LGIAsuper

Let's Grow

SUPERANNUATION INVESTMENT ADVICE INSURANCE

2017

ANNUAL REPORT

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LGIAsuper – a complying fund

LGIAsuper was a complying super fund at all times during the 2016/17 financial year. As a complying fund, LGIAsuper members receive concessional tax treatment.

Disclaimer

This annual report has been produced by LGIAsuper Trustee ABN 94 085 088 484 AFS Licence No. 230511 as trustee for LGIAsuper ABN 23 053 121 564 and provides general information for LGIAsuper members.

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

Membership

There were

83,706

LGIAsuper members at 30 June 2017.

Account types

The membership comprised:

Accumulation Benefits Fund members			
Council employees			
Contributory	34,604		
Non-contributory	6,923		
Councillors	326		
		41,853	
Former council employees and spouses			
Retained Benefit	33,362		
Spouses	1,471		
Pensioners	4,638		
		39,471	
			81,024
Defined Benefits Members			**2,382**
TOTAL MEMBERS			**83,706**

94

employers

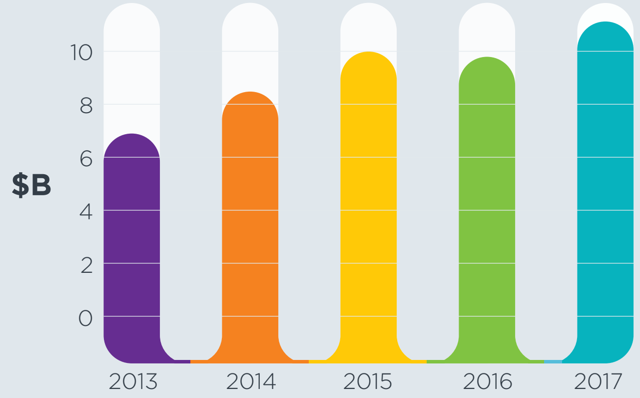
local government employers were contributing to LGIAsuper as at 30 June 2017.

Funds under management

LGIAsuper invested

$10.8 billion

in funds under management as at 30 June 2017.

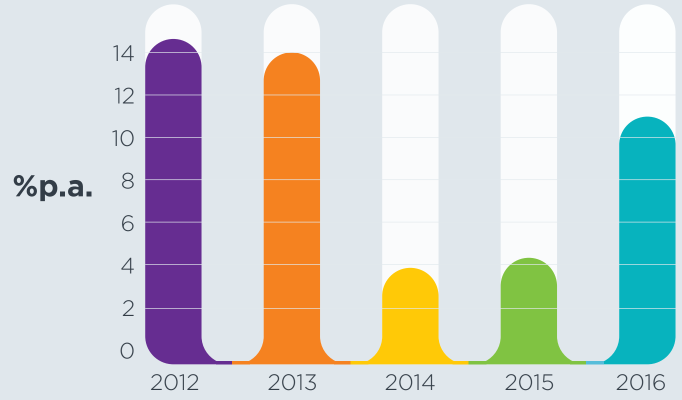


Investment performance

The total investment return for LGIAsuper was

10.23% P.A.

before tax and fees for 2016/17.

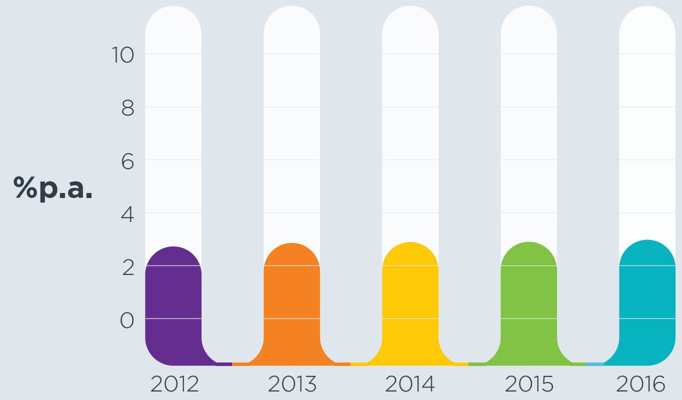


Administration expenses

Administration expenses for running LGIAsuper were

0.21% P.A.

before tax and fees for 2016/17.



Chair and CEO's report

Last financial year was one of the most significant in LGIAsuper's long history.

After more than half a century of serving Queensland's local government employees, our door is now open to new members from all industries across Australia.

We're now welcoming new members to share our growth alongside 85,000 current and former Queensland local government employees.

As a public offer fund, we will now be more visible in the marketplace and will be competing with hundreds of other funds in the $2 trillion superannuation sector.

What isn't changing is our commitment to partnering with our valued members to help them grow their super and enjoy a comfortable retirement.

We will keep building our connections with, and support for Queensland communities.

And despite the unpredictability of global financial markets and the ever-changing technological and legislative environment in which super funds operate, we're embarking on our next half century with optimism and excitement.

(left to right)
John Smith
and David Todd

Another year of strong returns

Members have continued to benefit from our consistently strong investment performance, with all LGIAsuper's ready-made investment options providing positive returns for the fifth consecutive year.

Our default MySuper option grew by 10.08% after fees and taxes, a particularly pleasing result given our focus on preserving the capital of our members in the uncertain global environment.

Broad diversification is the key to our investment success, and is the cornerstone of our aim to preserve and grow the retirement savings of our members.

Although Australia has enjoyed an unprecedented spell of uninterrupted economic growth, the Board and leadership team of your fund are fully aware of the risks posed to the domestic economy by adverse global impacts.

Our investment philosophy is to adopt a rigorous approach to selecting investments, seeking opportunities which not only provide solid long-term growth potential, but the capability to shelter our members from market instability.

That focus on providing competitive returns while taking on less risk has been recognised by independent research firm SuperRatings[1], which recently reported that our Balanced and Diversified Growth investment options outperformed a typical return in 89% of falling markets over the last 7 years.

Whatever challenges the future brings, your Board and LGIAsuper's dedicated staff will be working hard to bring you consistent investment returns – in good times and in bad.

1 www.lgiasuper.com.au/forms-and-calculators/publications/news/lgiasuper-delivers-for-members-in-good-times-and-bad/

Industry recognition

The sustained low interest rate environment, coupled with the financial and social challenges of our ageing population has generated much media debate about superannuation's capacity to help older Australians achieve financial security in retirement.

As a members-first super fund, our primary focus is to help our members achieve just that.

It is widely recognised that one of the biggest determinants of long-term investment performance is the level of fees, so we are pleased to report that your fund has again been recognised as one of Australia's best value super funds, being awarded SuperRatings' prestigious 'Platinum' rating.

The award is only made after a comprehensive assessment of key areas including investments, fees, service, administration and governance.

It is a reflection of the hard work of the Board and LGIAsuper's staff that your fund has now been recognised with the 'Platinum' rating for 9 consecutive years[1].

We were also named as finalists in a number of other award categories including Best Public Sector fund and Best MySuper investment option, together with a 5-Star Heron Partnership rating for the 2016/17 financial year[2].

Governance structure

Unlike the majority of superannuation funds, the composition of your Board reflects industry best practice, comprising equal representation of employer-nominated, member-nominated and independent directors.

Employer and member representatives are appointed for 4-year terms, with vacancies for 3 member-nominated directors scheduled to be filled in 2018.

Your Board encourages broad participation in both the nomination and election process and welcomes the involvement of members from across the LGIAsuper community, including Accumulation account, Defined Benefit and Pension account members.

Specific information about the nomination and election process will be forwarded to members in September.

Your Board recognises the need to seek skills and expertise from external sources from time to time.

To fulfil that requirement, during the year we welcomed Andrew Cormie as a special advisor to broaden the skillset of the Investment Committee. Andrew is the current Investment Director of Eastspring Investments.

Mitchell Petrie, a former Partner of KPMG Brisbane has extensive international experience and joins us as special advisor to the Audit and Risk Management Committee.

Digital transformation

We continued to develop our technological resources to improve our services and enhance security over the year.

Changes to our systems, which will be implemented this current financial year, will provide easy-to-use digital systems to help make engaging with our members easier and more efficient.

Faster processing means less time spent on administration and more time serving our members, and more advanced data analytics means we'll understand our members better, and tailor our services to their needs.

Importantly, these continual enhancements improve the security of your personal information, and help us provide greater value so we can keep our costs low.

The year ahead

Our transformation to a public offer fund at the end of the financial year coincided with some of the most significant changes to superannuation legislation in a decade.

Ensuring our members were engaged with those reforms was a major focus of our advice and customer service teams last financial year.

We don't underestimate the importance of helping our members navigate the often complex world of superannuation and retirement planning.

With the 2017/18 financial year already well underway, that focus on delivering the best possible service aligned with consistently reliable investment returns will continue.

This annual report provides more detail about your fund's activities last year. Please take the time to read it, and we welcome your questions or feedback.

John Smith
Independent Director and Chair

David Todd
Chief Executive Officer

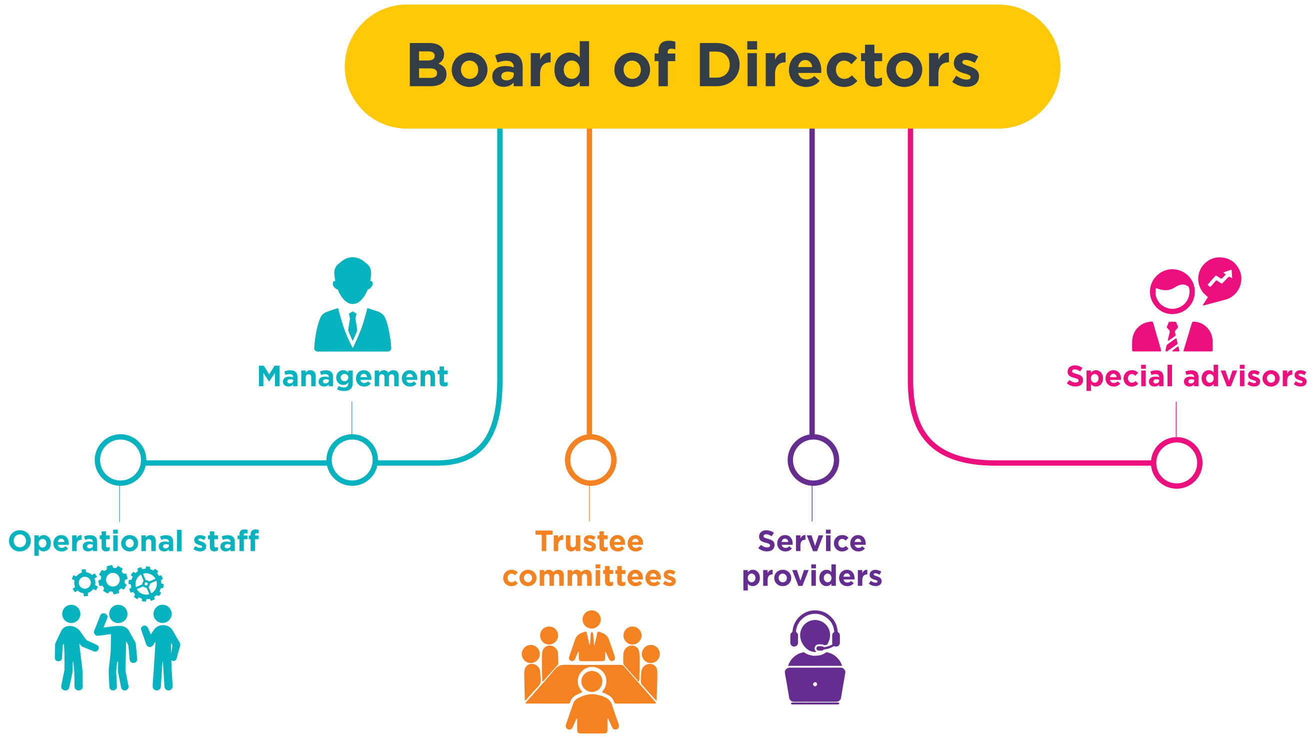
1 Read more at lgiasuper.com.au/forms-and-calculators/publications/news/lgiasuper-rated-one-of-australias-best-value-for-money-funds/.
2 Read more at lgiasuper.com.au/forms-and-calculators/publications/news/heron-five-star-rating/.

Governance statement

LGIAsuper Trustee (the Trustee) is established under section 208 of the ***Local Government Act 2009*** (LGA).

The Trustee is a body corporate with a board of directors.

The Trustee's primary responsibility under section 209 of the LGA is to act as the trustee of LGIAsuper.



Governance structure

The Trustee 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 Trustee performs its responsibilities
2. must ensure that the Trustee performs its responsibilities in a proper, effective and efficient way.

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

- LGIAsuper's Trust Deed
- the Trustee's Charter
- the Trustee'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 of Directors.

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

- employer and member representative directors are appointed for 4-year terms
- member representative directors are appointed following an election by 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 Trustee has obtained trustee liability insurance. This insurance protects LGIAsuper from losses that might result from wrongful acts of the Trustee, its directors or its staff.

Trustee remuneration policy

Goals

The Trustee's goal is to provide members with high quality, value-for-money superannuation services. To achieve that, the Trustee must attract and retain quality employees who are dedicated to providing exceptional service, advice and support to our members.

LGIAsuper is committed to building the internal capabilities of its people so they continue to learn ways to create value and make a difference for members. This is done through recruitment and investment in people and leaders in line with LGIAsuper's values.

To provide the best outcome for our members, LGIAsuper pays competitive remuneration, provides challenging work and opportunities for development and provides an environment reflecting our culture of Trusted, Reliable and Understanding. Incentive payments are used to recognise exceptional service delivery that provides quality outcomes for members.

The Trustee seeks feedback from members and employees to understand whether it:

- has the right mix of capabilities to responsibly manage members' retirement savings
- provides the right mix of products and services
- understands the capabilities needed from Directors and employees to deliver our promises.

Independent remuneration consultant

The Trustee utilises independent consultants to provide information and advice on market salary rates and remuneration practices, benchmarked against Australian super funds and financial services organisations.

Director and management remuneration

Director and management remuneration is reviewed against market rates to ensure it is competitive. Remuneration is reviewed annually and is based on a combination of market alignment, performance and delivery.

(Standing left to right) Noel Cass, Ron Curtis, Margaret de Wit, Matthew Bourke

(Seated left to right) John Smith, Fiona Connor, Peter Kazacos, John Wilson, Cameron O'Neil

Board of Directors

Independent Director and Chair

John Smith

Director

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

The Board of Directors' structure aligns with best practice in the superannuation industry by having one third member representatives, one third employer representatives and one third independent directors.

Independent directors

Peter Kazacos

Director

Member, Audit and Risk Management Committee

Peter Kazacos became an LGIAsuper director in December 2016. He has over 40 years' experience in the IT industry and was a Chair on several boards including the Australian Information Industry Association (AIIA), CSIRO ISC Sector Advisory Council and Axxis Technology Group. Peter is a former member of Australian Administration Services (AAS) Advisory Council and the founder and Managing Director of Kazacos Industries. He holds a Bachelor of Electrical Engineering and Bachelor of Science (Applied Maths, Computer Science).

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

Chair, Audit and Risk Management Committee,
Member, Remuneration HR and Nominations 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,
Member, Investment 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 on 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.

Board of directors (cont.)

On 30 November 2016 LGIAsuper farewelled Bronwyn Morris as LGIAsuper Chair.

Bronwyn was appointed as one of three independent directors on 1 December 2013 during a period of significant renewal for the Fund. She added a wealth of business and commercial experience to the Board with over 20 years as an independent non-executive director of entities across a broad range of industry sectors including financial services.

We thank Bronwyn for her dedication and service to LGIAsuper. We also thank Paul Pisasale for his service. Paul resigned as an employer representative director in September 2016.

Employer representatives

Cr Matthew Bourke
Director

Member, Investment Committee

Cr Matthew Bourke was appointed as an LGIAsuper director in July 2016 and has been a Councillor for the ward of Jamboree since 2008. Matthew 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 Trustee and the Lord Mayor's Inclusive Brisbane Trustee.

Margaret de Wit (OAM)
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 member of the Australian Institute of Company Directors.

Cr Cameron O'Neil
Director

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

Cr Cameron O'Neil was appointed as an LGIAsuper director in October 2016. He is a current Councillor of the Maranoa Regional Council a position held since first elected in 2012. Cameron has extensive experience on several Boards, as well as State and Federal Government Advisory Committees. He is a Policy Executive member of LGAQ and member of Commerce Roma. Cameron holds a Bachelor of Applied Science (Animal Studies).

Special advisors

Andrew Cormie
Special Advisor

Investment Committee

Andrew was appointed as an advisor to the Board in 2017. He is the Investment Director for Eastspring Investments (Singapore). Andrew was former Managing Director of JP Morgan Investment Management (London) and a former Director and founding Partner of Voyager Funds Management. He holds a Bachelor of Business Administration and is a Chartered Financial Analyst.

Mitchell Petrie
Special Advisor

Audit and Risk Management Committee

Mitchell was appointed as an advisor to the Board in 2017. He is an Independent Member of Brisbane City Council's Audit Committee and Risk Management Committee, as well as an Independent Member and Chair of the UNESCO Oversight Advisory Committee. Mitchell is also former Partner in Charge at KPMG Brisbane - Internal Audit, Risk and Control Services. He holds a Bachelor of Commerce and is a Member of the Institute of Chartered Accountants Australia.

Executive Team

(left to right) Weng Woo, Ian Harcla, David Todd, Tim Willmington and Peter Gamin.

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 Trustee's Australian Financial Services (AFS) licence and a Responsible Person under the Registrable Superannuation Entity (RSE) licence.

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 Trustee's AFS licence and a Responsible Person under the RSE licence.

Chief Operating Officer

Timothy Willmington

Timothy has overseen LGIAsuper's general operations since 2006 and has held various positions with the fund since 1989. Previously he was employed by QSuper (1986 to 1989). Timothy holds a Bachelor of Business (Management & HRM), Diploma of Financial Services (Superannuation), an Associate Diploma of Superannuation Management and is a Fellow of ASFA. He is a Responsible Manager under the Trustee'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 Trustee 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 Governance Institute of Australia and a Certified Senior Finance and Treasury Professional. Peter is a Responsible Person under the Trustee's RSE licence.

Chief Digital Officer

Weng Woo

Weng was appointed Chief Digital Officer in March 2017. Weng leads LGIAsuper's marketing and communications, IT, data analytics and digital technology divisions. He has a background in the telecommunications and IT sectors, specialising in business strategy, business and digital transformation, Game Theory and technology management. Weng's previous roles include Digital Program Director for Unisuper (2015 to 2017) and Director of Delivery at Pactera Technology International (2012 to 2015). He was also Digital Strategy Program Manager for Sensis (2010 to 2012), and held various senior roles including General Manager Business Strategy for Telstra (2002 to 2010) and Principal/ Program Manager at EDS Group (2000 to 2002). He has an MBA from the University of Otago. Weng is a Responsible Person under the Trustee's RSE licence.

Organisational structure

Chief Executive Officer

David Todd [1, 2, 3 (12)]

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.

Chief Risk Officer and Deputy Chief Executive Officer
Ian Harcla [1, 2, 3 (11)]

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

- Head of Compliance – Stuart Meekin [1 (10)]
- Head of Projects – Dean Borg [(2)]
- Head of Risk – Andrea Kanserski
- Head of Investments – Guy Rundle [(9)]

Chief Operating Officer
Timothy Willmington [1, 2, 3 (27)]

Responsible for LGIAsuper's administration, insurance and member services, as well as the advice functions.

- Head of Administration – David Sleeman [1 (9)]
- Head of Member and Employer Services – Rhonda Maden [1, 2 (6)]
- Head of Insurance and Claims – Robert Paré [(9)]
- Head of Advice – Garnett Hollier [1, 2 (4)]
- Head of Business Growth – Tim Curtin

Chief Financial Officer
Peter Gamin [3 (4)]

Manages the financial operations of LGIAsuper. Oversees the financial and tax regulatory requirements.

- Head of Human Resources – Eleanor Noonan [(2)]
- Head of Finance – Fleur Perbellini [(3)]
- Head of Tax – (Vacant)

Chief Digital Officer
Weng Woo

Responsible for managing LGIAsuper's marketing and communications, information technology and digital technology functions.

- Head of Technology – (Vacant)
- Head of Digital Technology Services – Karen Scully [4]
- Head of Data Analytics – John Burrell
- Head of Marketing and Communications Services – Niki Barton

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
4 From 31 July 2017
Figures in brackets indicate number of completed years of service at 30 June 2017. Includes City Super.

Investments

The Trustee's 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 Trustee.**

The Trustee holds the following beliefs:

- our primary objective is to provide a secure source of retirement income for LGIAsuper members. The Trustee 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 Trustee 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 (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 Trustee 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 Trustee 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.
- The Trustee believes that ethically motivated investment decisions should be made by members themselves as opposed to being subject to the views of the Board. The Fund offers dedicated socially responsible funds for members who wish to invest in this way and will not limit the investment universe of the other options by applying constraints based on the ethical views of the Board.

The Trustee recognises that consideration of environmental, social and governance (ESG) factors can potentially have a positive impact on investment returns and/or investment risk over the long term.

However, given the available resources and level of passive management employed by the Fund, it is considered that the potential benefit is unlikely to justify the additional cost and complexity of including ESG considerations as a major input into the setting or implementation of the investment strategy.

To the extent active investment strategies are employed, the asset consultant will consider ESG factors, where appropriate, in its fund manager skill ratings to the extent that ESG factors influence the risk and return objectives.

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 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 Trustee for each investment option 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 2017

Australian shares **15%**
International shares **38%**
Property **13%**
Infrastructure **8%**
Alternatives **12%**
Diversified fixed interest **9%**
Cash **5%**

Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	14.0	4.0-24.0
International shares	33.0	23.0-43.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	18.0	8.0-28.0
Diversified fixed interest	10.0	0.0-20.0
Cash	0.0	0.0-5.0

Growth assets ***75.0%***
Defensive assets ***25.0%***

Return target[1]
Return target of 3% per year above inflation after fees and taxes over the next ten financial years. Future returns cannot be guaranteed. This is a prediction.

Risk High

very low — very high

Negative returns expected 5.2 out of 20 years

Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.
2017	10.08%
2016	3.26%
2015	8.18%
2014	12.30%
2013	13.95%
5-yr avg (% p.a.)	9.49%
5 Year excess over CPI	7.46%

75 plus

Actual asset allocation at 30 June 2017

Australian shares **10%**
International shares **24%**
Property **13%**
Infrastructure **8%**
Alternatives **8%**
Diversified fixed interest **29%**
Cash **8%**

Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	9.0	0-19.0
International shares	21.0	11.0-31.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	12.5	2.5-22.5
Diversified fixed interest	32.5	22.5-42.5
Cash	0.0	0.0-5.0

Growth assets ***55.0%***
Defensive assets ***45.0%***

Return target[1]
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.

Risk High

very low — very high

Negative returns expected 4.3 out of 20 years

Returns
Past performance is not an indicator of future performance.

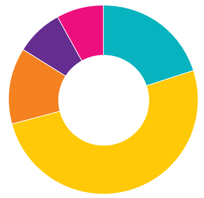
At 30 June	Accumulation acc % p.a.
2017	7.25%
2016	4.12%
2015	6.79%
2014	9.74%
2013	10.08%
5-yr avg (% p.a.)	7.57%
5 Year excess over CPI	5.54%

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.

Aggressive

Actual asset allocation at 30 June 2017

Australian shares **20%**
International shares **51%**
Property **13%**
Infrastructure **8%**
Alternatives **8%**
Diversified fixed interest **0%**
Cash **0%**



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	19.0	9.0-29.0
International shares	44.0	34.0-54.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	12.0	2.0-22.0
Diversified fixed interest	0.0	0.0-0.0
Cash	0.0	0.0-5.0

Growth assets ***88.0%***
Defensive assets ***12.0%***

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

Risk High

very low — very high

Negative returns expected 5.8 out of 20 years

Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	12.90%	14.18%
2016	2.37%	2.59%
2015	9.75%	10.92%
2014	15.05%	16.78%
2013	17.86%	19.35%
5-yr avg (% p.a.)	11.46%	12.61%
5 Year excess over CPI	9.43%	10.58%

Diversified Growth

Actual asset allocation at 30 June 2017

Australian shares **15%**
International shares **38%**
Property **13%**
Infrastructure **8%**
Alternatives **12%**
Diversified fixed interest **9%**
Cash **5%**

Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	14.0	4.0-24.0
International shares	33.0	23.0-43.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	18.0	8.0-28.0
Diversified fixed interest	10.0	0.0-20.0
Cash	0.0	0.0-5.0

Growth assets ***75.0%***
Defensive assets ***25.0%***

Return target[1]
Return target of 3% per year above inflation over rolling 5-year periods.

Risk High

very low — very high

Negative returns expected 5.2 out of 20 years

Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	10.08%	11.45%
2016	3.26%	3.64%
2015	8.18%	9.29%
2014	12.30%	13.89%
2013	13.95%	15.21%
5-yr avg (% p.a.)	9.49%	10.62%
5 Year excess over CPI	7.46%	8.59%

Balanced

Actual asset allocation at 30 June 2017

Australian shares **10%**
International shares **24%**
Property **13%**
Infrastructure **8%**
Alternatives **8%**
Diversified fixed interest **29%**
Cash **8%**

Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	9.0	0-19.0
International shares	21.0	11.0-31.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	12.5	2.5-22.5
Diversified fixed interest	32.5	22.5-44.5
Cash	0.0	0.0-5.0

Growth assets ***55.0%***
Defensive assets ***45.0%***

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

Risk High

very low — very high

Negative returns expected 4.3 out of 20 years

Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	7.25%	7.98%
2016	4.12%	4.68%
2015	6.79%	7.81%
2014	9.74%	11.14%
2013	10.08%	11.12%
5-yr avg (% p.a.)	7.57%	8.52%
5 Year excess over CPI	5.54%	6.49%

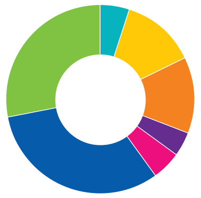
1 Investment markets are uncertain. LGIAsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time.

Accumulation Benefits Fund (cont.)

Stable

Actual asset allocation at 30 June 2017

Australian shares 5%
International shares 13%
Property 13%
Infrastructure 4%
Alternatives 5%
Diversified fixed interest 32%
Cash 28%



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	5.0	0-15.0
International shares	11.0	1.0-21.0
Property	15.0	5.0-25.0
Infrastructure	5.0	0.0-15.0
Alternatives	8.0	0.0-18.0
Diversified fixed interest	36.0	26.0-46.0
Cash	20.0	10.0-30.0

Growth assets ***35.0%***
Defensive assets ***65.0%***

Return target[1]
Return target of 1.5% per year above inflation over rolling 5-year periods.

Risk Medium to high

Negative returns expected 3.0 out of 20 years

Returns

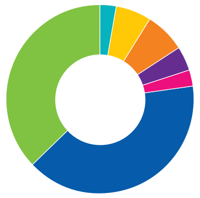
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	4.90%	5.41%
2016	4.16%	4.78%
2015	5.31%	6.19%
2014	7.17%	8.31%
2013	7.16%	8.05%
5-yr avg (% p.a.)	5.73%	6.54%
5 Year excess over CPI	3.70%	4.51%

Defensive

Actual asset allocation at 30 June 2017

Australian shares 3%
International shares 6%
Property 7%
Infrastructure 4%
Alternatives 3%
Diversified fixed interest 40%
Cash 37%



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	2.5	0.0-12.5
International shares	5.5	0.0-15.5
Property	7.5	0.0-17.5
Infrastructure	5.0	0.0-15.0
Alternatives	4.5	0.0-14.5
Diversified fixed interest	45.0	35.0-55.0
Cash	30.0	20.0-40.0

Growth assets ***20.0%***
Defensive assets ***80.0%***

Return target[1]
Return target of 1.0% per year above inflation over rolling 5-year periods.

Risk Low to medium

Negative returns expected 1.9 out of 20 years

Returns

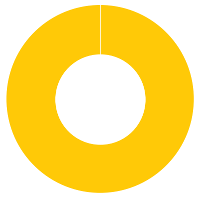
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	2.95%	3.30%
2016	3.79%	4.42%
2015	4.14%	4.89%
2014	5.56%	6.53%
2013	4.86%	5.61%
5-yr avg (% p.a.)	4.25%	4.94%
5 Year excess over CPI	2.22%	2.91%

International Shares

Actual asset allocation at 30 June 2017

Australian shares 0%
International shares 100%
Property 0%
Infrastructure 0%
Alternatives 0%
Diversified fixed interest 0%
Cash 0%



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	0.0	n/a
International shares	100.0	n/a
Property	0.0	n/a
Infrastructure	0.0	n/a
Alternatives	0.0	n/a
Diversified fixed interest	0.0	n/a
Cash	0.0	n/a

Growth assets ***100.0%***
Defensive assets ***0.0%***

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

Risk Very high

Negative returns expected 6.7 out of 20 years

Returns

Past performance is not an indicator of future performance.

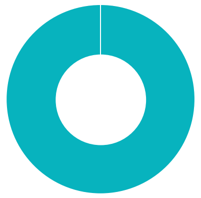
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	18.10%	20.05%
2016	-1.14%	-1.21%
2015	17.01%	19.57%
2014	17.63%	20.10%
2013	26.57%	29.91%
5-yr avg (% p.a.)	15.26%	17.21%
5 Year excess over CPI	13.23%	15.18%

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.

Australian Shares

Actual asset allocation at 30 June 2017

Australian shares 100%
International shares 0%
Property 0%
Infrastructure 0%
Alternatives 0%
Diversified fixed interest 0%
Cash 0%



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	100.0	n/a
International shares	0.0	n/a
Property	0.0	n/a
Infrastructure	0.0	n/a
Alternatives	0.0	n/a
Diversified fixed interest	0.0	n/a
Cash	0.0	n/a

Growth assets ***100.0%***
Defensive assets ***0.0%***

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

Risk Very high

Negative returns expected 7.8 out of 20 years

Returns

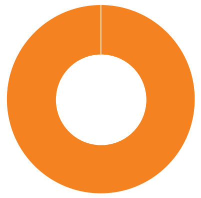
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	9.65%	10.31%
2016	1.05%	1.02%
2015	3.42%	3.59%
2014	15.44%	16.28%
2013	15.82%	16.69%
5-yr avg (% p.a.)	8.91%	9.39%
5 Year excess over CPI	6.88%	7.36%

Property

Actual asset allocation at 30 June 2017

Australian shares 0%
International shares 0%
Property 100%
Infrastructure 0%
Alternatives 0%
Diversified fixed interest 0%
Cash 0%



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	0.0	n/a
International shares	0.0	n/a
Property	100.0	n/a
Infrastructure	0.0	n/a
Alternatives	0.0	n/a
Diversified fixed interest	0.0	n/a
Cash	0.0	n/a

Growth assets ***100.0%***
Defensive assets ***0.0%***

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

Risk High

Negative returns expected 4.8 out of 20 years

Returns

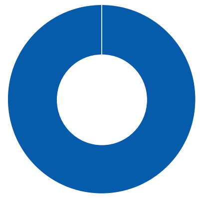
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	7.51%	7.82%
2016	12.59%	13.99%
2015	9.26%	11.05%
2014	8.53%	10.12%
2013	10.47%	11.69%
5-yr avg (% p.a.)	9.66%	10.91%
5 Year excess over CPI	7.63%	8.88%

Diversified Fixed Interest

Actual asset allocation at 30 June 2017

Australian shares 0%
International shares 0%
Property 0%
Infrastructure 0%
Alternatives 0%
Diversified fixed interest 100%
Cash 0%



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	0.0	n/a
International shares	0.0	n/a
Property	0.0	n/a
Infrastructure	0.0	n/a
Alternatives	0.0	n/a
Diversified fixed interest	100.0	n/a
Cash	0.0	n/a

Growth assets ***0.0%***
Defensive assets ***100.0%***

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

Risk Medium to high

Negative returns expected 3.6 out of 20 years

Returns

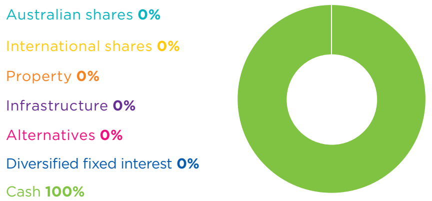
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	0.82%	0.98%
2016	4.36%	5.20%
2015	3.58%	4.31%
2014	5.17%	6.08%
2013	2.35%	2.83%
5-yr avg (% p.a.)	3.25%	3.86%
5 Year excess over CPI	1.22%	1.83%

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.

Cash

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	0.0	n/a
International shares	0.0	n/a
Property	0.0	n/a
Infrastructure	0.0	n/a
Alternatives	0.0	n/a
Diversified fixed interest	0.0	n/a
Cash	100.0	n/a

Growth assets ***0.0%***
Defensive assets ***100.0%***

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

Risk Very low

very low — very high

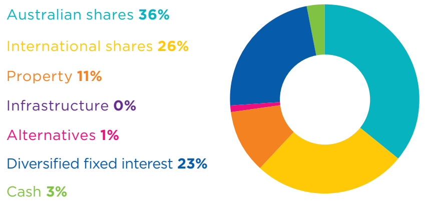
Negative returns expected 0.0 out of 20 years

Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	1.72%	2.06%
2016	1.78%	2.08%
2015	2.07%	2.49%
2014	2.47%	2.95%
2013	3.18%	3.78%
5-yr avg (% p.a.)	2.24%	2.67%
5 Year excess over CPI	0.21%	0.64%

SR Balanced

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	30.0	20.0-40.0
International shares	27.0	15.0-35.0
Property	9.0	0.0-20.0
Infrastructure	3.0	0.0-7.0
Alternatives	1.0	0.0-6.0
Diversified fixed interest	25.0	0.0-45.0
Cash	5.0	0.0-20.0

Growth assets ***70.0%***
Defensive assets ***30.0%***

Return target[1]
Return target of 3.0% per year above inflation over rolling 5-year periods.

Risk High

very low — very high

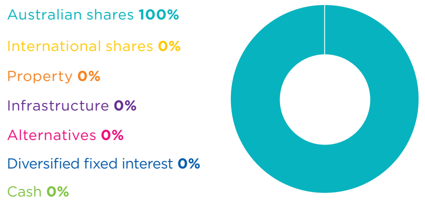
Negative returns expected 4.8 out of 20 years

Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	7.23%	8.40%
2016	0.77%	0.79%
2015	8.87%	9.79%
2014	11.78%	12.97%
2013	16.73%	18.50%
5-yr avg (% p.a.)	8.95%	9.93%
5 Year excess over CPI	6.92%	7.90%

SR Australian Shares

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	100.0	n/a
International shares	0.0	n/a
Property	0.0	n/a
Infrastructure	0.0	n/a
Alternatives	0.0	n/a
Diversified fixed interest	0.0	n/a
Cash	0.0	n/a

Growth assets ***100.0%***
Defensive assets ***0.0%***

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

Risk Very high

very low — very high

Negative returns expected 7.8 out of 20 years

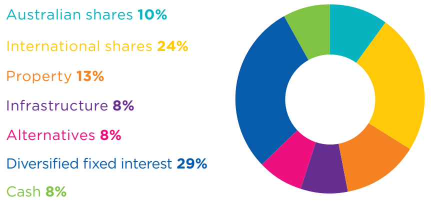
Returns
Past performance is not an indicator of future performance.

At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	10.23%	10.50%
2016	1.82%	1.88%
2015	7.83%	8.24%
2014	15.85%	16.69%
2013	28.86%	30.39%
5-yr avg (% p.a.)	12.56%	13.14%
5 Year excess over CPI	10.53%	11.11%

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.

Defined Benefits Fund

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	9.0	0-19.0
International shares	21.0	11.0-31.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	12.5	2.5-22.5
Diversified fixed interest	32.5	22.5-44.5
Cash	0.0	0.0-5.0

Growth assets ***55.0%***
Defensive assets ***45.0%***

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

Risk High

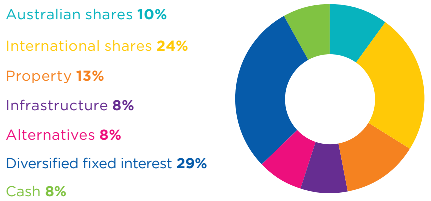
very low — very high

Returns[2]

At 30 June	Investment return %	Accumulation comparison rate %
2017	6.91%	6.38%
2016	4.12%	5.60%
2015	6.79%	7.82%
2014	9.86%	9.36%
2013	10.08%	8.60%
3-yr avg (% p.a.)	5.93%	6.6%
3 Year excess over AWOTE[3]	3.77%	4.43%

Defined Benefit Account (former City Super)

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

	SAA %	Ranges %
Australian shares	9.0	0-19.0
International shares	21.0	11.0-31.0
Property	15.0	5.0-25.0
Infrastructure	10.0	0.0-20.0
Alternatives	12.5	2.5-22.5
Diversified fixed interest	32.5	22.5-44.5
Cash	0.0	0.0-5.0

Growth assets ***55.0%***
Defensive assets ***45.0%***

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

Risk High

very low — very high

Returns[2]

At 30 June	Investment return %	Crediting rate %
2017	7.13%	6.15%
2016	4.33%	7.11%
2015	7.01%	9.29%
2014	10.07%	7.57%
2013	10.84%	7.00%
3-yr avg (% p.a.)	6.15%	7.51%
3 Year excess over AWOTE[3]	3.98%	5.34%

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 Past performance is not an indicator of future performance.
3 Proxy for salary growth.

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.

2017 %	2016 %	2015 %
Regional Defined Benefits Fund		
116-119	113-114	110-112
Former City Super Defined Benefits Fund		
125-128	118-120	119-121

Market update

The 2016/17 financial year provided solid returns for diversified investors despite concerns around the Brexit vote, a wave of populism influencing overseas elections and the resumption of interest rate hikes in the United States.

Lower returns from cash and bonds were more than offset by a recovery in equity markets, both domestic and international. Property and infrastructure continued to perform well.

Strong diversification continued to be a key to LGIAsuper's success, with our Diversified Growth and Balanced options returning 11.4% and 8.1% respectively before fees and taxes.

International shares

Global equities performed strongly in 2016/17 with the MSCI All Country Unhedged Index returning 15.3%. The performance of global markets was arguably far better than expected in light of the ongoing Brexit negotiations and uncertainty from the Trump victory.

In the US, the S&P 500 Index returned 15.5%, repeatedly reaching all-time highs along the way. Elsewhere, the UK's FTSE 100 gained 12.4% and European markets rose 20.1% after falling by 16.3% the previous year.

Asian equities also saw significant gains after broad losses the previous year. The Japanese market gained 28.6% after a 23.5% fall in 2015/16, Hong Kong equities rose 23.9% and China's Shanghai Composite Index returned 9.0% for the financial year. LGIAsuper's International Shares sector returned 19.5% before fees and taxes.

Alternatives

In this sector we invest across two broad themes – low correlation strategies and credit. The diversification attributes of the sector continued to play a pivotal role in the broader fund, returning 7.4% before fees and taxes.

Returns for alternative assets are typically less volatile than the equity sectors with low correlation, helping to reduce risk and smooth returns for LGIAsuper's ready-made investment options.

Australian shares

The Australian share market experienced its least volatile year in 16 years. The ASX200 Accumulation Index returned 14.1%, with the financials and materials sectors contributing 10% of the overall return. The biggest drag on returns was the telecommunications sector, which reduced the overall return by 1.2%.

LGIAsuper's Australian shares sector finished the financial year with gains of 10.6% before fees and taxes.

Property

LGIAsuper's highly-diversified property portfolio includes high-quality office buildings, retail shopping centres and industrial properties in Australia and overseas. Our property sector gained 8.8% before fees and taxes for the year.

Supported by low gearing and low vacancy rates, our Australian property investments provided consistent rental income and strong capital growth. The best performers included the GPT Wholesale Office Fund which returned 13.6%, and the Dexus Wholesale Property Fund which gained 13.8%.

Global listed real estate shares provided more modest returns of 3.9%.

Infrastructure

LGIAsuper continues to hold infrastructure assets not just in Australia, but across Asia, the US and Europe.

Our investments include renewables, social infrastructure as well as utilities and we will continue to build the portfolio in coming years as we identify suitable investment opportunities.

Our infrastructure assets returned a solid 8.0% before fees and taxes in 2016/17.

Cash

Unsurprisingly, cash returns were low given the official cash rate has been set at a record low of 1.5% since August 2016. The US official cash rate was raised three times during the financial year, from 0.5% to its current rate of 1.25%, reflecting optimism in the recovering US economy.

Diversified fixed interest

Fixed interest returns were also low – Australian Government bonds returned 0.25% with global bonds faring only slightly better at 0.47%.

10-year Government bonds reached record lows in 2016/17, with Australian yields falling to 1.83% in August 2016 and US yields dropping to 1.36% in July 2016.

At 30 June 2017, 10-year Government bond yields for Australia and the US were 2.63% and 2.34% respectively.

Looking forward

Global economic growth expectations have been scaled back as hopes for stimulative US policies in the wake of Trump's presidential victory have not been fulfilled, and monetary policy has been tightened in China and the US. Positive sentiment has emerged in Europe, coinciding with Macron's resounding French election victory and receding European political risks.

Domestically, economic growth of 1.7% for the 12 months to March 2017 was the weakest annual expansion since 2009. The persistent headwinds of high debt, low wages growth and shrinking credit set the scene for low GDP growth to continue.

The high Australian dollar will also constrain growth and keep inflation below target for longer. Despite the recent strength of the Australian dollar, the official cash rate is likely to stay at 1.5% well into the 2017/18 financial year.

While the outlook for 2017/18 appears subdued, the positive investment outcomes in the 2016/17 financial year are reminders that investment markets can ignore macroeconomic and geopolitical noise and surprise on the upside.

2016/17 LGIAsuper portfolio returns by asset class

Returns shown are before fees and tax.

19.5% International shares

10.6% Australian shares

8.8% Property

7.4% Alternatives

8.0% Infrastructure

2.1% Cash

5.7% Fixed interest

Where your money is invested

Top 10 Australians shares at 30 June 2017	Top 10 International shares at 30 June 2017
Commonwealth Bank of Australia	Apple Inc
Westpac Banking Corporation	Alphabet Inc
Australia & New Zealand Banking Group	Microsoft Corporation
BHP Billiton	Tencent Holdings
CSL Limited	Johnson & Johnson
Woolworths Limited	Nestle
National Australia Bank	AIA Group
QBE Insurance Group	Oracle Corporation
Macquarie Group	Pfizer Inc
Brambles Limited	Visa Inc

Fees and other costs

Actual fees charged for 2016/17*

	Investment options							Investment options							
	LGIAsuper MySuper Lifecycle		Ready-made options					Single asset class options					Socially responsible		
Type of fee	**Under 75**	**Over 75**	**Aggressive**	**Diversified Growth**	**Balanced**	**Stable**	**Defensive**	**International Shares**	**Australian Shares**	**Property**	**Diversified Fixed Interest**	**Cash**	**SR Balanced**	**SR Australian Shares**	**How and when paid**
Investment fee	0.46% p.a.	0.42% p.a.	0.47% p.a.	0.46% p.a.	0.42% p.a.	0.33% p.a.	0.25% p.a.	0.37% p.a.	0.39% p.a.	0.67% p.a.	0.26% p.a.	0.03% p.a.	0.90% p.a.	0.80% 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 2016/17.

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 2016/17.

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 2016/17 financial year only. For current advice fees see the Financial Services Guide.

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 Trustee is responsible for investing members' money to achieve sound returns above inflation over the long term. To do this, the Trustee 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 Trustee regularly reviews investment manager performance and contribution to overall objectives. In addition, the Trustee 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 Trustee also has an Investment Governance Framework that details its investment policies and procedures.

Total fund investment returns

At 30 June 2017	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	10.03	7.60	9.86	9.16	5.56
Composite benchmark	9.78	6.73	9.14	8.41	6.03
Excess over benchmark	0.26	0.87	0.71	0.75	-0.47

Administration and investment management expenses

Year ending 30 June 2017	Administration expenses as % of FUM[1]	Investment management expenses as % of FUM	Average FUM $M
2017	0.21	0.28	10,209.3
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

Investment managers	Australian shares	International shares	Property	Alternatives	Infrastructure	Socially Responsible	Fixed interest	Cash	$M
Acorn	1								123.2
Altis			3						119.2
AMP Capital			2			2			444.7
ANZ								1	192.1
Artemis		1							154.8
Barwon			1						19.1
Black Creek		1							351.1
BlueSky				1					23.5
Bridgewater				1					245.6
Clearbell			1						22.9
Columbus Circle		1							160.2
Currency Overlay (QIC)		1	1	1	1				38.6
Dexus			1						121.7
Eley Griffiths	1								127.3
EQT					2				23.6
Equis Funds Group					1				236.2
Goldman Sachs							1		189.7
Greenoak				1					17.9
GPT			1						132.7
GTP Bottom Billion		1							176.3
ICG				1					41.8
I Squared Capital					1				143.6
JCP Investment Partners	1								317.2
K2 Advisors				2					481.5
LGIAsuper (internal)								1	707.0
Lend Lease			1						109.5
Morgan Stanley		1			1				198.9
Northcape	1								314.3
Orion European Funds			1						27.9
Palisade Investment Partners					1				337.8
Parametric	1	1							978.6
Perpetual Ltd						1			53.0
QIC			1				4		1,213.1
Resolution Capital			1						307.2
Rockspring			1						0.6
Sanders Capital		1							357.1
State Street Global Advisers		1							1,176.5
Sustainable Growth Advisers		1							340.8
Stone Harbour				1					144.5
Wavestone Capital		1							309.1
Wellington							1		166.7
Westbourne Capital				1					132.8
Total									**10,780.0**

Investment managers by asset class

Investment Manager	$M (As at 30 June 2017)	%
Australian shares	**1,512**	**14.0%**
Acorn	123	1.1%
Eley Griffiths	127	1.2%
JCP Investment Partners	317	2.9%
Northcape Capital	314	2.9%
Wavestone Capital	309	2.9%
Parametric Portfolio Associates	320	3.0%
International shares	**3,568**	**33.1%**
Columbus Circle	160	1.5%
GTP Bottom Billion	176	1.6%
Artemis UK Small Caps	155	1.4%
Morgan Stanley	178	1.7%
Black Creek	351	3.3%
Parametric Portfolio Associates	658	6.1%
Sanders Capital	357	3.3%
State Street Global Advisers	1,176	10.9%
Sustainable Growth Advisers	341	3.2%
Currency Overlay	15	0.1%
Property	**1,378**	**12.8%**
Altis AREEP 2	11	0.1%
Altis AREEP 3	78	0.7%
Altis QLGS Trust	30	0.3%
AMP Shopping Centre Fund	148	1.4%
AMP Wholesale Office Fund	212	2.0%
Barwon Institutional Healthcare Fund	19	0.2%
Clearbell II UT LP	23	0.2%
Dexus Wholesale Property Fund	122	1.1%
GPT Wholesale Office Fund	133	1.2%
Lend Lease APPF Retail	109	1.0%
Orion European Real Estate Fund	28	0.3%
QIC Property Fund	155	1.4%
Rockspring European Partners	1	0.0%
Resolution Global REIT	307	2.8%
Currency Overlay	2	0.0%
Alternatives	**1,098**	**10.2%**
Westbourne Yield Fund No.4	133	1.2%
Bridgewater Pure Alpha Fund Series 2	246	2.3%
Bluesky Real Assets Fund	24	0.2%
Stone Harbour Aggregate	145	1.3%
ICG Australia Senior Loan Fund	42	0.4%
Kosciusko LG Multi Strategy Fund	482	4.5%
Greenoak Europe Secured Lending	18	0.2%
Currency Overlay	10	0.1%

Investment Manager	$M (As at 30 June 2017)	%
Infrastructure	**773**	**7.2%**
Asian Infrastructure Trust	236	2.2%
EQT Infrastructure Fund I	3	0.0%
EQT Infrastructure Fund II	21	0.2%
I Squared Capital	144	1.3%
Morgan Stanley Infrastructure Fund No. 3	21	0.2%
Palisade Investment Partners	338	3.1%
Currency Overlay	11	0.1%
SRI	**34**	**0.3%**
AMP RIL Balanced Fund	34	0.3%
SRI Australian shares	**105**	**1.0%**
AMP Sustainable Share Fund	52	0.5%
Perpetual Ethical SRI Fund	53	0.5%
Diversified fixed interest	**1,415**	**13.1%**
QIC FI	302	2.8%
QIC Australian Government	312	2.9%
QIC Inflation Plus	223	2.1%
QIC Passive Australia ILB	221	2.0%
Wellington Global Total Return Fund	167	1.5%
Goldman Sachs Global Fixed Interest	190	1.8%
Cash	**899**	**8.3%**
ANZ	192	1.8%
LGIAsuper Internal	707	6.6%
Total	**10,780**	**100%**

Guy Rundle
Head of Investment

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 in 2016/17. 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.

Special 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
- Technology One

Investment management

- Acorn
- Altis
- AMP Capital
- ANZ
- Artemis
- Barwon
- Black Creek
- BlueSky
- Bridgewater
- Clearbell
- Columbus Circle
- Dexus
- Eley Griffiths
- EQT
- Equis Funds Group
- Goldman Sachs
- Greenoak
- GTP Bottom Billion
- GPT
- ICG
- I Squared Capital
- JCP Investment Partners
- K2 Advisors
- Lend Lease
- Morgan Stanley
- Northcape Capital
- Orion European Funds
- Palisade Investment Partners
- Parametric Portfolio Associates
- Perpetual Ltd
- QIC
- Resolution Capital
- Rockspring
- Sanders Capital
- State Street Global Advisers
- Sustainable Growth Advisers
- Stone Harbour
- Wavestone Capital
- Wellington
- Westbourne Capital

Legal advisors

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

Tax advisors

- PwC

Trustee insurances broker

- AON Risk Services

Anita Garred
Reception

Financial statements

(left to right) Eleanor Noonan and Fleur Perbellini

Financial Statements

For the year ended 30 June 2017

LGIAsuper (formerly Local Government Superannuation Scheme)

Contents

Consolidated statement of financial position as at 30 June 2017

	Notes	2017 $'000	2016 $'000
Assets			
Cash at bank	18	6,665	8,766
Cash & cash equivalents	8	1,004,331	986,688
Contributions receivable		8,883	8,844
Receivables/unsettled trades	9	119,740	69,609
Fixed interest securities	8	1,411,258	1,649,601
Listed equity investments and trusts	8	5,195,673	4,378,539
Unlisted equity investments and trusts	8	3,191,437	2,799,104
Derivative assets	8	73,438	40,167
Prepaid expenses		906	940
Property, plant & equipment	10	3,068	2,280
Intangible assets	11	11,065	2,048
Capitalised establishment costs		80	-
Total assets		**11,026,544**	**9,946,586**
Liabilities			
Benefits payable	12	1,651	692
Derivative liabilities	8	4,543	64,841
Payables/unsettled trades	13	203,948	99,399
Accrued employee entitlements		2,425	2,077
Income tax payable		14,091	13,029
Deferred tax liability (net)	17	164,313	100,865
Total liabilities excluding member benefits		**390,971**	**280,903**
Net assets available to pay benefits		**10,635,573**	**9,665,683**
Defined contribution (DC) member liabilities		9,427,543	8,418,342
Defined benefit (DB) member liabilities		938,847	1,018,415
Total member liabilities		**10,366,390**	**9,436,757**
Total net assets		**269,183**	**228,926**
Reserves			
Operational Risk and General reserves		84,427	77,493
Defined benefits that are over /(under) funded	14(d)	184,756	151,433
Unallocated surplus /(deficit)		-	-
Total reserves		**269,183**	**228,926**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated income statement for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Superannuation activities			
Interest revenue		58,348	71,338
Dividends & trust distributions		291,665	356,111
Net change in fair value of financial instruments	4	647,731	(38,332)
Other investment revenue	5	3,531	4,161
Sundry revenue		953	721
Total net income		**1,002,228**	**393,999**
Investment expenses	6	35,723	28,510
Administration expenses	7	23,320	18,742
Depreciation and gain/loss on disposal of fixed assets		1,378	1,147
Amortisation of capitalised merger costs		-	413
Total expenses		**60,421**	**48,812**
Results from superannuation activities before income tax expense		**941,807**	**345,187**
Income tax expense	17	(74,925)	(5,876)
Results from superannuation activities after income tax expense		866,882	339,311
Net benefits allocated to defined contribution members		(775,640)	(270,083)
Net change in defined benefit member benefits		(51,150)	(48,716)
Operating result after income tax		**40,092**	**20,512**

The above income statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in member benefits for the year ended 30 June 2017

	DC member benefits $'000	City DB & DC member benefits $'000	Regional DB member benefits $'000	Total DB member benefits $'000	Total $'000
Balance at 1 July 2015	**7,905,649**	**71,537**	**991,932**	**1,063,469**	**8,969,118**
Employer contributions	468,431	2,689	30,483	33,172	501,603
Member contributions	124,859	332	5,676	6,008	130,867
Transfers from other funds	156,920	-	-	-	156,920
Income tax on contributions	(64,243)	(404)	(4,572)	(4,976)	(69,219)
Net after tax contributions	**685,967**	**2,617**	**31,587**	**34,204**	**720,171**
Benefits paid	(426,645)	(6,124)	(119,642)	(125,766)	(552,411)
Insurance premiums charged to members	(39,779)	(255)	(1,868)	(2,123)	(41,902)
Death and disability insurance entitlements received	23,298	240	480	720	24,018
Other fees	(231)	(3)	-	(3)	(234)
General reserves transferred to (from) members:	-	(802)	-	(802)	(802)
Net benefits allocated to members, comprising:					
Investment income	288,316	-	-	-	288,316
Administration fees	(18,233)	-	-	-	(18,233)
Net change in defined benefit member benefits	-	3,391	45,325	48,716	48,716
Balance at 30 June 2016	**8,418,342**	**70,601**	**947,814**	**1,018,415**	**9,436,757**
Balance at 1 July 2016	**8,418,342**	**70,601**	**947,814**	**1,018,415**	**9,436,757**
Employer contributions	490,374	2,623	27,201	29,824	520,198
Member contributions	173,039	322	4,724	5,046	178,085
Transfers from other funds	165,112	-	-	-	165,112
Income tax on contributions	(67,493)	(373)	(4,080)	(4,453)	(71,946)
Net after tax contributions	**761,032**	**2,572**	**27,845**	**30,417**	**791,449**
Benefits paid	(520,093)	(5,174)	(154,679)	(159,853)	(679,946)
Insurance premiums charged to members	(38,940)	(248)	(1,338)	(1,586)	(40,526)
Death and disability insurance entitlements received	31,917	-	475	475	32,392
Other fees	(355)	(6)	-	(6)	(361)
General reserves transferred to (from) members:	-	(165)	-	(165)	(165)
Net benefits allocated to members, comprising:					
Investment income	798,510	-	-	-	798,510
Administration fees	(22,870)	-	-	-	(22,870)
Net change in defined benefit member benefits	-	2,641	48,509	51,150	51,150
Balance at 30 June 2017	**9,427,543**	**70,221**	**868,626**	**938,847**	**10,366,390**

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.

Consolidated statement of changes in reserves for the year ended 30 June 2017

2016	DC Operational Risk reserve $'000	DC General reserve $'000	DB Operational risk reserve $'000	DB over/ (under) funded $'000	Unallocated surplus/ (deficit) $'000	Total Reserves $'000
Opening balance	**22,223**	**31,318**	**3,635**	**150,436**	**-**	**207,612**
Net transfer to reserves from DB members	-	802	-	-	-	802
Net transfer to / (from) reserves	2,229	15,123	-	-	(17,352)	-
Operating result	847	1,164	152	997	17,352	20,512
Closing balance	**25,299**	**48,407**	**3,787**	**151,433**	**-**	**228,926**

2017	DC Operational Risk reserve $'000	DC General reserve $'000	DB Operational risk reserve $'000	DB over/ (under) funded $'000	Unallocated surplus/ (deficit) $'000	Total Reserves $'000
Opening balance	**25,299**	**48,407**	**3,787**	**151,433**	**-**	**228,926**
Net transfer to reserves from DB members	-	165	-	-	-	165
Operating result	2,215	4,319	235	33,323	-	40,092
Closing balance	**27,514**	**52,891**	**4,022**	**184,756**	**-**	**269,183**

The above statement of changes in reserves should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Sale of financial instruments		5,230,099	10,320,921
Purchase of financial instruments		(5,619,678)	(10,837,964)
Purchase of other assets		(11,292)	(3,804)
Sale of other assets		29	11
Interest received		58,506	71,251
Other income		4,424	4,952
Dividends and trust distributions received		291,788	372,359
Other general administrative expenses		(58,943)	(45,428)
Income tax paid on investment earnings		(46,165)	(59,893)
Insurance proceeds received		32,392	24,018
Insurance premiums paid		(40,526)	(41,902)
Net cash from operating activities	18	**(159,366)**	**(195,479)**
Cash flows from financing activities			
Employer contributions		518,733	501,936
Member contributions		177,724	132,702
Net transfers from other superannuation funds		165,112	156,920
Benefits paid		(668,107)	(553,051)
Income tax paid on contributions		(36,197)	(46,297)
Net cash flows from financing activities		**157,265**	**192,210**
Net decrease in cash held		**(2,101)**	**(3,269)**
Cash at the beginning of the financial year		8,766	12,035
Cash at the end of the financial year	18	**6,665**	**8,766**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements for the year ended 30 June 2017

Note 1
General information

LGIAsuper (the 'Fund') is a superannuation fund domiciled in Australia. 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 a defined contribution fund, two defined benefit funds and a pension division.

The Trustee of the Fund is LGIAsuper Trustee (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 29 September 2017.

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).

Effective from 30 June 2017, the status of the Fund has changed to a public offer fund and the Fund's name changed to LGIAsuper. The name of the trustee has also changed to LGIAsuper Trustee effective 30 June 2017.

Note 2
Statement of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) Act 1993 and Regulations ('SIS')* and the provisions of the Trust Deed of the Fund.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

(b) Statement of compliance

This financial report is prepared based on applicable Australian Accounting Standards. Since AASB 1056 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 AASB 1056.

(c) Principles of consolidation

Subsidiaries are entities over which the Fund has control. The Fund controls an entity when the Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Fund companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Note 2

Statement of significant accounting policies (continued)

(d) Adoption of AASB 1056

The Fund's reported financial position and results of operations were affected by the adoption of AASB1056 *Superannuation Entities* on 1 July 2016. This resulted in the following changes:

- The presentation format of the financial statements changed from two primary financial statements to five as follows:
  - o Statement of financial position
  - o Income statement
  - o Statement of changes in member benefits
  - o Statement of changes in reserves
  - o Statement of cash flows
- The measurement of financial assets and liabilities changed from 'net market value' to 'fair value'. This change in measurement did not materially impact the carrying value of financial assets and liabilities reported by the Fund
- Member benefits are recognised as liabilities rather than equity, and
- Contributions, rollovers and other inward transfers and benefits paid to members are not income or expenses but are instead presented in the statement of changes in member benefits.

As part of the transition to AASB 1056, the Trustee also had to determine whether the Fund is exposed to material insurance risk in relation to members' insurance benefits. No material risk was identified; therefore, insurance premiums are no longer recognised as an expense.

As required by AASB 1056 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Fund applied the new accounting standard retrospectively from the start of the comparative period beginning 1 July 2015.

As a result, the Fund has restated amounts previously reported under AAS 25 *Financial Reporting by Superannuation Plans* for the year ended 30 June 2016. The amounts reported under AAS 25 for the year ended 30 June 2016 are reconciled to the amounts reported under AASB 1056 as set out below:

(i) Statement of financial position

The adoption of AASB 1056 requires member liabilities to be recognised and measured as the amount of accrued benefits on the face of the statement of financial position.

	$'000
Net assets available for member benefits under AAS 25 as at 30 June 2016	9,663,490
Change in measurement from net market value to fair value	2,193
Defined contribution member liabilities	(8,418,342)
Defined benefit member liabilities	(1,018,415)
Total net assets under AASB 1056 as at 1 July 2016	**228,926**

(ii) Income statement

The adoption of AASB 1056 requires contributions, rollovers and other inward transfers and benefits paid to members to be recognised separately in the statement of changes in member benefits. This includes ($75,504k) of income tax relating to contributions which are now presented separately in the statement of changes in member benefits. The net changes in members' benefits are recognised in the income statement. Insurance premiums paid by the Fund are no longer recognised in the income statement.

	$'000
Change in net assets available to pay benefits under AAS 25 as at 30 June 2016	486,761
Change in measurement from net market value to fair value	2,193
Net benefits allocated to defined contribution members	(270,083)
Net change in defined benefit member benefits	(48,716)
Member contributions	(130,867)
Employer contributions	(501,603)
Transfers from other funds	(156,920)
Proceeds from group life policy	(24,018)
Benefits paid	552,411
Group life insurance premiums	35,617
Other fees	233
Income tax expense on contributions	75,504
Operating result after income tax under AASB 1056	**20,512**

(iii) Statement of cash flows

The adoption of AASB 1056 has required the Fund to prepare a statement of cash flows for the first time. Contributions received and benefits paid are treated as financing activities. Income tax on contributions is presented separately in the cash flows from financing activities.

Note 2
Statement of significant accounting policies (continued)

(e) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(f) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. AASB9 introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Trustee does not expect this to have a significant impact on the Fund's financial instruments as they are carried at fair value through profit or loss.

The Fund has not yet determined if it will early adopt AASB 9.

(g) Revenue recognition

Interest revenue is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value through profit or loss is included in the net changes in fair value of financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 8 to the financial statements.

(h) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the Statement of changes in member benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(i) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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. Refer to note 8 for details.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities details of which are set out in note 14.

(j) Comparative figures

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

(k) 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.

(l) Cash

For the purpose of presentation in the *Statement of Financial Position*, 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.

(m) 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 *Income Statement*.

(n) Operational Risk and General 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 Trustee.

The Fund has a General reserve for the Accumulated Benefits Fund for operational risks which could not be funded from the Operational Risk reserve. The Fund has a long-term target for the General reserve of 25 basis points of the Accumulated Benefits Fund with a tolerance range of 15 to 70 basis points.

Note 3
Operation of the Fund

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

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

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

Note 4
Net change in fair value of financial instruments

	2017 $'000	2016 $'000
Designated at fair value through profit or loss		
Fixed interest securities	(19,945)	40,323
Equity investments and unlisted trusts	562,405	(70,157)
	542,460	**(29,834)**
Held for trading		
Derivatives	105,271	(8,498)
	105,271	**(8,498)**
Total	**647,731**	**(38,332)**

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 5
Other investment revenue

	2017 $'000	2016 $'000
Designated at fair value through profit or loss		
Management fee rebates	556	1,902
Securities lending revenue	1,727	1,519
Proceeds from compensation claims	216	3
Other	1,032	737
Total	**3,531**	**4,161**

Note 6
Direct investment expenses

	Notes	2017 $'000	2016 $'000
External investment management fees		22,116	15,814
Master custodian fees		2,822	2,915
Administration expenses – Fund investment operations	7	2,229	1,842
Other fees & taxes		4,439	2,135
Performance fees		2,580	4,357
Asset consultant fees		1,355	1,181
Options/futures/brokerage & other expenses		182	266
Total		**35,723**	**28,510**

Note 7
Administration expenses

	Notes	2017 $'000	2016 $'000
Staff salaries and associated costs		14,812	10,975
APRA levy and other government charges		1,722	1,677
Consultants' fees		2,234	2,324
Actuarial fees		25	48
Occupancy expenses		1,635	1,361
Maintenance and service agreements		1,264	1,066
Communication expenses		628	599
Insurances		405	343
Printing expenses		193	311
Staff travel and business expenses		712	557
Marketing and sponsorship expenses		954	498
Other management expenses		965	825
Total		**25,549**	**20,584**
Less:			
Reallocation to direct investment expenses	6	(2,229)	(1,842)
Total		**23,320**	**18,742**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Fund 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.

Note 8
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:

	2017 $'000	2016 $'000
Cash and cash equivalents		
Cash accounts	482,757	320,384
Short-term money market accounts	517,000	657,000
Futures deposit accounts	4,574	9,304
	1,004,331	**986,688**
Fixed interest securities		
Discount securities	47,652	215,420
Term deposits	203,582	4,019
Corporate bonds	132,238	316,100
Floating rate notes	32,388	84,192
Government and semi-government bonds	978,048	1,006,058
Other fixed interest securities	17,350	23,812
	1,411,258	**1,649,601**
Listed equity investments and trusts		
Equity investments	4,780,987	3,945,751
Property trusts	414,686	432,788
	5,195,673	**4,378,539**
Unlisted equity investments and trusts		
Equity investments	1,696,442	1,426,622
Alternatives	196,064	195,479
Property trusts	994,398	936,396
Diversified fixed interest	166,868	165,752
Socially responsible investments	137,665	74,855
	3,191,437	**2,799,104**

	Note	2017 $'000	2016 $'000
Derivative assets			
Options and warrants			
Equity options		31,738	15,389
Fixed interest and currency options		4	5,971
Warrants		-	5,878
Futures			
Fixed interest futures		1,266	2,526
Money market futures		4	161
Swaps			
Swaps floating		206	368
Swaps fixed		1,072	9,874
		34,290	**40,167**
Forward foreign exchange		**39,148**	-
Total derivative assets		**73,438**	**40,167**
Total investment assets		**10,876,137**	**9,854,099**
Derivative liabilities			
Options			
Fixed interest and currency options		-	(582)
Futures			
Fixed interest futures		(1,017)	(3,370)
Money market futures		(102)	(261)
Swaps			
Swaps floating		(874)	(117)
Swaps fixed		(2,550)	(13,135)
Forward foreign exchange		-	**(47,376)**
Total derivative liabilities		**(4,543)**	**(64,841)**
Other financial assets			
Investment revenue receivable	9	28,520	28,658
Other receivables/unsettled trades	9	74,797	30,911
		103,317	**59,569**
Other financial liabilities			
Other payables/unsettled trades	13	**(167,347)**	**(84,660)**
Net investment assets		**10,807,564**	**9,764,167**

For the purpose of presentation in the *Statement of financial position*, 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.

Note 8
Investments and derivatives (continued)

Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through the income statement. They comprise:

- o Financial instruments held for trading. Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification.
- o Financial instruments designated at fair value through income statement upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper. These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the income statement.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through income statement are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

For further details on how the fair values of financial instruments are determined refer to note 4.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

(iv) 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.

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.

(a) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and OTC derivatives using valuation models.

Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and infrastructure.

Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity investments	4,756,069	23,565	1,353	4,780,987
Listed trusts	414,686	-	-	414,686
Unlisted trusts	-	-	3,191,437	3,191,437
Fixed interest securities	152,190	1,259,068	-	1,411,258
Derivatives	1,271	72,167	-	73,438
Financial liabilities				
Derivatives	(1,119)	(3,424)	-	(4,543)
Total	**5,323,097**	**1,351,376**	**3,192,790**	**9,867,263**

30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Equity investments	3,943,342	1,373	1,036	3,945,751
Listed trusts	432,788	-	-	432,788
Unlisted trusts	-	-	2,799,104	2,799,104
Fixed interest securities	34,846	1,590,932	23,823	1,649,601
Derivatives	2,687	37,409	71	40,167
Financial liabilities				
Derivatives	(3,631)	(61,210)	-	(64,841)
Total	**4,410,032**	**1,568,504**	**2,824,034**	**8,802,570**

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. During the year ended 30 June 2016 there was a reconfiguration of the split between domestic and international equities. As a result, the international equities that were held in unlisted trusts were redeemed and direct international equities purchased.

Note 8
Investments and derivatives (continued)

(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:

30 June 2017	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Derivatives $'000	Total $'000
Balance at 1 July 2016	1,036	2,799,104	23,823	71	2,824,034
Purchases	2,966	372,260	-	-	375,226
Sales	(1,965)	(33,996)	-	-	(35,961)
Transfers into level 3	1,076	-	-	-	1,076
Transfers out of level 3	-	-	(23,823)	-	(23,823)
Unrealised gains / (losses)	(886)	53,193	-	-	52,307
Realised gains / (losses)	(874)	876	-	(71)	(69)
Balance at 30 June 2017	**1,353**	**3,191,437**	**-**	**-**	**3,192,790**

30 June 2016	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Derivatives $'000	Total $'000
Balance at 1 July 2015	1,231	4,395,240	13,135	71	4,409,677
Purchases	9	674,109	11,507	-	685,625
Sales	(562)	(2,103,184)	(823)	-	(2,104,569)
Transfers into level 3	2,233	-	-	-	2,233
Transfers out of level 3	(31)	-	-	-	(31)
Unrealised gains / (losses)	(1,844)	(167,061)	4	-	(168,901)
Balance at 30 June 2016	**1,036**	**2,799,104**	**23,823**	**71**	**2,824,034**

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.

	Valuation Approach	Key unobservable inputs	Inter-relationship between unobservable inputs and fair value
Equity securities	Last traded price	Trading price	Less actively traded equities or trading in less developed markets may alter the fair value
Unlisted unit trusts	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	Discounted cashflow	Face value and interest rate of notes/bonds	Increase/(decrease) in interest rate results in an increase/(decrease) in fair value
Derivatives	Pricing models	Yields, cash flows, volatility, default probability	Higher/(lower) yields, cash flows and counterparty credit quality will result in higher/(lower) fair values

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

30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity securities	-	(1,076)	1,076	-
Fixed interest securities	-	23,823	(23,823)	-
Total	**-**	**22,747**	**(22,747)**	**-**

30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity securities	-	(2,202)	2,202	-
Total	**-**	**(2,202)**	**2,202**	**-**

Note 9
Receivables/unsettled trades

	2017 $'000	2016 $'000
Investment revenue receivable		
Interest receivable	1,805	1,820
Dividends receivable	11,248	5,197
Trust distributions receivable	15,467	21,641
	28,520	**28,658**
Other		
Sundry & other debtors	16,423	10,040
Other receivables & unsettled trades	74,797	30,911
	91,220	**40,951**
Total	**119,740**	**69,609**

Receivable amounts are generally received within 30 days of being recorded as receivables. Collectability of receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

Note 10
Property, plant and equipment

	Furniture and equipment $'000	Computer hardware $'000	Computer software $'000	Leasehold improvements $'000	Motor vehicles $'000	Total $'000
Opening balance 1 July 2015	98	277	947	196	165	1,683
Additions	3	435	741	378	199	1,756
Disposals	(6)	(9)	-	(125)	(101)	(241)
Depreciation	(23)	(290)	(487)	(66)	(52)	(918)
Closing balance 30 June 2016	**72**	**413**	**1,201**	**383**	**211**	**2,280**
Opening balance 1 July 2016	72	413	1,201	383	211	2,280
Additions	22	700	1,360	46	67	2,195
Disposals	(1)	(1)	-	-	(38)	(40)
Depreciation	(20)	(488)	(713)	(85)	(61)	(1,367)
Closing balance 30 June 2017	**73**	**624**	**1,848**	**344**	**179**	**3,068**

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.

Note 11
Intangible assets

	Software development costs	
	2017 $'000	**2016 $'000**
Opening balance	2,048	-
Additions	9,017	2,048
Disposals	-	-
Amortisation	-	-
Closing balance	**11,065**	**2,048**

Intangible assets represent capitalised costs associated with an IT software development project. The Fund's intangible assets are stated at cost, which includes direct and incremental acquisition costs less accumulated amortisation and any impairment if required. Amortisation commences when the asset is available for use, and is operating in a manner intended by management. The Fund amortises intangible assets using the straight-line method over a useful life of 10 years.

Note 12
Benefits payable

Benefits payable are valued at the amounts due to members at reporting date. Benefits payable represent payments pending at balance date in respect of former members who are deceased.

	2017 $'000	2016 $'000
Lump sum death benefits	1,651	692
Total	**1,651**	**692**

Note 13
Payables/unsettled trades

	2017 $'000	2016 $'000
Other payables & unsettled trades	167,347	84,660
Trade & sundry creditors	36,411	14,527
PAYG tax payable	190	212
Total	**203,948**	**99,399**

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. These amounts are unsecured and are usually paid within 30 days of recognition.

Note 14
Member liabilities

(a) Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period.

(i) Defined contribution member liabilities

Defined contribution member account balances are measured using earning rates determined by the Custodian based on the underlying investment option values.

(ii) Defined benefit member liabilities

Defined benefit member liabilities are measured as the estimated present value of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows that would be sufficient to meet the accrued benefits on the date when they are expected to fall due.

The valuation of accrued benefits for the Regional Defined Benefits Fund and the City Defined Benefits Fund were undertaken by the actuary as part of an actuarial review as at 30 June 16. Together, with the latest data set and actuarial assumptions, this review has been used as the basis for determining the accrued benefits at 30 June 17.

(b) Defined contribution member liabilities

The defined contribution members bear the investment risk relating to the underlying investment options. Earning rates used to measure defined contribution member liabilities are updated each day for movements in investment values.

As at 30 June 2017, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "Unallocated surplus (deficit)" within equity.

Note 14
Member liabilities (continued)

(c) Defined benefit member liabilities

The Fund has two defined benefit funds (Regional Defined Benefits Fund and City Defined Benefits Fund).

The Fund engages qualified actuaries to measure the defined benefit member liabilities in each of its two defined benefit plans. Member liabilities can only be satisfied with assets of the relevant plan and are quarantined from the other assets of the Fund. Both plans provide lump sum benefits which are payable to members on retirement.

The Fund manages its obligation to pay member liabilities on an expected maturity basis which is based on estimates of when such funds will be drawn down by members.

Significant estimates

The Fund has identified two assumptions (discount rate and rate of salary adjustment) for which changes are reasonably possible and would have a material impact on the amount of the liabilities.

(i) Discount rate

The assumed discount rate for the two plans has been determined by reference to the investment returns expected on the investment portfolio which reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities. The assumed discount rate is the same for each of the two defined benefit plans.

(ii) Rate of salary adjustment

Defined member benefits in each of the Fund's two plans are based on an average of each member's salary at specified anniversary dates in each of the last three years of their expected membership of their plan. The assumed annual salary adjustments for each of the Fund's two plans has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

The Trustee considers the potential impact of changes to key variables about which assumptions need to be made. The following are sensitivity calculations for each of the discount rate and rate of salary assumptions used for the Regional Defined Benefits Fund and the City Defined Benefits Fund.

Defined benefit fund	Assumption	Assumed at reporting date		Reasonably possible change		Change in member benefit liability	
		2017	2016	2017	2016	2017 $'000	2016 $'000
Regional Defined Benefits Fund	Discount rate	5.5%	5.5%	1.0% / (1.0%)	1.0% / (1.0%)	(6,324) / 8,676	(7,852) / 11,364
	Salary adjustment rate	4.0%	4.0%	1.0% / (1.0%)	1.0% / (1.0%)	5,334 / (4,607)	7,591 / (6,556)
City Defined Benefits Fund	Discount rate	5.5%	5.5%	1.0% / (1.0%)	1.0% / (1.0%)	(3,508) / 3,845	(3,539) / 3,913
	Salary adjustment rate	4.0%	4.0%	1.0% / (1.0%)	1.0% / (1.0%)	2,644 / (3,056)	2,686 / (3,104)

At year end, 99.4% of Regional DB and 92.9% of City DB member liabilities have vested (2016: 99.0% Regional DB and 92.6% of City DB).

(d) Defined Benefit Funds that are over funded

For the two defined benefit superannuation plans, there were no unexpected events that changed defined benefit member liabilities materially. The Trustee has no information that would lead it to adjust the assumptions around pension index rates, resignations and mortality, which are all unchanged from the previous reporting period.

The Funds' two defined benefit plans are over funded by the amounts disclosed below:

	2017 $'000	2016 $'000
Regional Defined Benefits Fund	160,121	130,178
City Defined Benefits Fund	24,635	21,255
Total	**184,756**	**151,433**

Both Funds continue to remain in surplus. The employers of both Funds are contributing at the rate recommended by the actuary.

Note 15
Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, insurance premiums are not revenues or expenses of the Fund and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members' accounts and reinsurance recoveries allocated are recognised in the Statement of changes in member benefits.

Note 16
Reserves

The Operational Risk reserves may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk.

The Trustee has assessed an ORFR of 0.30% of funds under management as appropriate for the Fund.

The General reserve is used to cover any potential losses incurred by the Defined Contribution Benefits Fund members due to operational errors which could not be funded from the Operational Risk reserve. In addition, the General reserve is used to fund administration expenses (including depreciation and amortisation of fixed assets) in excess of the recovery from members.

Note 17
Income Tax

(i) Income tax expense

	2017 $'000	2016 $'000
Current income tax expense	11,477	50,345
Deferred income tax expense	63,448	(44,469)
Total	**74,925**	**5,876**

(ii) Numerical reconciliation of income tax expense to prima facie tax payable

	2017	2016
Operating result before income tax expense	**941,807**	**345,187**
Tax at the rate of 15%	141,271	51,778
Non-deductible expenses	5,307	8,433
Other non-assessable income	(12,690)	(20,923)
Dividend imputation and foreign tax credits (net)	(23,212)	(30,487)
Discount on capital gains	-	(21,920)
Adjustments for current tax of prior periods	186	3,143
Other movements in deferred tax assets/deferred tax liabilities	(37,512)	14,489
Recovery of anti-detriment payments from ATO	1,575	1,363
Income tax expense	**74,925**	**5,876**

In addition to the above $78,025k (2016: $75,504k) is recognised in the Statement of changes in member benefits relating to tax on contributions deducted from member accounts.

Note 17
Income tax (continued)

	2017 $'000	2016 $'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	153,603	90,089
Taxable temporary differences – other assets	16,433	18,879
	170,036	**108,968**
Movements:		
Opening balance at 1 July	108,968	160,650
Charged/(credited) to the Income Statement	61,068	(51,682)
Closing balance at 30 June	**170,036**	**108,968**

The deferred tax liabilities expected to be settled in more than 12 months are $153,603k (2016: $90,089k).

Deferred income tax assets		
Taxable temporary differences – assets subject to CGT	3,428	92
Taxable temporary differences – other assets	2,295	8,011
	5,723	**8,103**
Movements:		
Opening balance at 1 July	8,103	15,315
Charged/(credited) to the Income Statement	(2,380)	(7,212)
Closing balance at 30 June	**5,723**	**8,103**
Net deferred tax liability	**164,313**	**100,865**

The deferred tax assets expected to be settled in more than 12 months are $3,428k (2016: $92k).

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 financial position for the year comprises current and deferred tax.

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.

Deferred income tax liabilities are recognised for all taxable temporary differences.

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.

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.

Note 18
Cash flow statement reconciliation

	2017 $'000	2016 $'000
Cash at bank	6,665	8,766
Reconciliation of net cash from operating activities to net profit after Income tax		
Profit / (loss) after income tax	40,093	20,512
Adjustments for:		
Sales of financial assets	5,230,099	10,320,921
Purchases of financial assets	(5,619,678)	(10,837,964)
Sales of other assets	29	11
Purchases of other assets	(11,292)	(3,804)
Net change in fair value of financial instruments	(647,720)	38,561
Depreciation	1,367	1,332
Net change in defined benefit member benefits	51,150	48,716
Net benefits allocated to defined contribution members	775,640	270,083
Insurance premiums paid	(40,526)	(41,902)
Insurance proceeds received from insurer	32,392	24,018
Change in operating assets/liabilities		
(Increase)/ decrease in receivables	1,545	16,868
Increase / (decrease) in payables	(1,224)	1,185
Increase / (decrease) in income tax payable	28,759	(54,016)
Net cash outflows from operating activities	**(159,366)**	**(195,479)**

There were no non-cash financing activities during the year.

Note 19
Financial instruments and risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund has an investment governance framework established by the Trustee. This Framework sets out the Trustee's policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

(a) Market risk

(i) Foreign exchange risk

The Fund operates internationally and has assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

The Fund's policy is to economically hedge up to 100% of direct foreign currency exposure in the Property, Infrastructure and Alterative sectors and 50% of its currency exposure in the global equities sector, using forward foreign exchange contracts. Compliance with the Fund's hedging policy is monitored by the Trustee on a regular basis.

The table below summarises the Fund's financial assets and liabilities which are denominated in foreign currencies.

30 June 2017	AUD $'000	USD $'000	JPY $'000	EUR $'000	GBP $'000	Other $'000	Total $'000
Gross investment assets	5,083,151	3,330,960	313,971	656,613	479,581	904,142	10,768,418
Foreign exchange contracts (notional value)	3,083,453	(2,046,581)	(146,164)	(341,081)	(278,920)	(270,707)	-
Total	**8,166,604**	**1,284,379**	**167,807**	**315,532**	**200,661**	**633,435**	**10,768,418**
Fair value of foreign exchange contracts	40,454	(2,680)	-	1	2	1,370	39,147
Total investments and derivatives –refer Note 8	**8,207,058**	**1,281,699**	**167,807**	**315,533**	**200,663**	**634,805**	**10,807,565**

30 June 2016	AUD $'000	USD $'000	JPY $'000	EUR $'000	GBP $'000	Other $'000	Total $'000
Gross investment assets	4,661,251	3,158,931	251,036	565,539	445,797	728,989	9,811,543
Foreign exchange contracts (notional value)	2,751,339	(1,895,944)	(127,872)	(305,447)	(298,054)	(124,022)	-
Total	**7,412,590**	**1,262,987**	**123,164**	**260,092**	**147,743**	**604,967**	**9,811,543**
Fair value of foreign exchange contracts	(50,549)	1,691	990	136	(838)	1,194	(47,376)
Total investments and derivatives –refer Note 8	**7,362,041**	**1,264,678**	**124,154**	**260,228**	**146,905**	**606,161**	**9,764,167**

(ii) Liquidity and Interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk including the Fund's use of interest rate swap contracts which are used to manage exposure to interest rate risk.

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
30 June 2017				
Assets				
Cash & cash equivalents	1,004,331	-	-	1,004,331
Fixed interest securities	51,143	1,360,115	-	1,411,258
Listed equity investments & property trusts	-	-	5,195,673	5,195,673
Unlisted equity investments & property trusts	-	-	3,191,437	3,191,437
Derivatives	210	2,342	70,886	73,438
Other financial assets	-	-	103,317	103,317
	1,055,684	**1,362,457**	**8,561,313**	**10,979,454**
Liabilities				
Derivatives	(976)	(3,567)	-	(4,543)
Other financial liabilities	(2)	-	(167,345)	(167,347)
	(978)	**(3,567)**	**(167,345)**	**(171,890)**
Total	**1,054,706**	**1,358,890**	**8,393,968**	**10,807,564**

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
30 June 2016				
Assets				
Cash & cash equivalents	986,688	-	-	986,688
Fixed interest securities	112,757	1,536,844	-	1,649,601
Listed equity investments & property trusts	-	-	4,378,539	4,378,539
Unlisted equity investments & property trusts	-	-	2,799,104	2,799,104
Derivatives	528	18,372	21,267	40,167
Other financial assets	-	-	59,569	59,569
	1,099,973	**1,555,216**	**7,258,479**	**9,913,668**
Liabilities				
Derivatives	(378)	(17,056)	(47,407)	(64,841)
Other financial liabilities	(571)	-	(84,089)	(84,660)
	(949)	**(17,056)**	**(131,496)**	**(149,501)**
Total	**1,099,024**	**1,538,160**	**7,126,983**	**9,764,167**

Note 19
Financial instruments and risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

Price Risk

Volatility factors by asset class	2017	2017	2016	2016
	Reflects higher asset prices	Reflects lower asset prices	Reflects higher asset prices	Reflects lower asset prices
Australian equities	19.7%	(19.7%)	19.8%	(19.8%)
International equities	17.2%	(17.2%)	16.9%	(16.9%)
Australian & global listed property	16.5%	(16.5%)	16.5%	(16.5%)
Asset backed securities	6.4%	(6.4%)	6.6%	(6.6%)
Emerging markets cash	6.1%	(6.1%)	7.7%	(7.7%)
Emerging markets equities	24.6%	(24.6%)	-	-
High yield debt	11.8%	(11.8%)	10.7%	(10.7%)
Global infrastructure	17.1%	(17.1%)	17.3%	(17.3%)

	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Effect on net assets available to pay benefits	**1,490,398**	**(1,490,398)**	**1,265,426**	**(1,265,426)**

Interest rate risk

Volatility factors	2017	2017	2016	2016
	Reflects higher interest rates	Reflects lower interest rates	Reflects higher interest rates	Reflects lower interest rates
Australian sovereign bonds	1.5%	(1.5%)	1.2%	(1.2%)
Australian corporate bonds	1.6%	(1.6%)	1.4%	(1.4%)
International sovereign bonds	1.0%	(1.0%)	0.6%	(0.6%)
International corporate bonds	1.3%	(1.3%)	0.8%	(0.8%)
Australian real yields	1.3%	(1.3%)	0.8%	(0.8%)
International real yields	0.6%	(0.6%)	0.4%	(0.4%)

	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Effect on net assets available to pay benefits	**(32,483)**	**32,483**	**(24,670)**	**24,670**

Foreign Exchange

	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 2017				
US dollars	11.5%	(11.5%)	(226,878)	226,878
Japanese yen	14.5%	(14.5%)	(17,439)	17,439
Euro	9.9%	(9.9%)	(29,569)	29,569
British pounds	11%	(11%)	(27,287)	27,287
Other	9.9%	(9.9%)	(17,679)	17,679
			(318,852)	**318,852**
30 June 2016				
US dollars	11.6%	(11.6%)	(186,328)	186,328
Japanese yen	14.2%	(14.2%)	(16,847)	16,847
Euro	9.6%	(9.6%)	(21,686)	21,686
British pounds	10.9%	(10.9%)	(28,918)	28,918
Other	9.8%	(9.8%)	(2,386)	2,386
			(256,165)	**256,165**

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations to members or counterparties in full as they fall due or can only do so on terms that are disadvantageous.

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. The Fund's assets include investments in unlisted investments, 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.

(i) Maturities of financial liabilities

The tables below show the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Liabilities to defined contribution members are payable upon request. Liabilities to defined benefit members are payable upon the member meeting a vesting condition (such as resignation or retirement) in accordance with the terms of the Fund's Trust Deed. The Fund considers it is highly unlikely that all liabilities to members would fall due at the same time.

Note 19

Financial instruments and risk management (continued)

(c) Liquidity risk (continued)

30 June 2017	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						
Payables / unsettled trades	(203,948)	-	-	-	-	(203,948)
Current tax liabilities	(14,091)	-	-	-	-	(14,091)
Accrued employee entitlements	(2,054)	-	-	(163)	(208)	(2,425)
Benefits payable	(1,651)	-	-	-	-	(1,651)
Defined contribution member liabilities	(9,427,543)	-	-	-	-	(9,427,543)
Gross settled derivatives						
Inflow	2,919,875	541,028	20,185	337,504	119,445	3,938,037
(Outflow)	(2,919,845)	(615,472)	(6,157)	(475,386)	(119,591)	(4,136,451)
Net settled derivatives	**30**	**(74,444)**	**14,028**	**(137,882)**	**(146)**	**(198,414)**

30 June 2016	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	(99,399)	-	-	-	-	(99,399)
Current tax liabilities	(13,029)	-	-	-	-	(13,029)
Accrued employee entitlements	(1,782)	-	-	(150)	(145)	(2,077)
Benefits payable	-	(692)	-	-	-	(692)
Defined contribution member liabilities	(8,418,342)	-	-	-	-	(8,418,342)
Gross settled derivatives						
Inflow	3,528,552	4,495,413	1,070,252	295,095	239,062	9,628,374
(Outflow)	(3,526,262)	(4,516,502)	(798,690)	(318,816)	(239,229)	(9,399,499)
Net settled derivatives	**2,290**	**(21,089)**	**271,562**	**(23,721)**	**(167)**	**228,875**

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

(d) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) Fixed interest securities

The Fund invests in fixed interest securities which are rated by Standard and Poor's. For unrated assets the Trustee assesses credit risk using an approach similar to that used by rating agencies. An analysis of debt securities by rating is set out in the following table.

	AAA to AA $'000	A+ to A– $'000	BBB+ to BB+ $'000	CCC+ $'000	Not Rated $'000	Total $'000
2017	977,537	313,677	81,539	-	38,505	1,411,258
2016	1,131,906	276,898	215,167	-	25,630	1,649,601

(ii) Settlement of securities transactions

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

(iii) Cash and cash equivalents

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA (as determined by Standard and Poor's) or higher.

(iv) Assets in custody

Substantially all of the Fund's assets are held in custody by JP Morgan Chase Bank, which also manages clearing and depository functions for the Fund's security transactions. The financial position and credit quality of the custodian is monitored by the Trustee.

(v) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

Note 20
Structured entities

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, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The investee funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The exposure to investments in investee funds at fair value, by investment strategy, is disclosed below:

	Fair value of investment 2017 $'000	Fair value of investment 2016 $'000
Australian property funds	29,595	30,000
Australian infrastructure funds	573,417	558,780
Australian alternative funds	635,761	598,522
International infrastructure funds	159,949	83,272
	1,398,722	**1,270,574**

The fair value of financial assets of $1,399k (2016: $1,271k) is included in financial assets in the Statement of financial position.

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds.

During the year ended 30 June 2017, net gains on investments in investee funds were $1,130k (2016: $10,071k).

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

Note 21
Auditor's remuneration

	2017 $	2016 $
Amount received or due and receivable by PricewaterhouseCoopers:		
- Audit of financial statements and APRA return	160,140	139,012
- Taxation services	376,501	307,657
- Other assurance services		
- Legal services	62,000	-
- Specified assertions audit on custodian balances and agreed upon procedures	46,568	41,617
- Other	87,281	77,821
Total	**732,490**	**566,107**

Note 22
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 LGIAsuper Trustee for the year ended 30 June 2017:

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	
Ms M A de Wit OAM	Director and committee member	Employer representative	1 June 2013	
Cr M W Bourke	Director and committee member	Employer representative	1 June 2016	
Cr C J O'Neil	Director and committee member	Employer representative	20 October 2016	
Cr P J Pisasale	Director and committee member	Employer representative	1 July 2016	15 September 2016
Ms B K Morris	Chair and committee member	Independent	1 December 2013 1 October 2014-Chair	30 November 2016
Mr J S Smith	Chair and committee member	Independent	1 December 2013 1 December 2016-Chair	
Mr J F Wilson	Director and committee member	Independent	1 December 2013	
Mr P Kazacos	Director and committee member	Independent	8 December 2016	

** Previous term 1 July 1995 – 30 June 2004

To assist the Trustee in their functions, special advisors to Trustee committees have been appointed by the Trustee.

The following persons were special advisors to Trustee committees for the year ended 30 June 2017:

Director	Position	Representative body	Appointment date
Mr M Petrie	Special Advisor	Audit and Risk Management Committee	1 February 2017
Mr A Cormie	Special Advisor	Investment Committee	2 February 2017

Note 22
Related parties (continued)

(b) Executives

The Chief Executive Officer (CEO) is appointed by LGIAsuper Trustee. The CEO in turn appoints the executives.

The following persons were executives of LGIAsuper Trustee for the year ended 30 June 2017:

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	Chief Digital Officer	6 July 2015 - 27 September 2016	Executive contract
Mr W Woo	Chief Digital Officer	20 March 2017	Executive contract

(c) Remuneration of directors

Directors		Short-term		Post-employment	Total remuneration
Name	Position	Trustee fee $'000	Trustee committee fee $'000	Superannuation $'000	$'000
2016-2017					
Mr J S Smith[2]	Chair	75	20	35	130
Ms B K Morris[1]	Former Chair	54	6	5	65
Ms M A de Wit OAM	Director	51	13	12	76
Mr N P Cass	Director	40	20	35	95
Ms F Connor	Director	51	15	17	83
Mr R L Curtis	Director	36	21	33	90
Mr J F Wilson	Director	35	23	35	93
Mr P Kazacos[3]	Director	44	5	-	49
Cr M Bourke[4]	Director	61	9	7	77
Cr C O'Neil[5]	Director	44	8	5	57
Cr P J Pisasale[6]	Director	14	-	3	17
Total remuneration		**505**	**140**	**187**	**832**
Special Advisors					
2016 - 2017					
Mr A Cormie		-	13	1	14
Mr M Petrie		-	12	-	12
Total remuneration		-	**25**	**1**	**26**

1 Resigned 30 November 2016
2 Appointed Chair 1 December 2016
3 Appointed 8 December 2016
4 Appointed 1 July 2016
5 Appointed 20 October 2016
6 Reappointed 1 July 2016 and resigned 15 September 2016

Directors		Short-term		Post-employment	Total remuneration
Name	Position	Trustee fee $'000	Trustee committee fee $'000	Superannuation $'000	$'000
2015-2016					
Ms B K Morris	Chair	125	14	25	164
Ms M A de Wit	Director	57	2	11	70
Mr N P Cass	Director	38	14	35	87
Ms F Connor	Director	53	9	15	77
Mr R L Curtis	Director	35	18	35	88
Mr I C Leckenby[1]	Director	55	15	13	83
Mr J S Smith	Director	36	27	35	98
Mr J F Wilson	Director	35	18	35	88
Cr P N Matic[1]	Director	55	9	12	76
Total remuneration		**489**	**126**	**216**	**831**

1 Term expired 30 June 2016

Governance of remuneration arrangements for directors occurs through the Trustee. The Trustee 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.

All remuneration is paid directly to each Director or their nominated service entity. No remuneration is paid to representative organisations. The remuneration shown above is the full remuneration and no director receives remuneration from related parties for their role as a director of LGIAsuper Trustee.

(d) Remuneration of executives

Executives		Short-term			Post-employment		Termination benefits	Total remuneration
Name	Position	Salary[1] $'000	Non-monetary benefits[2] $'000	Bonus[3] $'000	Super $'000	Other[4] $'000	$'000	$'000
2016 - 2017								
Mr D J Todd	Chief Executive Officer	455	59	-	35	12	-	561
Mr I D Harcla	Chief Risk Officer/ Deputy CEO	312	25	-	35	8	-	380
Mr T J Willmington	Chief Operating Officer	270	42	8	30	8	-	358
Mr P C Gamin	Chief Financial Officer	253	44	-	35	7	-	339
Mr B Barber[5]	Chief Digital Officer	91	1	-	19	-	79	190
Mr W Woo[6]	Chief Digital Officer	77	-	-	9	-	-	86
Total remuneration		**1,458**	**171**	**8**	**163**	**35**	**79**	**1,914**

Note 22
Remuneration of executives (continued)

(d) Remuneration of executives (continued)

Executives		Short-term			Post-employment		Termination benefits	Total remuneration
Name	**Position**	**Salary[1] $'000**	**Non-monetary benefits[2] $'000**	**Bonus[3] $'000**	**Super $'000**	**Other[4] $'000**	**$'000**	**$'000**
2015 - 2016								
Mr D J Todd	Chief Executive Officer	401	52	-	35	11	-	499
Mr I D Harcla	Chief Risk Officer/ Deputy CEO	288	26	-	35	8	-	357
Mr T J Willmington	Chief Operating Officer	276	37	-	30	8	-	351
Mr P C Gamin	Chief Financial Officer	241	42	-	30	7	-	320
Mr B Barber[5]	Chief Digital Officer	264	-	-	30	-	-	294
Total remuneration		**1,470**	**157**	**-**	**160**	**34**	**-**	**1,821**

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 Fund
3 Bonus includes payment for the delivery of an IT software development project
4 Other post-employment includes long service leave accrued – long service leave taken
5 Appointed 6 July 2015 and resigned 27 September 2016
6 Appointed 20 March 2017

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 in line with award based conditions. An annual performance payment is potentially available for all staff below Manager level.

(e) 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 Trustee or the Fund and key management personnel or employees.

Note 23
Commitments and contingent liabilities

(a) Except for the liability for accrued benefits (Refer Note 14) there were no material contingent assets or liabilities of a significant value at balance date.

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

Details of investment commitments are as follows:

	2017 $'000	2016 $'000
Not later than one year	514,728	376,382
Total	**514,728**	**376,382**

(c) Operating lease commitments exist for both the main office premises and the disaster recovery site. Contracted operating lease expenditure is payable as follows:

	2017 $'000	2016 $'000
Not later than one year	1,902	1,408
Later than one year and not later than five years	8,138	6,156
Later than 5 years	11,663	4,627
Total	**21,703**	**12,191**

Significant accounting judgements - operating lease commitments

The Fund 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.

Note 24
Significant post balance date events

There have been no 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.

Note 25
Parent entity financial information

(a) Summary financial information.

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $'000	2016 $'000
Total assets	11,026,411	9,946,586
Total liabilities	390,838	280,903
Net assets available for member benefits	10,635,573	9,665,683
Total member liabilities	10,366,390	9,436,757
Net assets	269,183	228,926
Reserves	269,183	228,926
Operating result after income tax	40,093	20,512

Trustee's declaration

In the opinion of the directors of LGIAsuper Trustee:

(a) The accompanying financial statements and notes set out on pages 36 to 71 are in accordance with:

(i) Australian Accounting Standards and other mandatory professional reporting requirements, and

(j) Present fairly the Fund's financial position as at 30 June 2017 and of its performance for the financial year ended on that date,

(b) The Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001* and *Regulations*; the requirements under *section 13 of the Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2017; and

(c) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Trustee of Directors of LGIAsuper Trustee as trustee for LGIAsuper.

John Smith
Chair

Noel Cass
Chair Audit and Risk Management Committee

David J Todd
Chief Executive Officer

29 September 2017
Brisbane

Independent Auditor's report approved form for a registrable superannuation entity (RSE) which is a reporting entity (as defined in Australian Accounting Standard AASB 1056)

Report by the RSE Auditor to the trustee and members of LGIAsuper
(formerly Local Government Superannuation Scheme).

(ABN: 23 053 121 564)

Opinion

I have audited the financial statements of LGIAsuper (formerly Local Government Superannuation Scheme) for the year ended 30 June 2017 comprising the Consolidated statement of financial position, Consolidated income statement, Consolidated statement of changes in member benefits, Consolidated statement of changes in reserves, Consolidated statement of cash flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements

a) present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of LGIAsuper (formerly Local Government Superannuation Scheme) as at 30 June 2017 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2017.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Trustee's responsibility for the financial statements

The RSE'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.

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Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgement and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit 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 RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My auditor conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

PricewaterhouseCoopers

David Coogan
Partner

29 September 2017
Brisbane

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LGIAsuper

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