risk and mitigates the effects of its foreign currency translation exposure by adhering to the Fund's investment strategy and mandates, which limit the portion of the Fund's assets which can be invested in foreign currencies in addition to taking out forward foreign exchange contracts to offset currency risk. This foreign exchange policy is monitored on an ongoing basis throughout the year.

The Fund's total net exposure in Australian Dollars to foreign currency risk at the balance sheet date for both monetary and non-monetary financial instruments was as follows:

30 June 2015	**AUD $'000**	**USD $'000**	**JPY $'000**	**EUR $'000**	**GBP $'000**	**Other $'000**	**Total $'000**
Gross investment assets	4,770,330	2,942,469	270,679	521,474	383,353	456,384	9,344,689
Foreign exchange contracts (notional value)	2,691,884	(1,794,329)	(136,722)	(352,833)	(266,171)	(141,829)	-
Total	**7,462,214**	**1,148,140**	**133,957**	**168,641**	**117,182**	**314,555**	**9,344,689**
Fair value of foreign exchange contracts	(33,775)	737	58	(107)	164	(3,877)	(36,800)
Total investments and derivatives – refer Note 10	**7,428,439**	**1,148,877**	**134,015**	**168,534**	**117,346**	**310,678**	**9,307,889**

30 June 2014	**AUD $'000**	**USD $'000**	**JPY $'000**	**EUR $'000**	**GBP $'000**	**Other $'000**	**Total $'000**
Gross investment assets	4,738,235	2,085,018	236,649	451,068	232,642	680,250	8,423,862
Foreign exchange contracts (notional value)	1,874,603	(1,067,548)	(118,934)	(316,216)	(257,130)	(114,775)	-
Total	**6,612,838**	**1,017,470**	**117,715**	**134,852**	**(24,488)**	**565,475**	**8,423,862**
Fair value of foreign exchange contracts	13,911	(2,963)	5	23	135	1,059	12,170
Total investments and derivatives – refer Note 10	**6,626,749**	**1,014,507**	**117,720**	**134,875**	**(24,353)**	**566,534**	**8,436,032**

Note 21
Financial instruments and risk management (continued)

Sensitivity analysis

A potential strengthening of the AUD against the listed currencies (see table below) at 30 June would have decreased net assets available to pay benefits by the amounts shown below. In accordance with paragraph B23 of Appendix B of AASB 7, this analysis excludes the portion of currency risk included in the above table that may arise from financial instruments that are non-monetary items, for example equity investments. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the Asset price risk analysis shown below.

It should be noted that this sensitivity analysis excludes the impact of forward foreign exchange contracts which effectively hedge 100% of the currency exposure of the Fund's overseas fixed interest and infrastructure investments and up to 50% of equity assets. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2014.

	Volatility factor %	Volatility factor %	Effect on net assets available to pay benefits $'000	Effect on net assets available to pay benefits $'000
	Reflecting a stronger AUD	Reflecting a weaker AUD	Gain/(loss) on stronger AUD	Gain/(loss) on weaker AUD
30 June 2015				
US dollars	11.7%	(11.7%)	(174,102)	174,102
Japanese yen	14.2%	(14.2%)	(17,924)	17,924
Euro	9.7%	(9.7%)	(26,582)	26,582
British pounds	10.9%	(10.9%)	(24,678)	24,678
Other	9.7%	(9.7%)	(4,288)	4,288
			(247,574)	**247,574**
30 June 2014				
US dollars	11.7%	(11.7%)	(96,330)	96,330
Japanese yen	14.0%	(14.0%)	(15,478)	15,478
Euro	9.7%	(9.7%)	(22,295)	22,295
British pounds	10.9%	(10.9%)	(23,736)	23,736
Other	9.6%	(9.6%)	(3,485)	3,485
			(161,324)	**161,324**

Interest rate risk

Interest rate risk arises from changes in interest rates and the subsequent impact on the carrying value of the underlying asset.

A significant portion of the Fund's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mostly mature or reprice in the short-term. As a result, the Fund is subject to limited exposure to interest rate risk resulting from fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in short-term commercial paper and deposits with a term to maturity of up to four months. Investments in debt securities can be fixed or variable rate with various terms to maturity.

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
30 June 2015				
Assets				
Cash & cash equivalents	520,964	-	-	520,964
Fixed interest securities	178,675	1,591,348	-	1,770,023
Listed equity investments & property trusts	-	-	2,675,431	2,675,431
Unlisted equity investments & property trusts	-	-	4,395,240	4,395,240
Derivatives	3,184	15,357	15,927	34,468
Other financial assets	-	-	67,536	67,536
	702,823	**1,606,705**	**7,154,134**	**9,463,662**
Liabilities				
Derivatives	(1,068)	(17,164)	(37,744)	(55,976)
Other financial liabilities	(104)	-	(99,693)	(99,797)
	(1,172)	**(17,164)**	**(137,437)**	**(155,773)**
Total	**701,651**	**1,589,541**	**7,016,697**	**9,307,889**

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
30 June 2014				
Assets				
Cash & cash equivalents	448,397	-	-	448,397
Fixed interest securities	195,090	1,780,757	-	1,975,847
Listed equity investments & property trusts	-	-	2,309,902	2,309,902
Unlisted equity investments & property trusts	-	-	3,744,642	3,744,642
Derivatives	1,057	7,299	23,978	32,334
Other financial assets	-	-	86,013	86,013
	644,544	**1,788,056**	**6,164,535**	**8,597,135**
Liabilities				
Derivatives	(575)	(11,251)	(49)	(11,875)
Other financial liabilities	-	-	(149,228)	(149,228)
	(575)	**(11,251)**	**(149,277)**	**(161,103)**
Total	**643,969**	**1,776,805**	**6,015,258**	**8,436,032**

Note 21
Financial instruments and risk management (continued)

Sensitivity analysis for fixed rate and variable rate instruments

Potential increases in interest rates applying to fixed and variable rate instruments as at 30 June would have decreased net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2014.

Volatility factors by asset class	2015	2015	2014	2014
	Reflects higher interest rates	Reflects lower interest rates	Reflects higher interest rates	Reflects lower interest rates
Australian sovereign bonds	1.2%	(1.2%)	1.1%	(1.1%)
Australian corporate bonds	1.3%	(1.3%)	1.4%	(1.4%)
International sovereign bonds	0.5%	(0.5%)	0.6%	(0.6%)
International corporate bonds	0.6%	(0.6%)	0.7%	(0.7%)
Australian real yields	0.8%	(0.8%)	0.7%	(0.7%)
International real yields	0.4%	(0.4%)	0.4%	(0.4%)

	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Effect on net assets available to pay benefits	**(20,881)**	**20,881**	**(20,789)**	**20,789**

The same percentage fall in interest rates as at 30 June would have had an equal but opposite effect on net assets available to pay benefits.

Asset price risk

Asset price risk is the risk that the value of investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, or factors affecting all instruments traded in the market. As changes in the value of investments are recognised in the Statement of changes in net assets, all changes in market conditions will directly affect net investment income.

To limit market price risk, the Board diversifies its investments in line with the Fund's investment strategy which is reflected in the individual manager investment mandates. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable domestic and international exchanges or through units in wholesale trusts. The Board monitors the Fund's exposure to various asset classes on an ongoing basis throughout the year and ensures investment mandates comply with guidelines. In addition, price risk may be hedged by managers using derivative financial instruments such as options or futures.

Sensitivity analysis

The effect on net assets available to pay benefits of potential changes in relevant market indices as at 30 June, are shown below.

Volatility factors	2015	2015	2014	2014
	Reflects higher asset prices	**Reflects lower asset prices**	**Reflects higher asset prices**	**Reflects lower asset prices**
Australian equities	19.9%	(19.9%)	19.8%	(19.8%)
International equities	16.8%	(16.8%)	17.1%	(17.1%)
Australian & global listed property	16.4%	(16.4%)	16.4%	(16.4%)
Asset backed securities	6.5%	(6.5%)	6.5%	(6.5%)
Emerging markets cash	7.8%	(7.8%)	7.8%	(7.8%)
Emerging markets equities	22.0%	(22.0%)	21.9%	(21.9%)
High yield debt	10.5%	(10.5%)	10.5%	(10.5%)
Global infrastructure	17.4%	(17.4%)	17.4%	(17.4%)

	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Effect on net assets available to pay benefits	**1,297,342**	**(1,297,342)**	**1,114,269**	**(1,114,269)**

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's most significant financial liability is the payment of benefits to eligible members. Other financial liabilities of the Fund comprise trade and other payables as well as foreign exchange forward contracts.

The Board's approach to managing liquidity is to ensure, as far as possible, that under normal and abnormal stressed operating conditions, it will always have sufficient liquidity to meet its liabilities when due.

However, the Fund's assets include investments in unlisted investments, direct property and infrastructure, which are not traded in an organised public market and which generally may be illiquid. As a result, the Board may not be able to liquidate some investments at an amount close to their fair value in order to meet immediate liquidity requirements.

The Fund's listed securities are considered to be readily realisable as they are all listed on major stock exchanges.

The Fund's liquidity risk is managed on a daily basis by senior management staff in accordance with specific risk management policies and procedures adopted by the Board. The Fund's overall liquidity risks are also monitored on a regular basis by the Board.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

The table summarises the maturity profile of the Fund's financial liabilities and gross settlement derivative financial instruments, using nominal derivative amounts, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Note 21
Financial instruments and risk management (continued)

2015	Less than 1 month $'000	1–3 months $'000	3–12 months $'000	1–5 years $'000	More than 5 years $'000	Total $'000
Non-derivatives						
Other payables & unsettled trades	(99,797)	-	-	-	-	(99,797)
Trade & sundry creditors	(11,495)	-	-	-	-	(11,495)
Current tax liabilities	-	-	-	-	-	-
Accrued employee entitlements	(1,588)	-	-	(115)	(55)	(1,758)
Benefits payable	-	(493)	-	-	-	(493)
Total non-derivatives	**(112,880)**	**(493)**	**-**	**(115)**	**(55)**	**(113,543)**
Derivatives						
Gross settled (forward currency contracts, futures, options, swaps)						
– inflow	3,764,080	2,569,124	1,175,367	801,796	343,505	8,653,872
– (outflow)	(3,672,549)	(2,640,082)	(979,425)	(747,222)	(337,134)	(8,376,412)
Total derivatives	**91,531**	**(70,958)**	**195,942**	**54,574**	**6,371**	**277,460**

2014	Less than 1 month $'000	1–3 months $'000	3–12 months $'000	1–5 years $'000	More than 5 years $'000	Total $'000
Non-derivatives						
Other payables & unsettled trades	(149,228)	-	-	-	-	(149,228)
Trade & sundry creditors	(9,909)	-	-	-	-	(9,909)
Current tax liabilities	-	(15,680)	-	-	-	(15,680)
Accrued employee entitlements	(1,387)	-	-	(39)	(36)	(1,462)
Benefits payable	-	(1,473)	-	-	-	(1,473)
Total non-derivatives	**(160,524)**	**(17,153)**	**-**	**(39)**	**(36)**	**(177,752)**
Derivatives						
Gross settled (forward currency contracts, futures, options, swaps)						
– inflow	2,865,418	3,915,033	2,515,721	962,565	336,672	10,595,409
– (outflow)	(2,852,655)	(3,763,567)	(2,330,881)	(962,450)	(338,585)	(10,248,138)
Total derivatives	**12,763**	**151,466**	**184,840**	**115**	**(1,913)**	**347,271**

The above analysis excludes any vested benefits payable which are payable on demand.

(d) Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in the credit risk of that instrument. The Fund's investment managers have a credit policy in place in accordance with Board guidelines and the exposure to credit risk is monitored on an ongoing basis.

The Fund's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as shown in the Statement of net assets.

At the reporting date, the Fund's financial assets exposed to credit risk were as follows:

	2015 $'000	2014 $'000
Cash and cash equivalents	520,964	448,397
Term deposits	110,000	380,000
Investments in debt instruments	1,660,023	1,595,847
Contributions receivable	11,012	12,466
Unsettled trades and income receivable	69,222	87,466
	2,371,221	**2,524,176**

Apart from cash held under custody by the Fund's master custodian, all cash controlled directly by the Fund was deposited in accounts with Australian domiciled banks. Insolvency of these banks may cause the Fund's rights with respect to the cash held with these banks to be delayed or limited. The Board monitors its risk by monitoring the credit rating of these banks, as reported by Standard and Poor's. If the credit quality or the financial position of any of these banks deteriorates below Board approved guidelines, the Board will reinvest the cash holdings in an alternative bank.

The credit quality of debt instruments is managed by the Board using commercial credit rating systems such as Standard & Poor's, in accordance with the investment strategy of the Fund. The table below shows the credit quality of the debt instruments held by the Fund as at balance date.

	AAA to AA $'000	A+ to A– $'000	BBB+ to BB+ $'000	CCC+ $'000	Not Rated $'000	Total $'000
2015	1,188,636	255,186	195,065	-	21,136	1,660,023
2014	1,238,660	179,085	165,784	-	12,318	1,595,847

Credit risk associated with contributions receivable from local government employers is considered low.

The credit risk relating to unsettled transactions is considered low due to the short settlement period involved. Substantially all of the assets of the Fund are held in custody by JP Morgan Chase Bank. Insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors its risk by monitoring the credit quality and financial position of the custodian.

Note 22
Structured entities

Name of entity	Country of establishment	Ownership interest		Value	
		2015 %	2014 %	2015 $'000	2014 $'000
Wholly owned structured entities					
Kosciusko LG Multi Strategy Fund No. 2	Australia	100%	100%	460,401	220,948
Westbourne Yield Fund No 4	Australia	100%	100%	148,613	144,283
Morgan Stanley Global Infrastructure Fund No. 3	Australia	100%	100%	16,964	32,198
LG Super Asian Infrastructure Investment Trust	Australia	100%	100%	149,231	44,611
Eva Street Trust*	Australia	-	100%	-	154
Palisade (LG) Investment Trust	Australia	100%	100%	11,449	11,449
Palisade AWT Trust 1	Australia	100%	100%	5,603	10,187
ISQ Global Infrastructure Fund (AU) L.P.	United States of America	100%	-	4,086	-
Partially owned structured entities					
Palisade TGP Holdings Pty Ltd	Australia	28.6%	28.6%	38,427	36,426
Palisade Waterloo Holdings Pty Ltd	Australia	37.0%	37.0%	49,613	31,134
RLMC Operating Company Pty Ltd and RLX Investment Trust	Australia	34.6%	34.6%	30,525	29,340
Palisade Ports Pty Ltd	Australia	31.0%	31.0%	29,946	27,713
Palisade Australian Social Infrastructure Investment Fund 1	Australia	43.4%	43.4%	47,311	45,248
Palisade Terminals Holding Trust	Australia	30.2%	-	30,479	-
Clearbell II Unit Trust	Isle of Man	6.3%	15.96%	27,701	13,929
Orion European Real Estate Fund IV, C.V.	Netherlands	3.1%	33.33%	33,891	4,640

*Trust vested on 30 June 2015

The Fund has elected to early adopt AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities. This amendment introduces an exception to the consolidation rules for those entities qualifying as "investment entities". Controlled and Associated entities are accounted for at fair value through profit or loss, in accordance with AASB 139 Financial Instruments: Recognition and Measurement. For the comparative period, the Fund did not consolidate controlled entities as the effect of doing so was not material.

Related and unrelated investments

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. This could be the case where voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Fund invests in other funds for the purpose of capital appreciation.

The investee funds' objectives range from achieving medium to long term capital growth. The investee funds investment in a number of different financial instruments, including equities and debt instruments. The size of a related investee fund is indicated by the net asset value of the fund per the investee funds' balance sheet. For unrelated funds, size is indicated by the carrying value of the fund's investment as recognised on the fund's balance sheet as at reporting date as there is no other exposure to the fund other than the carrying value of its investment.

Note 23
Auditors' remuneration

	2015 $	2014 $
Amount received or due and receivable by PricewaterhouseCoopers:		
Audit of financial statements and APRA return	136,286	124,500
Taxation services	293,758	280,186
Other assurance services (specified assertions audit over Custodian balances and agreed upon procedures)	42,461	35,235
Total	**472,505**	**439,921**

Note 24
Related parties

Details of compensation

Key management personnel include both directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Fund.

(a) Directors

The following persons were directors of the Queensland Local Government Superannuation Board for the year ended 30 June 2015:

Director	Position	Representative body	Appointment date	Resignation/term expired date
Mr N P Cass	Director and committee member	Member representative	1 July 2008 **	
Ms F Connor	Director and committee member	Member representative	1 July 2001	
Mr R L Curtis	Director and committee member	Member representative	1 July 2011	
Cr M A de Wit	Director	Employer representative	1 June 2013	
Ms B K Morris	Chair and committee member	Independent	1 December 2013 1 October 2014-Chair	
Mr B D Roebig	Previous Chairman and committee member	Independent	1 August 1995	30 September 2014
Mr J S Smith	Director and committee member	Independent	1 December 2013	
Mr J F Wilson	Director and committee member	Independent	1 December 2013	
Mr I C Leckenby	Director and committee member	Employer representative	3 July 2014	
Cr P N Matic	Director and committee member	Employer representative	3 July 2014	

** Previous term 1 July 1995 – 30 June 2004

Note 24
Related parties (continued)

(b) Executives

The Chief Executive Officer (CEO) is appointed by the Queensland Local Government Superannuation Board. The CEO in turn appoints the executives.

The following persons were executives of the Queensland Local Government Superannuation Board for the year ended 30 June 2015:

Executive	Position	Appointment date	Employment terms
Mr D J Todd	Chief Executive Officer	17 July 2006	Executive contract
Mr I D Harcla	Chief Risk Officer/Deputy Chief Executive Officer	30 January 2006	Executive contract
Mr T J Willmington	Chief Operating Officer	29 August 2005	Executive contract
Mr P C Gamin	Chief Financial Officer	21 January 2013	Executive contract

Mr B C Barber was appointed to the position of Chief Digital Officer on the 6 July 2015.

Remuneration of directors

Governance of remuneration arrangements for directors occurs through the Board. The Board considers industry practice, an external independent review every two years and members' interests in setting directors' fees. All directors are reimbursed for reasonable expenses incurred while conducting business on behalf of the Fund.

Remuneration of executives and other employees

Executives and management staff are employed under individual employment contracts and are paid under packaging arrangements. Remuneration is benchmarked with market rates for employees in the financial services industry every two years by an external independent expert.

Other staff are employed under conditions consistent with the State clerical award. An annual performance payment is potentially available for all staff below Manager level.

(a) Remuneration of directors

Directors		Short-term		Post-employment	Total remuneration
Name	**Position**	**Board fee $'000**	**Board committee fee $'000**	**Superannuation $'000**	**$'000**
2014 - 2015					
Ms B K Morris[1]	Chairman	104	13	22	139
MR D B Roebig OAM[3]	Chairman	5	2	30	37
Cr M A de Wit	Director	55	-	11	66
Mr N P Cass	Director	38	8	35	81
Ms F Connor	Director	52	8	14	74
Mr R L Curtis	Director	56	10	12	78
Mr I C Leckenby[2]	Director	54	8	12	74
Mr J S Smith	Director	34	15	32	81
Mr J F Wilson	Director	35	14	33	82
Cr P N Matic[2]	Director	54	7	12	73
Total remuneration		**487**	**85**	**213**	**785**

[1] Appointed Chair 1 October 2014 [2] Appointed 3 July 2014 [3] Resigned 30 September 2014

Directors		Short-term		Post-employment	Total remuneration
Name	**Position**	**Board fee $'000**	**Board committee fee $'000**	**Superannuation $'000**	**$'000**
2013 - 2014					
Mr B D Roebig OAM	Chairman	95	7	35	137
Cr P V Bell	Director	48	14	11	73
Cr M A de Wit	Director	47	-	9	56
Ms L M Dudley	Director	46	7	10	63
Cr P J Pisasale	Director	48	-	9	57
Mr N P Cass	Director	28	-	35	63
Ms F Connor	Director	46	7	10	63
Mr R L Curtis	Director	51	-	6	57
Mr P J Smith	Director	26	-	35	61
Ms B K Morris[1]	Director	27	7	4	38
Mr J S Smith[1]	Director	22	-	13	35
Mr J F Wilson[1]	Director	22	-	13	35
Total remuneration		**506**	**42**	**190**	**738**

[1] Appointed 1 December 2013

All remuneration above was paid directly to each director and not to any representative organisation.

(b) Remuneration of executives

Executives		Short-term			Post-employment		Termination benefits	Total remuneration
Name	**Position**	**Salary[1] $'000**	**Non-monetary benefits[2] $'000**	**Bonus $'000**	**Super $'000**	**Other[3] $'000**	**$'000**	**$'000**
2014 - 2015								
Mr D J Todd	Chief Executive Officer	423	49	-	35	11	-	518
Mr I D Harcla	Chief Risk Officer/ Deputy CEO	281	25	-	35	8	-	349
Mr T J Willmington	Chief Operating Officer	268	39	-	30	(12)	-	325
Mr P C Gamin	Chief Financial Officer	255	33	-	30	7	-	325
Total remuneration		**1,227**	**146**	**-**	**130**	**14**	**-**	**1,517**

Note 24
Related parties (continued)

Executives		Short-term			Post-employment		Termination benefits	Total remuneration
Name	Position	Salary[1] $'000	Non-monetary benefits[2] $'000	Bonus $'000	Super $'000	Other[3] $'000	$'000	$'000
2013 - 2014								
Mr D J Todd	Chief Executive Officer	373	45	-	25	11	-	454
Mr I D Harcla	Chief Risk Officer/Deputy CEO	274	24	-	25	7	-	330
Mr T J Willmington	Chief Operating Officer	230	36	-	25	7	-	298
Mr P C Gamin	Chief Financial Officer	244	24	-	25	6	-	299
Total remuneration		**1,121**	**129**	**-**	**100**	**31**	**-**	**1,381**

[1] Salary includes base pay plus annual leave accrued less annual leave taken less salary sacrificed non-monetary benefits
[2] Non-monetary benefits includes salary sacrificed motor vehicles on a cost neutral basis to the Board
[3] Other post-employment includes long service leave accrued – long service leave taken

(c) Related party transactions

All directors (other than independent directors), executives and employees are contributing members of the Fund. There are no other related party transactions between either the Board or the Fund and key management personnel or employees.

Note 25
Commitments and contingent liabilities

(a) Except for the liability for accrued benefits (Refer Note 2(h)) there were no material contingent assets or liabilities of a significant value at balance date.

(b) The Board's infrastructure and property investment programs result in the Board entering into arrangements with investment managers which can result in undrawn commitments of less than one year.

Details of investment commitments are as follows:

	2015 $'000	2014 $'000
Not later than one year	474,243	215,047
Total	**474,243**	**215,047**

(c) Operating lease commitments exist for both the main office premises and the disaster recovery site.

Contracted operating lease expenditure is payable as follows:

	2015 $'000	2014 $'000
Not later than one year	1,197	1,142
Later than one year and not later than five years	5,340	4,793
Later than 5 years	5,879	7,123
Total	**12,416**	**13,058**

Note 26
Significant post balance date events

There have not been any other matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Fund since the end of the financial year.

Trustee's declaration

The Queensland Local Government Superannuation Board has prepared the foregoing annual financial statements of the Local Government Superannuation Scheme pursuant to the provisions of the Trust Deed of the Local Government Superannuation Scheme dated 5 April 1995, as amended and on behalf of the Superannuation Board we certify that:

In the opinion of the Board

(a) the financial statements set out on pages 34 to 71 are drawn up so as to present fairly the net assets of the Fund as at 30 June 2015 and the changes in net assets for the year then ended;

(b) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standard AAS 25, Financial Reporting by Superannuation Plans, other applicable Australian equivalents to International Financial Reporting Standards, the provisions of the Trust Deed and relevant legislative requirements; and

(c) the Fund has operated in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993 as amended and Regulations, the Corporations Act 2001, Regulations and Guidelines and Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2015.

Bronwyn K Morris
Chair

John S Smith
Chairman Audit and
Risk Management Committee

David J Todd
Chief Executive Officer

7 October 2015
Brisbane

Independent Auditor's report on financial statements

For a Reporting Entity

Independent Auditor's report approved form for a superannuation entity which is a reporting entity (as defined in Australian Accounting Standard AAS 25[1])

Local Government Superannuation Scheme (ABN 23 053 121 564)

Report by the RSE Auditor to the trustee and members

Financial statements

I have audited the financial statements of the Local Government Superannuation Scheme for the year ended 30 June 2015 comprising the Statement of Net Assets, Statement of Changes in Net Assets, summary of significant accounting policies and other explanatory notes.

Trustee's responsibility for the financial statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of the Local Government Superannuation Scheme.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the net assets of the Local Government Superannuation Scheme as at 30 June 2015 and the changes in net assets for the year ended 30 June 2015.

PricewaterhouseCoopers

David Coogan
Partner

7 October 2015
Brisbane

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, GPO BOX 150, BRISBANE QLD 4000,
T: 61 7 3257 5000, F: 61 7 3257 5999, www.pwc.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

[1] Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans

Attachment A
Summary of Actuarial report 2012

Actuarial statement for the purpose of Australian Accounting Standard (AAS25)

This statement has been prepared at the request of the Trustee of the Fund and sets out the value of accrued benefits and other actuarial information required under AAS25 in respect of the Fund and specifically the Defined Benefit Fund, for disclosure in the financial statements of the Fund.

Results

For the disclosure purposes of AAS25, the Accrued benefits under the Fund as at 30 June 2012 are determined to be:

Defined Benefits Fund (Regional and City):	$1,158.3m, or $1,149.5m (net of offset accounts)
Accumulation Benefits Fund:	$5,169.6m

The aggregate amount of vested benefits at 30 June 2012 was:

Defined Benefits Fund:	$1,158.3m, or $1,149.5m (net of offset accounts)
Accumulation Benefits Fund:	$5,169.6m

The market value of assets of the Fund at 30 June 2012 was $6,360.6m of which $1,191.0m was attributable to defined benefits.

Method

Accrued benefits have been determined as the present value of expected future benefit payments that arise from membership of the Fund up to the investigation date.

Projected Benefits are determined as the benefits payable to defined benefit members under each of the possible contingencies provided under the rules of the Fund at any future date, taking into account expected future salary increases.

The proportion of projected benefits taken into account is determined as:

$$\text{Projected benefit} \times \frac{\text{Completed service at measurement date}}{\text{Service at Date of projected payment}}$$

The total accrued benefits calculated are then subject to a minimum of total vested benefits.

The method of determining accrued benefits has been applied in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by The Institute of Actuaries of Australia.

Data and assumptions

The assumptions and data used to calculate Accrued Benefits were the same as for the actuarial investigation of the Fund as at 30 June 2012. The financial assumptions may be summarised as follows:

Discount Rate (active defined benefit members):	7.0% p.a.
Future Salary Increases:	5.5% p.a.

The discount rates are considered to be a reasonable expectation of actual future Fund returns over the average expected term of the benefit liabilities, in the light of the Fund's present investment strategy and taxation position.

Summary of Actuarial report

AAS23 also requires the notes to the Fund's accounts to include a summary of the most recent actuarial report of Funds. The attachment to this statement provides a summary of my report on the actuarial investigation of the Local Government Superannuation Fund carried out as at 30 June 2009. The summary has been prepared in accordance with Professional Standard 401 issued by the Institute of Actuaries of Australia and contains information required under AAS25.

John Smith BA (Maths)
Fellow of the Institute of Actuaries of Australia
21 March 2013

Attachment to AAS25 Statement Local Government Superannuation Fund

Summary of Actuarial report

This attachment provides a summary of the report on actuarial investigation of the Local Government Superannuation Fund as at 30 June 2012, including the Actuary's opinion as to the financial condition of the Fund.

Data

The actuarial investigation was based on 4,245 defined benefit members. The net value of assets attributable to defined benefit members was taken as at 30 June 2012 to be $1,198.4m (setting aside offset accounts for the purpose of the review).

Financing method and recommendations

The financing method adopted is to target coverage of vested benefits.

Based on this financing method and the actuarial assumptions set out in the actuarial report, the actuary noted the prescribed employer contributions and made specific recommendation regarding financial management, including reserving and investment strategy.

The actuary also recommended that the next full actuarial investigation be made on or before 30 June 2015.

Financial condition

The coverage of various measures of defined benefit liabilities by assets at 30 June 2012 was as follows (adjusted for offset accounts):

	Assets	Benefits	Ratio*
	$	$	%
Regional coverage of accrued and vested be nefits	1,111.1	1,073.2	103.5
City coverage of accrued and vested benefits	87.3	87.1	102.6

*These ratios consider only defined benefit liabilities for the Regional DBF but include additional accumulation accounts subject to smoothing for the City DBF. These ratios are currently considered satisfactory.

LGsuper
Looking after you
and your super

Celebrating 50 years
A proud history,
a strong future