

2016

ANNUAL REPORT TO MEMBERS



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

LGIAsuper - a complying fund

LGIAsuper was a complying super fund at all times during the 2015/16 financial year. As a complying fund, LGIAsuper members receive concessional tax treatment.

Disclaimer

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

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

The information in this document is up to date at the date of preparation of the document. Some of the information may change following its release. If the change is not significant we may not update the document immediately.

Current information about investment performance and other issues will be published on our website and in our newsletters. We will send you a free printed copy at your request.

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

Contents

Chair and CEO's report	4
Governance statement	7
Board of Directors	10
Management and staff	14
Organisational structure	15
Investments	16
Accumulation Benefits Fund	18
Defined Benefits Funds	23
Market update	24
Fees and other costs	26
Additional explanation of fees and costs	26
Investment managers	28
Other important information	30
Abridged financial statements	31
Specialist consultants and advisors	34

Chair and CEO's report



(left to right)
Bronwyn Morris
and David Todd

For members, employers and LGIASuper employees alike, the past year was an exciting time to be part of our Fund.

We celebrated 50 years of supporting and enriching the financial futures of our members across the State, refreshed our name as we evolved to become LGIASuper and established a new partnership.

This year the Queensland Government announced a legislative change that will allow LGIASuper to welcome the family and friends of our members to grow with us. This means people outside our Fund will have the opportunity to join us. Becoming an open fund will not impact the fees you pay, the way your money is invested, the governance arrangements or structure of the Fund.

As well as looking forward to welcoming members from communities everywhere, we are pleased to remain the chosen fund for Queensland local government employees, just as we have for more than 50 years.

Our members and employers

With the introduction of a Relationship Manager to our team, we've been able to improve our ongoing engagement with members and employers across the state. Our event and workplace seminars were popular again this year and we held 332 seminars across Queensland where we connected with close to 5,000 members.

Our main seminars, *Retiring successfully* and *Let's Grow your super* encouraged members to learn strategies to help them grow their super and look forward to the journey ahead in retirement.

In our office and regional locations across the State, our qualified and experienced staff met with 2,375 members where they provided advice to help you understand and better manage your super and financial future.

Administration platform replacement

Following identification of the need to replace LGIASuper's current superannuation administration systems (Superb and Calibre), LGIASuper undertook an extensive scoping, tender and evaluation process before selecting Bravura's Sonata solution in June 2016. The new administration platform will underpin LGIASuper's growth strategy into the future, as it will enable the delivery of improved services to our members and employers. Using Sonata, we will be able to consolidate and simplify the administration of your account and achieve strong operational efficiencies as we leverage its straight-through processing and workflow features. It will also support the engaging web and mobile experiences we are focused on delivering through our digital transformation.

Digital transformation

Over the past year we have continued to advance our capabilities through a number of digital transformation projects. This year we began the initial stages of developing the new LGIASuper online member portal which will enable you to access your account and make changes anytime, anywhere and on any device. It is a key initiative to improve our self-service facilities and deliver you a simpler and more personal experience.

This year has also seen us roll out a new spouse online join tool, making it easier than ever for spouses of existing members to join our Fund. The tool allows partners of our members to open an account with us online providing an alternative to completing and returning a hard copy form, which means a better experience for you.

Our self-service capabilities continue to grow, with the development of our contribution optimiser, retirement income and insurance needs calculators. These tools help you check the wellbeing of your super and provide information on how additional contributions can improve your super balance and future retirement income.

Performance and awards

Once again, LGIASuper was awarded the highest rating by independent research agency, SuperRatings.⁽¹⁾ This year marked the eighth year that we have been awarded a platinum rating for our Pension and Accumulation account products and the third year for our MySuper product.

As well as our account products, SuperRatings has also recognised how well our investment options have performed by ranking our Growth and Balanced investment options in the top quarter of similar investment options for the year. The independent research agency also recognised that during the market decline in January/February 2016, while most super funds experienced a year to date loss, LGIASuper's Balance investment option achieved a positive year to date return. This highlights the success of LGIASuper's ready-made investment options and the benefits of our highly diversified allocations to international and Australian shares, infrastructure, property, fixed income, cash and alternative investments.

Following their assessment of our superannuation products, the independent superannuation specialists at Heron have awarded us a 2016/17 5-Star rating in recognition of the outstanding superannuation products and services we offer members. This rating resulted in our nomination in the 2016 Super Fund of the Year Award for the Best MySuper Investment Option category.⁽²⁾

Helping communities grow

Making a positive contribution to the communities you live and work in is just as important as securing your financial future. Throughout the year we supported expos, family days, fairs and other council run community events as well as those held by the Australian Services Union, Local Government Association of Queensland (LGAQ), Local Government Managers Australia Queensland (LGMAQ) and the North Queensland Local Government Association (NQLGA).

Through the LGIASuper Community Hub we extended our community connections during 2016 by helping 10 not-for-profit or charitable organisations raise awareness at each North Queensland Cowboys home game in Townsville. In partnership with the Cowboys we also helped challenge, motivate and reward students from nine primary schools across the state for attending school through the Try for 5! program.

LGIASuper farewells

On 30 June 2016 LGIASuper farewelled employer representatives Ian Leckenby and Cr Peter Matic. Ian and Peter have been Directors on LGIASuper's Board since July 2014 and have been dedicated in their service to our fund and our members. We thank both Peter and Ian for their contribution to LGIASuper over the past 2 years and wish them both well in their future endeavours.

On 1 July 2016 we welcomed Cr Matthew Bourke and Cr Paul Pisasale as employer representatives and look forward to working with them.

This year marks Barbara Matthew's final year with LGIASuper after 28 years of service. When Barb started with us she was one of five employees and has remained with the organisation through significant technological and industry change. Starting as a personal assistant, Barb moved to handling death and disability claims before overseeing the membership team and later becoming Manager of Business Support. We thank Barb for her significant contribution to our organisation and wish her all the best for her retirement.

The year ahead

In the year ahead we look forward to continuing our digital transformation by launching a new member online service and enhancing our products and services to create a better overall experience for you.

With the announced legislative change to be implemented in the year ahead, we look forward to welcoming your family and friends to grow with us. LGIASuper will continue to evolve through our partnership and contributions to the community, while helping you all plan for and enjoy your retirement.

LGIASuper is committed to improving the financial outcomes and retirement incomes of all our members. We will continue to deliver secure services that you can trust and industry-leading performance that is consistently reliable, just as we have for more than 50 years.

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 trusted team are here to help.

Bronwyn Morris
Independent Director and Chair

David Todd
Chief Executive Officer

1 Read more at lgiasuper.com.au/forms-and-calculators/publications/news/lgiasuper-rated-one-of-australias-best-value-for-money-funds/.

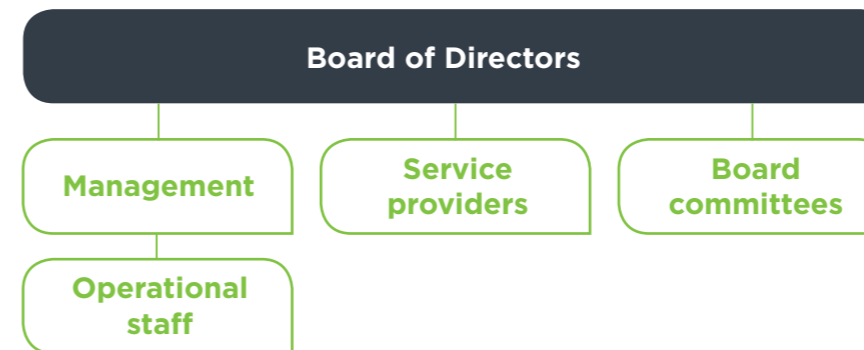
2 Read more at lgiasuper.com.au/forms-and-calculators/publications/news/heron-five-star-rating/.

(left to right)
John Mulcahy
and Drew Hawke



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 (LGIAsuper).



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:

- LGIAsuper'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 LGIAsuper, 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 LGIAsuper 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 LGIAsuper from losses that might result from wrongful acts of the Board, its directors or its staff.



Governance statement (cont.)

Board remuneration policy

Goals

LGIAsuper'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 goal.

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.



(left to right) Sam Corless, John Suanez and Bernadette Ryan

Board of Directors

The Board's structure aligns with best practice in the superannuation industry by having one-third member representative, one-third employer representative and one-third independent directors.

At 30 June 2016 the Board comprised:

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



Independent Director and Chair

Bronwyn Morris

Director

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

Bronwyn Morris became an LGIASuper 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.

Independent directors



John Smith
Director

Chair, Audit and Risk Management Committee
Member, Investment Committee

John Smith commenced his role as an LGIASuper 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 LGIASuper 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 Master of 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 was appointed director on 1 July 2008 and was previously an LGIASuper 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 joined as a director on 1 July 2001 and was previously employed by LGIASuper 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.



Ron Curtis
Director

Chair, Remuneration, HR and Nominations Committee
Member, Investment Committee

Ron Curtis was appointed an LGIASuper 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. He was also a Brisbane City Council employee in the Industrial Relations field from 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.

**From 1 July 2016, LGIASuper welcome
Cr Matthew Bourke and Cr Paul Pisasale as
employer appointed Directors of the Board.**



Cr Matthew Bourke

Cr Matthew Bourke was elected Councillor for the ward of Jamboree in 2008 and is well known for his contribution to the local community, specifically his flood recovery work where he received the National Emergency Medal for his involvement. Matthew is a Graduate member of the Australian Institute of Company Directors, a member of the Lord Mayor's Creative Advisory Board and the Lord Mayor's Inclusive Brisbane Board.



Cr Paul Pisasale

Cr Paul Pisasale has played a significant part in supporting the local community as Mayor of Ipswich and this year celebrates 25 years in local government. Paul has formed strong relationships with multicultural organisations and received multiple awards such as Honorary Indian of the Year. He is familiar with the fund and was an LGIASuper Director from July 2012 to June 2014. We are pleased to welcome Paul back to the Board.

**On 30 June 2016
LGIASuper will farewell
employer representatives
Ian Leckenby and Cr Peter Matic.**

Ian Leckenby was a committed director of LGIASuper's Board from July 2014. He held many positions within Government sectors over his career and made substantial contributions through his varied roles in local government and committee appointments.

Since July 2014 Peter Matic served as a valued employer representative on the LGIASuper board. From 2007 Peter contributed to the community through his position as Councillor of the Toowong Ward and prior to that through his positions with Brisbane City Council. Peter has been an influential member of the Board and helped steer LGIASuper through significant change and growth.

We thank both Peter and Ian for their dedication and service to LGIASuper over the past 2 years and wish them both well in any future appointments.

Employer representatives



Margaret de Wit

Director

Member, Remuneration, HR and Nominations Committee

Margaret de Wit became an LGIASuper director on 1 June 2013 and is the former President of the Local Government Association of Queensland (LGAQ). She was a Councillor with Brisbane City Council from 1997 to 2016, 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. Margaret 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, Audit and Risk Management Committee

Ian Leckenby became an LGIASuper 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 was appointed a director at LGIASuper in July 2014. He is the Brisbane City Councillor for Toowong Ward, a position he has held since 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 experience as a solicitor, and holds a Bachelor of Arts, a Bachelor of Laws and a Master of Laws. Peter is a Member of the Australian Institute of Company Directors.



(left to right) Timothy Willmington, Ian Harcla, David Todd, Brett Barber and Peter Gamin

Management and staff

Chief Executive Officer

David Todd

David Todd was appointed CEO in 2006. Prior to this he was the Chief Manager Investments (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.



The Chief Executive Officer reports to the Board of Directors on delegated responsibilities for the administration and operation of LGIAsuper. The Chief Risk Officer and Deputy Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Digital Officer assist him in this role.

At 30 June 2016 LGIAsuper had 99 staff.



Chief Risk Officer and Deputy Chief Executive Officer

Ian Harcla

Ian Harcla has served as the 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.



Chief Operating Officer

Timothy Willmington

Timothy Willmington has held the Chief Operating Officer role since 2006 and various other positions with LGIAsuper 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 LGIAsuper. 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.



Chief Digital Officer

Brett Barber

Brett was appointed Chief Digital Officer in July 2015. His key responsibility is to manage LGIAsuper's IT and Marketing operations with a focus on digital technologies to drive innovation and member value. Brett's previous roles include IT Manager at AMP (1995 to 2003), Executive Manager eBusiness Solutions at Suncorp Group (2004 to 2008), Head of Solutions Delivery at CUA (2011 to 2014) and Chief Operating Officer at software development house, Dingu Blue (2014 to 2015). Brett is a Responsible Person under the Board's RSE licence.

Organisational structure

Chief Executive Officer

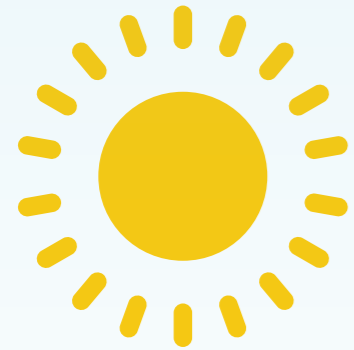
David Todd ^{1, 2, 3 (11)}

Oversees and reports to the Board of Directors on all aspects of the administration and operation of LGIAsuper.

Responsible for the development and implementation of investment strategy.



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 2016



Let's Grow

The Board of Directors' general investment objectives for LGIASuper 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 LGIASuper 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 LGIASuper 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 LGIASuper 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 are a reflection of how your investment performs.

LGIASuper publishes the daily performance of each of LGIASuper's investment options — a daily movement percentage and a year to date performance percentage. This reflects the actual underlying investments' 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.

Following the end of each financial year, an annual earning rate is declared by the LGIASuper 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 LGIASuper from determining daily and/or weekly rates, processing of claims and/or switches may be suspended for up to 7 days or longer, as dictated by market conditions.



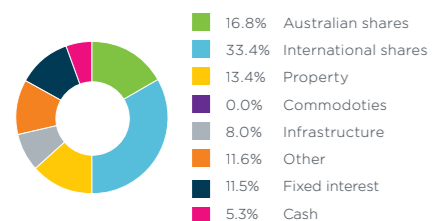
Accumulation Benefits Fund

Accumulation accounts and Pension accounts

LGIAsuper MySuper Lifecycle

Under 75

Actual asset allocation at 30 June 2016



Return target¹

Return target of 3.0% per year above inflation after fees and taxes over the next ten financial years. Future returns cannot be guaranteed. This is a prediction.



Returns²

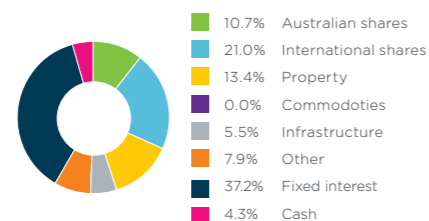
At 30 June	Accumulation acc % p.a.
2016	3.26%
2015	8.18%
2014	12.30%
2013	13.95%
2012	1.62%
5-yr avg (% p.a.)	7.75%
5 Year excess over CPI	5.92%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	88.5	81.0-96.0
Australian shares	14.3	6.8-21.8
International shares	33.5	26.0-41.0
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 2016



Return target¹

Return target of 2.5% per year above inflation after fees and taxes over the next ten financial years. Future returns cannot be guaranteed. This is a prediction.



Returns²

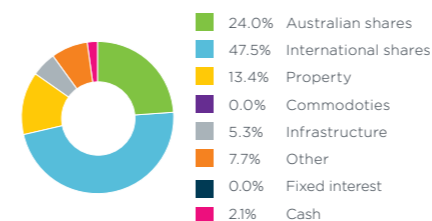
At 30 June	Accumulation acc % p.a.
2016	4.12%
2015	6.79%
2014	9.74%
2013	10.08%
2012	5.07%
5-yr avg (% p.a.)	7.13%
5 Year excess over CPI	5.30%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	62.8	55.3-70.3
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
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

Aggressive

Actual asset allocation at 30 June 2016



Return target¹

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



Returns²

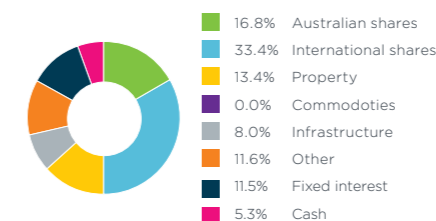
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	2.37%	2.59%
2015	9.75%	10.92%
2014	15.05%	16.78%
2013	17.86%	19.35%
2012	-1.28%	-1.35%
5-yr avg (% p.a.)	8.50%	9.37%
5 Year excess over CPI	6.67%	7.54%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	100	100
Australian shares	20.4	12.9-27.9
International shares	47.6	40.1-55.1
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
Cash	0.0	0.0-5.0

Diversified Growth

Actual asset allocation at 30 June 2016



Return target¹

Return target of 3.0% per year above inflation over rolling 5-year periods.



Returns²

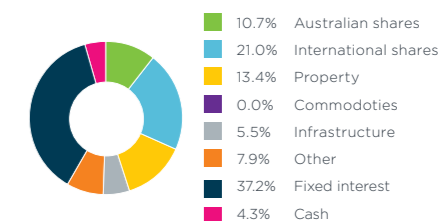
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	3.26%	3.64%
2015	8.18%	9.29%
2014	12.30%	13.89%
2013	13.95%	15.21%
2012	1.62%	1.82%
5-yr avg (% p.a.)	7.75%	8.64%
5 Year excess over CPI	5.92%	6.81%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	88.5	81.0-96.0
Australian shares	14.3	6.8-21.8
International shares	33.5	26.0-41.0
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 2016



Return target¹

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



Returns²

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	4.12%	4.68%
2015	6.79%	7.81%
2014	9.74%	11.14%
2013	10.08%	11.12%
2012	5.07%	5.71%
5-yr avg (% p.a.)	7.13%	8.06%
5 Year excess over CPI	5.30%	6.23%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	62.8	55.3-70.3
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
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. LGIAsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time.

² LGIAsuper'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.

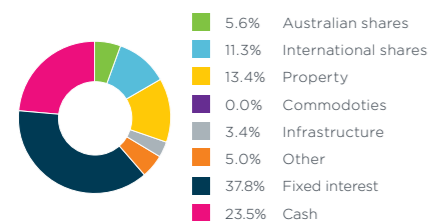
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² Past performance is not an indicator of future performance.

Accumulation Benefits Fund (cont.)

Stable

Actual asset allocation at 30 June 2016



Return target¹
Return target of 1.5% per year above inflation over rolling 5-year period.

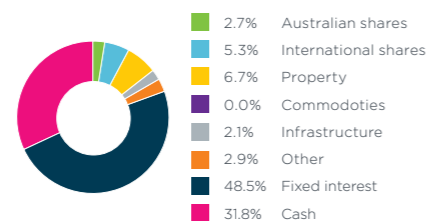


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	4.16%	4.78%
2015	5.31%	6.19%
2014	7.17%	8.31%
2013	7.16%	8.05%
2012	6.24%	7.10%
5-yr avg (% p.a.)	6.00%	6.88%
5 Year excess over CPI	4.17%	5.05%

At 30 June	SAA %	Ranges %
Return-seeking	42.2	34.7-49.7
Australian shares	4.8	0.0-12.3
International shares	11.3	3.8-18.8
Property	15.0	7.5-22.5
Infrastructure	3.3	0.0-10.8
Other	7.8	0.3-15.3
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 2016



Return target¹
Return target of 1.0% per year above inflation over rolling 5-year periods.

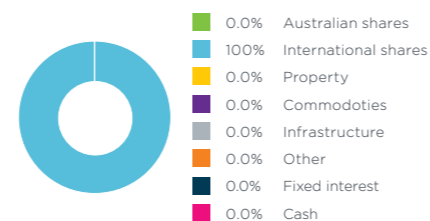


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	3.79%	4.42%
2015	4.14%	4.89%
2014	5.56%	6.53%
2013	4.86%	5.61%
2012	7.27%	8.63%
5-yr avg (% p.a.)	5.12%	6.00%
5 Year excess over CPI	3.29%	4.17%

At 30 June	SAA %	Ranges %
Return-seeking	21.6	14.1-29.1
Australian shares	2.3	0.0-9.8
International shares	5.3	0.0-12.8
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 2016



Return target¹
Return target is to outperform a composite index of international shares over rolling 5-year periods.

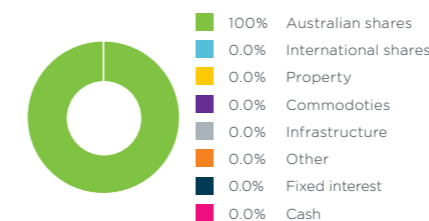


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	-1.14%	-1.21%
2015	17.01%	19.57%
2014	17.63%	20.10%
2013	26.57%	29.91%
2012	0.27%	0.36%
5-yr avg (% p.a.)	11.55%	13.09%

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

Australian Shares

Actual asset allocation at 30 June 2016



Return target¹
Return target is to outperform a composite index of Australian shares over rolling 5-year periods.

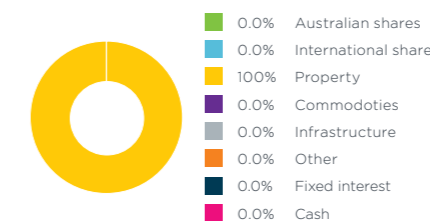


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	1.05%	1.02%
2015	3.42%	3.59%
2014	15.44%	16.28%
2013	15.82%	16.69%
2012	-9.56%	-10.54%
5-yr avg (% p.a.)	4.79%	4.90%

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

Property

Actual asset allocation at 30 June 2016



Return target¹
Return target of 3.5% per year above inflation over rolling 5-year periods.

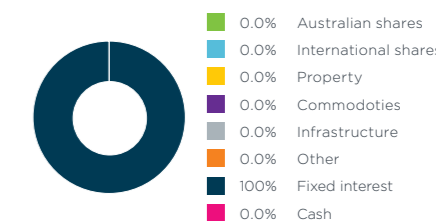


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	12.59%	13.99%
2015	9.26%	11.05%
2014	8.53%	10.12%
2013	10.47%	11.69%
2012	6.80%	7.59%
5-yr avg (% p.a.)	9.51%	10.87%

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

Diversified Fixed Interest

Actual asset allocation at 30 June 2016



Return target¹
Return target is to outperform a composite index of Australian and international fixed interest over rolling 5-year periods.



At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	4.36%	5.20%
2015	3.58%	4.31%
2014	5.17%	6.08%
2013	2.35%	2.83%
2012	10.13%	11.99%
5-yr avg (% p.a.)	5.08%	6.04%

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

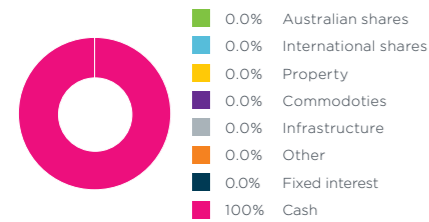
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Accumulation Benefits Fund (cont.)

Cash

Actual asset allocation at 30 June 2016



Return target¹
Return target is the RBA official cash rate over rolling 5-year periods.



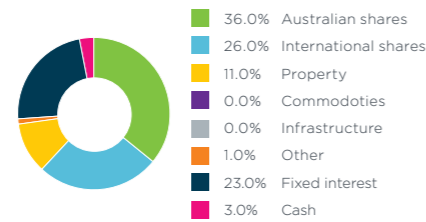
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	1.78%	2.08%
2015	2.07%	2.49%
2014	2.47%	2.95%
2013	3.18%	3.78%
2012	4.18%	4.96%
5-yr avg (% p.a.)	2.73%	3.25%
5 Year excess over CPI	0.90%	1.42%

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 2016



Return target¹
Return target of 3.0% per year above inflation over rolling 5-year periods.



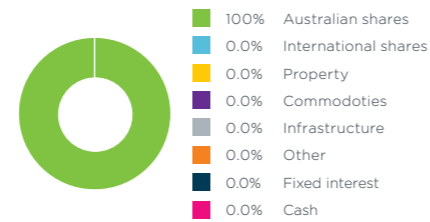
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	0.77%	0.79%
2015	8.87%	9.79%
2014	11.78%	12.97%
2013	16.73%	18.50%
2012	-0.83%	-0.81%
5-yr avg (% p.a.)	7.26%	8.00%
5 Year excess over CPI	5.43%	6.17%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	70	
Australian shares	30.0	20-40
International shares	27.0	15-35
Property	9.0	0.0-20
Infrastructure	3.0	0.0-7.0
Other	1.0	0.0-6.0
Commodities	0.0	0.0-6.0
Risk-controlling	30	
Fixed interest	25.0	0.0-45
Cash	5.0	0.0-20

SR Australian Shares

Actual asset allocation at 30 June 2016



Return target¹
Return target is to outperform S&P ASX300 Accumulation Index over rolling 5-year periods.



At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	1.82%	1.88%
2015	7.83%	8.24%
2014	15.85%	16.69%
2013	28.86%	30.39%
2012	-1.49%	-1.55%
5-yr avg (% p.a.)	10.06%	10.56%

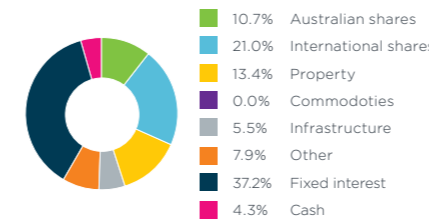
Strategic asset allocation and ranges

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

Defined Benefits Funds

Defined Benefits Fund

Actual asset allocation at 30 June 2016



Return target¹
Return target is to achieve returns in excess of salary inflation plus 1.5% p.a over rolling 3-year periods.



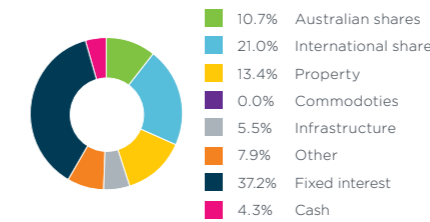
At 30 June	Investment return %	Accumulation comparison rate %
2016	4.12%	5.60%
2015	6.79%	7.82%
2014	9.86%	9.36%
2013	10.08%	8.60%
2012	10.08%	6.43%
3-yr avg (% p.a.)	6.90%	7.58%
3 Year excess over AWOTE ³	3.34%	4.02%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	62.8	55.3-70.3
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
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 2016



Return target¹
Return target is to achieve returns in excess of salary inflation plus 1.5% p.a over rolling 3-year periods.



At 30 June	Investment return %	Crediting rate %
2016	4.33%	7.11%
2015	7.01%	9.29%
2014	10.07%	7.57%
2013	10.84%	7.00%
2012	2.03%	6.77%
3-yr avg (% p.a.)	7.11%	7.99%
3 Year excess over AWOTE ³	3.55%	4.43%

Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
Return-seeking	62.8	55.3-70.3
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
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

LGIAsuper has two defined benefits funds that are separately managed and regularly reviewed through actuarial valuations to determine if there are sufficient funds to pay members' benefits. An actuarial valuation for both funds was undertaken at 1 July 2015.

Regional Defined Benefits Fund

The actuary concluded from the review that the Regional Defined Benefits Fund was in a satisfactory financial position.

City Defined Benefits Fund

The actuary concluded from the review that the City Defined Benefits Fund was in a satisfactory financial position.

Vested Benefits Index

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

	2016 %	2015 %	2014 %
Regional Defined Benefits Fund			
	113-114 ⁴	110-112 ⁴	109-110 ⁴
Former City Super Defined Benefits Fund			
	118-120 ⁴	119-121 ⁴	114-116 ⁴

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³ Proxy for salary growth

⁴ Preliminary

Market update

Strong diversification was key to LGIAsuper's success this year, with equity markets fairly flat it was the strong performance in our Infrastructure and Property sectors that led to our Diversified Growth and Balanced options returning 3.3% and 4.1% respectively.

The 2015/16 financial year was one of increasing global economic uncertainty, with the IMF and World Bank once again downgrading global growth forecasts throughout the year. This was primarily caused by economic and geopolitical risks in the Eurozone (the potential Grexit and eventual Brexit), uncertainty and volatility surrounding the Chinese economy, a fall in global commodity prices and concerns relating to Japanese deflation.

International shares

The performance of global share markets has been mixed over the last year. Volatility was high and returns were somewhat lower than the previous year. The US S&P500 returned a modest 1.7% despite at one stage being down 12.3% in February. Elsewhere, the UK's FTSE 100 fell 0.3%, Europe's EURO STOXX 50 index fell 16.3%, Japanese equities fell 23.5%, Hong Kong equities fell 20.8%, and the Chinese Shanghai Composite index was down 31.5% for the financial year as of June 30.

As interest rates across the developed world look set to ease further (with the exception of the US), the hunt for yield is supporting US equity markets which are advancing to all-time highs.

LGIAsuper's International Shares sector finished the financial year down 0.7%.

Australian shares

In a volatile year, the ASX200 Accumulation Index finished the year with a return of 0.6%, with the financials, mining and materials sectors hampering returns. Chinese market volatility in August spurred the worst month on the Aussie share market since the GFC. The losses didn't finish there however, further falls due to a plunge in the iron ore price, more Chinese market volatility, and all-time lows in Crude oil saw the ASX200 reach its lowest point for the year in February (-13.8%). As commodities rebounded from lows, we saw markets recover and stabilise before the UK's vote for 'BREXIT' in June caused more global volatility.

LGIAsuper's Australian shares sector finished the financial year with gains of 1.7% before tax and fees.

Property

LGIAsuper's highly diversified property portfolio consists of high quality office buildings, retail shopping centres and industrial properties both in Australia and abroad. Low gearing and low vacancy rates mean these investments provide consistent rental income streams and strong capital growth. Most notable investments were the GPT Wholesale Office Fund which returned 18.6% and AMP Wholesale Office Fund which returned 16.3%.

In addition to the solid performance of our unlisted property holdings, our global listed shares performed very well and returned 16.9%. Overall, the Property sector

finished the year with impressive gains of 14.5% before tax and fees, far exceeding its benchmark.

Alternatives

Our investments in alternatives returned 1.6% for 2015/16 before tax and fees. The diversification attributes of the alternatives sector were evident throughout such a volatile year for equity markets. Returns were less volatile than the equity sectors with low correlation, helping to reduce risk and smooth returns for LGIAsuper's ready-made options. Within this sector we invest across two broad themes — hedge funds and emerging market/high-yield debt.

Infrastructure

Our Infrastructure assets returned a substantial 15.3% before tax and fees. Throughout the year LGIAsuper continued to invest in infrastructure assets, particularly the renewable energy sector. Amongst many other exciting assets, we invested in a gas pipeline in Qld, an oil and gas port in Norway and wind assets in India and the Philippines. We will continue to build on this sector over the coming years as new investment opportunities present themselves.

Fixed interest and cash

Australian fixed interest continues to attract overseas investors. Of the developed economies, Australia has one of the highest official cash rates at 1.75%, second only to New Zealand at 2.25%. The economy is in relatively good shape and the AAA credit rating remains, however, this is under some pressure and the government needs to enact some budget reform to maintain this rating. Strictly speaking, Australia is viewed as a relatively safe haven for foreign investors to invest and receive attractive returns.

The RBA is expected to take a more accommodative approach to monetary policy in the next 12 months with at least one more cut to the cash rate expected. This will lower expected returns on cash investments and should also put downward pressure on the AUD.

The Australian dollar (AUD) depreciated by 3.3% against the US dollar over the course of the year, finishing the year at \$US0.7426, trading in quite a large range – from a low of \$US0.6824 in January to a high of \$US0.7848 in April.

Looking forward

In the year ahead, investors will watch on with caution as Britain progresses toward an exit from the European Union which could potentially cause further disruption to global markets. These negotiations will also have an effect on European economies as the Euro area continues to battle low inflation and high unemployment. We expect the European Union will be looking to take a tough stance in the exit negotiations.

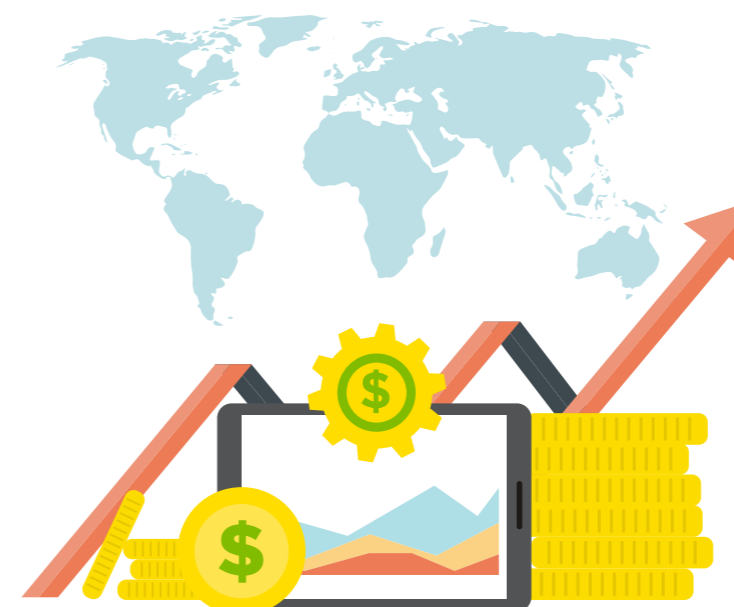
US economic data continues to indicate that the US economy is strengthening albeit at a slower pace than expected. The near term focus will be when and at what rate the US will tighten monetary policy. Eyes will also be on the outcome and any effects of the upcoming presidential election result.

Domestically, the economy continues the transition away from the mining sector. Encouraging GDP data saw the economy grow 3% for the year, although low inflation persists and the Australian dollar is perhaps a little too high for comfort which is increasing the pressure on the RBA to cut the official cash rate below the existing historically low levels of 1.75%.

2015/16 LGIAsuper portfolio returns by asset class

Returns shown are before fees and tax.

Asset class	Gross return % p.a
Australian shares	1.7%
International shares	-0.7%
Property	14.5%
Alternatives	1.6%
Fixed interest	5.7%
Cash	2.1%



Where your money is invested

Top 10 Australians shares at 30 June 2016

- 1 COMMONWEALTH BANK
- 2 WESTPAC BANKING CORP
- 3 CSL LTD
- 4 ANZ BANKING GROUP
- 5 TRANSURBAN GROUP
- 6 QBE INSURANCE GROUP
- 7 WOOLWORTHS LTD
- 8 BRAMBLES LTD
- 9 TELSTRA CORP LTD
- 10 MACQUARIE GROUP LTD

Top 10 International shares at 30 June 2016

- 1 ROCHE HOLDING AG
- 2 JOHNSON & JOHNSON
- 3 APPLE INC
- 4 BAT INC
- 5 EXXON MOBIL CORP
- 6 WELLS FARGO & CO
- 7 MICROSOFT CORP
- 8 BERKSHIRE HATHAWAY
- 9 TENCENT HOLDINGS LTD
- 10 AIA GROUP LTD

Fees and other costs

Actual fees charged for 2015/16*

Type of fee	Investment options								Investment options							How and when paid
	LGIAsuper MySuper Lifecycle		Ready-made options						Single asset class options					Socially responsible		
	Under 75	Over 75	Aggressive	Diversified Growth	Balanced	Stable	Defensive	International Shares	Australian Shares	Property	Diversified Fixed Interest	Cash	SR Balanced	SR Australian Shares		
Investment fee	0.49% p.a.	0.43% p.a.	0.49% p.a.	0.49% p.a.	0.43% p.a.	0.34% p.a.	0.27% p.a.		0.38% p.a.	0.43% p.a.	0.71% p.a.	0.27% p.a.	0.05% p.a.	0.90% p.a.	0.82% p.a.	Deducted from investment earnings as they are credited to your account
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.		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
Buy-sell spread	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
Switching fee	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
Exit fee	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
Advice fees	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660		\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	Up to \$660 (inc. GST) is charged for personal advice. The fee may be deducted directly from your account on request.
Other fees and costs	Insurance fee of 1% included in the insurance premiums deducted from your account.															
Indirect cost ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Deducted from gross investment earnings prior to determining earning rates applicable to your account.

* The fees and costs for managing your investment, including performance fees charged. Actual charged to LGIAsuper members in 2015/16.

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 LGIAsuper 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 2015/16.

Advice fees

LGIAsuper 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).

LGIAsuper members who receive more comprehensive personal advice and/or meet with an LGIAsuper financial adviser 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 - \$660 including GST will be charged for more comprehensive personal advice.

The fee charged for advice directly related to your LGIAsuper account may be deducted from your LGIAsuper account on request. The fees will be explained to you in detail if you ask for this advice. These advice fees apply to the 2015/16 financial year only. For current advice fees see the PDS for your account.

Transactional and operational costs

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

Indirect costs

Indirect costs are any amounts that we know, or reasonably ought to know, will directly or indirectly reduce the return on your investments that are not charged to your account as a fee. LGIAsuper 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% including GST was included in all Death, Total and Permanent Disablement and Income Protection premiums. This fee is retained by LGIAsuper 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. LGIAsuper 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 2016	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	3.86	8.50	8.42	9.19	6.10
Composite benchmark	2.73	7.64	7.89	8.42	6.42
Excess over benchmark	1.13	0.86	0.53	0.76	-0.32

Administration and investment management expenses

Year ending 30 June 2016	Administration expenses as % of FUM	Investment management expenses as % of FUM	Average FUM \$M
2016	0.21	0.29	9,418.3
2015	0.21	0.29	8,929.8
2014	0.21	0.27	7,404.7
2013	0.21	0.27	6,377.7
2012	0.18	0.28	6,066.7
2011	0.18	0.39	4,161.7
2010	0.18	0.31	3,577.8
2009	0.17	0.26	3,484.5

Investment managers

	Australian shares	International shares	Property	Alternatives	Infrastructure	Socially Responsible	Fixed Interest	Cash	\$M
Acorn	1								118.9
Altis			3						141.9
AMP Capital			3		2				547.3
Ardea							1		117.2
Artemis		1							121.8
Black Creek		1							283.6
Bridgewater				1					148.5
Clearbell			1						32.3
Colonial First State							1		171.6
Columbus Circle		1							132.3
Dexus			1						107.5
Eley Griffiths	1								130.4
EQT					2				19.4
Equis Funds Group					1				227.1
Goldman Sachs							1		190.3
GTP Bottom Billion		1							156.8
GPT			1						126.5
I Squared Capital					1				62.7
JCP Investment Partners	1								289.3
K2 Advisors				2					472.6
LGIAsuper (internal)								1	742.1
Lend Lease			1						104.8
Members Equity				1					0.5
Morgan Stanley		1			1				180.2
Northcape		1							320.7
Orion European Funds			1						27.5
Palisade Investment Partners						1			322.0
Parametric		1	1						868.1
Perpetual Ltd						1			43.9
PIMCO							1		255.4
QIC			1				4		952.9
Resolution Capital				1					152.4
Rockspring			1						0.8
Rogge Global Partners					1				96.0
Sanders Capital		1							287.0
State Street Global Advisers		1							1,035.1
Sustainable Growth Advisers		1							296.0
Stone Harbour					1				134.4
Wellington							1		165.8
Westbourne Capital					1				125.9
Total									9,709.4

Investment managers by asset class

Investment Manager	As at 30 June 2016	
	\$M	%
Australian shares	1,281	13.2%
Acorn	119	1.2%
Eley Griffiths	130	1.3%
Northcare	321	3.3%
JCP Investment Partners	289	3.0%
Parametric Portfolio Associates	422	4.3%
International shares	2,919	30.1%
Columbus Circle	132	1.4%
GTP Bottom Billion	157	1.6%
Artemis UK Small Caps	122	1.3%
Morgan Stanley	160	1.6%
Black Creek	284	2.9%
Sanders Capital	287	3.0%
State Street Global Advisers	1,035	10.7%
Sustainable Growth Advisers	296	3.0%
Parametric GE CPM	446	4.6%
Property	1,309	13.5%
Altis AREEP 2	49	0.5%
Altis AREEP 3	63	0.6%
Altis QLGS Trust	30	0.3%
AMP Shopping Centre Fund	133	1.4%
AMP Wholesale Office Fund	192	2.0%
Clearbell II UT LP	32	0.3%
Dexus Wholesale Property Fund	107	1.1%
GPT Wholesale Office Fund	127	1.3%
Lend Lease APPF Retail	105	1.1%
Orion European Real Estate Fund	27	0.3%
QIC Property Fund	140	1.4%
Rockspring European Partners	1	0%
AMP Global REIT	150	1.5%
Resolution Global REIT	152	1.6%
Alternatives	978	10.1%
Westbourne Yield Fund No.4	126	1.3%
Bridgewater Pure Alpha Fund Series 2	149	1.5%
Stone Harbour Aggregate	134	1.4%
Rogge Emerging Markets Currencies	96	1.0%
Kosciusko LG Multi Strategy Fund	473	4.9%
Members Equity SMHL	1	0.0%

Investment Manager	As at 30 June 2016	
	\$M	%
Infrastructure	652	6.7%
Asian Infrastructure Trust	227	2.3%
EQT Infrastructure Fund I	4	0.0%
EQT Infrastructure Fund II	16	0.2%
I Squared Capital	63	0.6%
Morgan Stanley Infrastructure Fund No. 3	21	0.2%
Palisade Investment Partners	322	3.3%
SRI	31	0.3%
AMP RIL Balanced Fund	31	0.3%
SRI Australian shares	85	0.9%
AMP Sustainable Share Fund	41	0.4%
Perpetual Ethical SRI Fund	44	0.5%
Diversified fixed interest	1,713	17.6%
Colonial First State	172	1.8%
QIC FI	299	3.1%
QIC Australian Government	312	3.2%
QIC Inflation Plus	119	1.2%
Ardea ILB	117	1.2%
QIC Passive Australia ILB	84	0.9%
PIMCO Global Credit	255	2.6%
Wellington Global Total Return Fund	166	1.7%
Goldman Sachs Global Fixed Interest	190	2.0%
Cash	742	7.6%
Total	9,709	100%



Guy Rundle

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 on 1 July 2005.

If you've incurred any surcharge tax, LGIAsuper will pay it directly to the Australian Taxation Office (ATO), and then recover it from your account.

Division 293 tax

An additional 15% tax applies to concessional contributions if your total annual income is more than \$300,000. Total income is defined in a similar way to that for Medicare levy surcharge purposes.

If your total annual income is below the \$300,000 threshold before your concessional contributions, but your concessional contributions push you over the threshold, the additional 15% tax will only apply to the contributions above the threshold.

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 LGIAsuper within 6 months of leaving Australia.

Once 6 months have passed, LGIAsuper will be required to transfer your money to the 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.

LGIAsuper 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 LGIAsuper 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, LGIAsuper,
GPO Box 264, Brisbane Qld 4001

EMAIL complaints@lgiasuper.com.au

PHONE 1800 444 396

FAX (07) 3244 4344

Privacy

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

Abridged financial statements

The abridged financial statements below are at a total fund level. They are unaudited and based on information available at the time of publication. The 2016 LGIAsuper Board annual report will include the audited financial statements and will be published on the website and available on request from November 2016.

Preliminary unaudited statement of net assets

	2016 \$M	2015 \$M
Investments		
Cash and cash equivalents	987	521
Fixed interest securities	1,650	1,770
Listed equity investments and property trusts	4,376	2,675
Unlisted equity investments and trusts	2,799	4,395
Derivatives	40	34
Other assets	92	97
Total assets	9,944	9,492
Total liabilities	281	315
Net assets to pay benefits at 30 June	9,663	9,177

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

	2016 \$M	2015 \$M
Net assets to pay benefits at 1 July	9,177	8,360
Plus: income		
Contributions	632	622
Transfers from other funds	157	140
Insurance claim proceeds	24	23
Net investment revenue	363	748
Total income	1,176	1,533
Less: expenses		
Benefits paid	552	546
Administration expenses	21	15
Insurance premiums	42	27
Income and contributions tax	75	128
Total expenses	690	716
Net assets available to pay benefits at 30 June*	9,663	9,177

* Total includes operational risk and general reserves, and accumulation and defined benefit monies.





Reserves and funds

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

Operational risk and general reserves

Operational risk reserves have been established to set aside funds to meet possible operational errors in the future which would otherwise be funded from investment earnings. The federal government also requires trustees to establish operational risk reserves. The Board has determined a target level of 0.55% of funds under management for the reserves. The reserves were initially funded by transfers of surplus funds from the Insurance Fund and subsequent funding is by deductions from fund earnings, surplus administration costs charged to members and investment earnings on reserve balances. Reserves for Accumulation Benefit Fund balances are invested 80% in the Diversified Growth option and 20% in the Balanced option. Reserves for the Defined Benefits Funds are invested within the Defined Benefits Funds investment strategy.

Accumulation Benefits Fund - Operational risk reserve

	2016 \$M	2015 \$M	2014 \$M
Balance at 1 July	22.2	21.5	18.4
Plus/minus intra-scheme transfers	2.1	(0.1)	-
Allocation from (to) scheme earnings	-	-	2.1
Investment income	1.0	0.8	1.0
Balance at 30 June	25.3	22.2	21.5

Accumulation Benefits Fund - General reserve

	2016 \$M	2015 \$M	2014 \$M
Balance at 1 July	31.3	11.6	8.8
Plus/minus intra-scheme transfers	(2.1)	-	-
Allocation from (to) scheme earnings	18	19	2.1
Investment income	1.2	0.7	0.7
Balance at 30 June	48.4	31.3	11.6

Defined Benefits Funds - Operational risk reserve

	2016 \$M	2015 \$M	2014 \$M
Balance at 1 July	3.7	3.7	3.7
Transfer from DBF assets	0.1	-	-
Balance at 30 June	3.8	3.7	3.7



Specialist consultants and advisors

Actuarial advice

- Mr J Burnett, Willis Towers Watson

Asset consulting

- Willis Towers Watson

Audit - external

- PwC

Audit - internal

- KPMG

Custodian

- JPMorgan Chase Bank

Group life insurer

- OnePath

Information services and technology

- Bravura Solutions (Australia)
- Brennan IT
- Westpac

Investment management

- Acorn Micro Cap
- AMP Capital Investors
- Ardea Investment Management
- Colonial First State Global Asset Management
- Columbus Circle Investors
- Eley Griffiths Group Small Cap
- Equis Funds Group
- Goldman Sachs Aust Ltd
- JCP Investment Partners
- Northcape Capital Partners
- Palisade Investment Partners
- PIMCO Global Credit
- QIC
- Resolution Capital
- Rogge Global Partners
- Sanders Capital
- Parametric Portfolio Associates
- SSgA

Legal advisors

- King & Company Solicitors
- Mr S. Fynes-Clinton

Tax advisors

- PwC

Trustee insurances broker

- AON Risk Services



Anita Garred



