

# 2016

## ANNUAL REPORT



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

## LGIAsuper - a complying fund

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

### Disclaimer

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

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

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

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

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

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# LGIAsuper snapshot

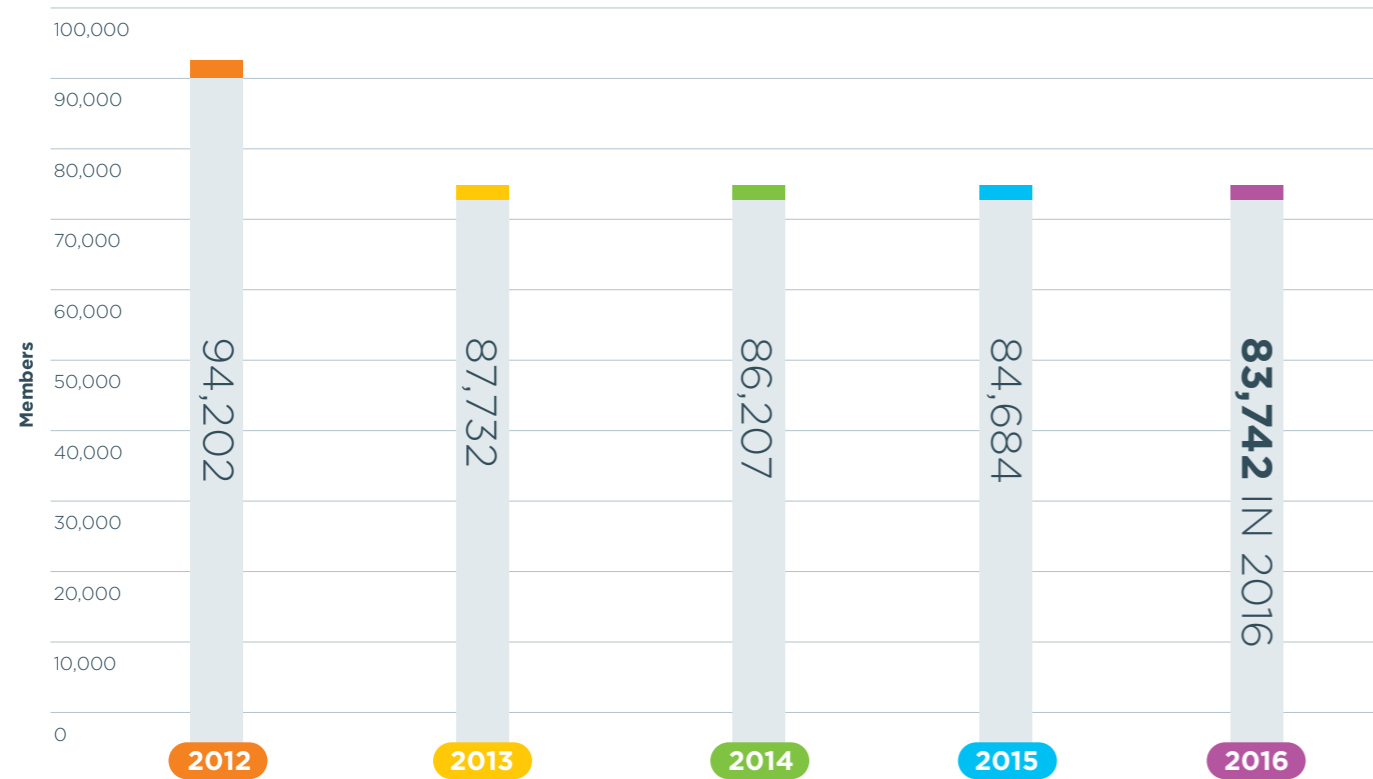


## Membership

There were

# 83,742

LGIAsuper members at 30 June 2016.



## Account types

The membership comprised:

Accumulation Benefits Fund members	
<b>Council employees</b>	
Contributory	32,442
Non-contributory	7,485
Councillors	328
	<b>40,255</b>
<b>Former council employees and spouses</b>	
Retained Benefit	35,297
Spouses	1,270
Pensioners	4,202
	<b>40,769</b>
	<b>81,024</b>
<b>Defined Benefits Fund members</b>	<b>2,718</b>
<b>TOTAL MEMBERS</b>	<b>83,742</b>



## Employers

**94** local government employers were contributing to LGIAsuper as at 30 June 2016.

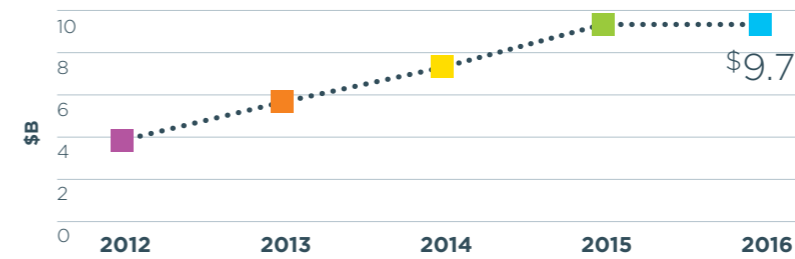


## Funds under management

LGIAsuper invested

# \$9.7 billion

in funds under management as at 30 June 2016.

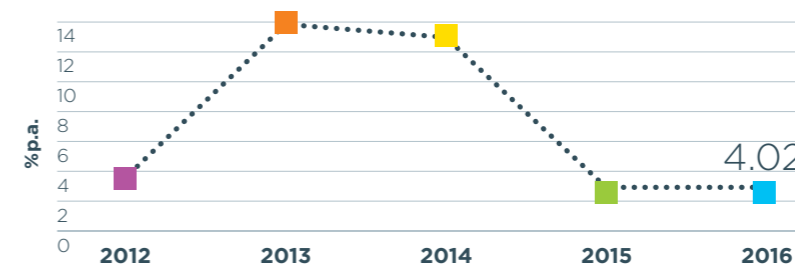


## Investment performance

The total investment return for LGIAsuper was

# 4.02% P.A.

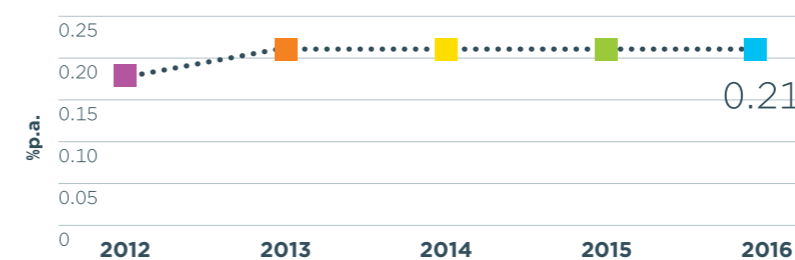
before tax and fees for 2015/16.



## Administration expenses

Administration expenses for running LGIAsuper were

# 0.21% P.A. in 2015/16.



# Chair and CEO's report



(left to right)  
Bronwyn Morris  
and David Todd

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

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

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

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

## Our members and employers

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

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

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

## Administration platform replacement

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

## Digital transformation

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

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

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

## Performance and awards

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

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

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

## Helping communities grow

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

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

## LGIASuper farewells

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

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

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

## The year ahead

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

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

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

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

**Bronwyn Morris**  
Independent Director and Chair

**David Todd**  
Chief Executive Officer

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

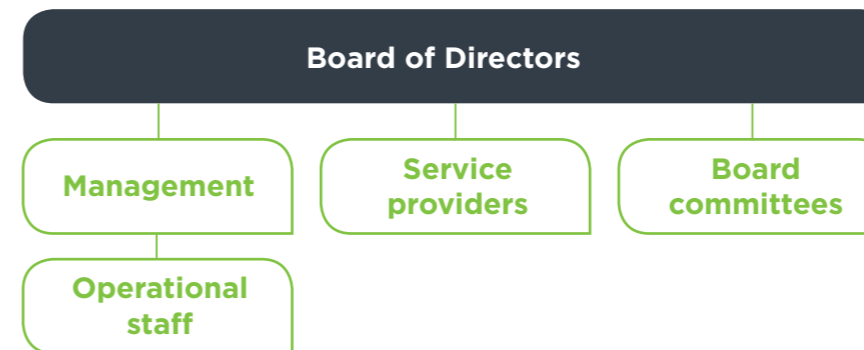
2 Read more at [lgiasuper.com.au/forms-and-calculators/publications/news/heron-five-star-rating/](http://lgiasuper.com.au/forms-and-calculators/publications/news/heron-five-star-rating/).

(left to right)  
John Mulcahy  
and Drew Hawke



# Governance statement

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



## Governance structure

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

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

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

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

Under the Trust Deed, the composition of the Board of Directors is:

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

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

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

## Trustee liability insurance

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



## Governance statement (cont.)

### Board remuneration policy

#### Goals

LGIAsuper's goal is to provide members with high quality, value-for-money superannuation services. To provide exceptional, professional services the Board must attract and maintain quality staff. The Board's remuneration policy aims to achieve this goal.

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

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

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

#### Independent remuneration consultant

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

#### Director and management remuneration

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

#### Staff remuneration

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



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

# Board of Directors

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

## At 30 June 2016 the Board comprised:

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



### Independent Director and Chair

**Bronwyn Morris**

Director

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

Bronwyn Morris became an LGIASuper director in December 2013 and Chair from 1 October 2014. She has 18 years' experience as a non-executive director, including roles as Chairman and Chair of various committees. She is a Chartered Accountant with 20 years' experience at KPMG and is the current Chairman of RACQ Limited's Governance and Remuneration Committee and Deputy Chairman and Chairman of Finance, Audit and Risk Committee at Children's Health Foundation Queensland. Bronwyn holds a Bachelor of Commerce (Accounting), is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors, and a Member of Chief Executive Women.

### Independent directors



**John Smith**  
Director

Chair, Audit and Risk Management Committee  
Member, Investment Committee

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



**John Wilson**  
Director

Chair, Investment Committee

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

### Member representatives



**Noel Cass**  
Director

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

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



**Fiona Connor**  
Director

Member, Audit and Risk Management Committee

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



**Ron Curtis**  
Director

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

Ron Curtis was appointed an LGIASuper director 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.

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



**Cr Matthew Bourke**

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



**Cr Paul Pisasale**

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

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

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

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

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

**Employer representatives**



**Margaret de Wit**

Director

Member, Remuneration, HR and Nominations Committee

Margaret de Wit became an LGIASuper director on 1 June 2013 and is the former President of the Local Government Association of Queensland (LGAQ). She was a Councillor with Brisbane City Council from 1997 to 2016, Margaret is also on the Board of the Australian Local Government Association (ALGA). Margaret's career also includes 20 years at Telecom Australia (now Telstra) and several years in the not-for-profit sector. Margaret holds a Graduate Diploma of Business Administration and a Diploma of Financial Planning, and is a Graduate of the Australian Institute of Company Directors.



**Ian Leckenby**

Director

Member, Investment Committee  
Member, Audit and Risk Management Committee

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



**Cr Peter Matic**

Director

Member, Audit and Risk Management Committee

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



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



# Management and staff

## Chief Executive Officer

### David Todd

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



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

At 30 June 2016 LGIAsuper had 99 staff.



## Chief Risk Officer and Deputy Chief Executive Officer

### Ian Harcla

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



## Chief Operating Officer

### Timothy Willmington

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



## Chief Financial Officer

### Peter Gamin

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



## Chief Digital Officer

### Brett Barber

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

# Organisational structure

## Chief Executive Officer

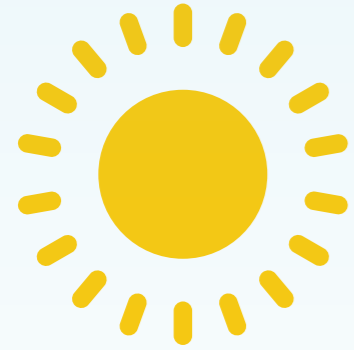
David Todd <sup>1, 2, 3 (11)</sup>

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

Responsible for the development and implementation of investment strategy.



1 Authorised representative under Australian Financial Services Licence No. 230511  
 2 Responsible Manager under Australian Financial Services Licence No. 230511  
 3 Responsible Person under the RSE Licence  
 Figures in brackets indicate number of completed years of service at 30 June 2016



## Let's Grow

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

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

### The Board of Directors holds the following beliefs:

- our primary objective is to provide a secure source of retirement income for LGIASuper members. The Board adheres to the principles of capital market theory which maintain that over the long term, prudent investment risk-taking is rewarded with incremental returns. So, while capital preservation is important, the Board regards prudent risk-taking as justifiable.
- our main goal is to set an appropriate level of investment risk, and then subject to this, create value by maximising the return per unit of risk. For the accumulation section, the primary risk measure is defined as the volatility of returns. Peer group risk (i.e. the risk of underperforming other superannuation funds of a similar nature) is assessed as a secondary measure. For the defined benefit section, risk is defined relative to the liabilities.
- strategic asset allocation is the primary determinant of LGIASuper returns. It is set with reference to an asset model that factors in long-term expected return and risk characteristics.
- other things being equal, a strategy that comprises a more diverse exposure to asset class and manager risks is preferable to one with concentrated risk exposures.
- for asset classes for which assumptions are expected to be less robust, or for which there are additional important considerations such as illiquidity, a practical limit is imposed.
- for the introduction of a new asset class into the strategy to be worthwhile in terms of risk and/or return, and taking into account the overall governance, it must be awarded an allocation sufficiently large so as to have a meaningful impact on the total fund or option's expected characteristics.
- our investment objectives are long term in nature, and the Board does not believe it has the capability to tactically adjust the strategic allocations to asset classes or currencies to exploit short-term changes in market conditions. However, the strategic asset allocation is expected to be reviewed periodically (typically annually) to allow for significant changes to market conditions and/or long-term asset class assumptions.
- the Board recognises that markets can move outside long term fair value ranges and will implement medium-term tilts to strategic allocation to add return/reduce risk. This dynamic approach to strategic allocation is typically over a 3 year+ time horizon.

### Allocation of earnings

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

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

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

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



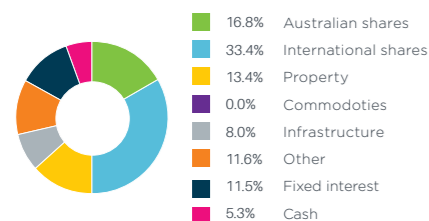
# Accumulation Benefits Fund

Accumulation accounts and Pension accounts

## LGIAsuper MySuper Lifecycle

Under 75

### Actual asset allocation at 30 June 2016



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

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



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

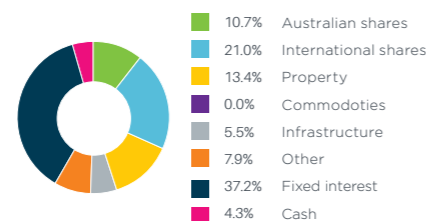
At 30 June	Accumulation acc % p.a.
2016	3.26%
2015	8.18%
2014	12.30%
2013	13.95%
2012	1.62%
5-yr avg (% p.a.)	7.75%
5 Year excess over CPI	5.92%

### Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>88.5</b>	<b>81.0-96.0</b>
Australian shares	14.3	6.8-21.8
International shares	33.5	26.0-41.0
Property	15.0	7.5-22.5
Infrastructure	7.7	0.2-15.2
Other	18.0	10.5-25.5
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>11.5</b>	<b>4.0-19.0</b>
Fixed interest	11.5	4.0-19.0
Cash	0.0	0.0-5.0

75 plus

### Actual asset allocation at 30 June 2016



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

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.



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

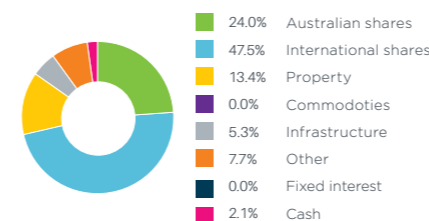
At 30 June	Accumulation acc % p.a.
2016	4.12%
2015	6.79%
2014	9.74%
2013	10.08%
2012	5.07%
5-yr avg (% p.a.)	7.13%
5 Year excess over CPI	5.30%

### Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>62.8</b>	<b>55.3-70.3</b>
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
Property	15.0	7.5-22.5
Infrastructure	5.3	0.0-12.8
Other	12.3	4.8-19.8
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>37.2</b>	<b>29.7-44.7</b>
Fixed interest	37.2	29.7-44.7
Cash	0.0	0.0-5.0

## Aggressive

### Actual asset allocation at 30 June 2016



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

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



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

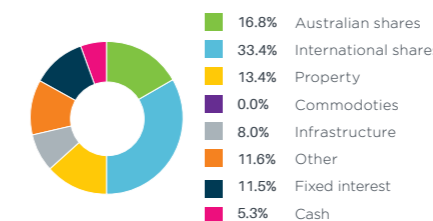
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	2.37%	2.59%
2015	9.75%	10.92%
2014	15.05%	16.78%
2013	17.86%	19.35%
2012	-1.28%	-1.35%
5-yr avg (% p.a.)	8.50%	9.37%
5 Year excess over CPI	6.67%	7.54%

### Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>100</b>	<b>100</b>
Australian shares	20.4	12.9-27.9
International shares	47.6	40.1-55.1
Property	15.0	7.5-22.5
Infrastructure	5.1	0.0-12.6
Other	11.9	4.4-19.4
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>0.0</b>	<b>0.0</b>
Fixed interest	0.0	0.0
Cash	0.0	0.0-5.0

## Diversified Growth

### Actual asset allocation at 30 June 2016



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

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



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

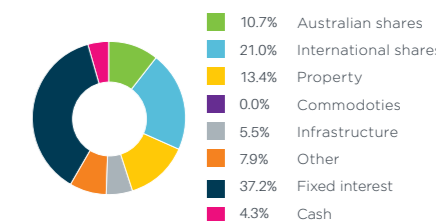
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	3.26%	3.64%
2015	8.18%	9.29%
2014	12.30%	13.89%
2013	13.95%	15.21%
2012	1.62%	1.82%
5-yr avg (% p.a.)	7.75%	8.64%
5 Year excess over CPI	5.92%	6.81%

### Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>88.5</b>	<b>81.0-96.0</b>
Australian shares	14.3	6.8-21.8
International shares	33.5	26.0-41.0
Property	15.0	7.5-22.5
Infrastructure	7.7	0.2-15.2
Other	18.0	10.5-25.5
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>11.5</b>	<b>4.0-19.0</b>
Fixed interest	11.5	4.0-19.0
Cash	0.0	0.0-5.0

## Balanced

### Actual asset allocation at 30 June 2016



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

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



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

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

### Strategic asset allocation and ranges

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>62.8</b>	<b>55.3-70.3</b>
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
Property	15.0	7.5-22.5
Infrastructure	5.3	0.0-12.8
Other	12.3	4.8-19.8
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>37.2</b>	<b>29.7-44.7</b>
Fixed interest	37.2	29.7-44.7
Cash	0.0	0.0-5.0

<sup>1</sup> 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.

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

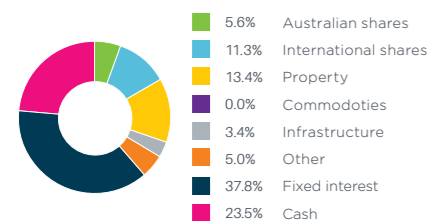
<sup>1</sup> Investment markets are uncertain. LGIAsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time.

<sup>2</sup> Past performance is not an indicator of future performance.

# Accumulation Benefits Fund (cont.)

## Stable

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target of 1.5% per year above inflation over rolling 5-year period.

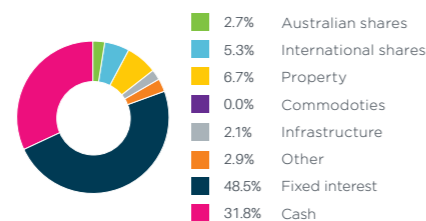


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	4.16%	4.78%
2015	5.31%	6.19%
2014	7.17%	8.31%
2013	7.16%	8.05%
2012	6.24%	7.10%
5-yr avg (% p.a.)	6.00%	6.88%
5 Year excess over CPI	4.17%	5.05%

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>42.2</b>	<b>34.7-49.7</b>
Australian shares	4.8	0.0-12.3
International shares	11.3	3.8-18.8
Property	15.0	7.5-22.5
Infrastructure	3.3	0.0-10.8
Other	7.8	0.3-15.3
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>57.8</b>	<b>50.3-65.3</b>
Fixed interest	37.8	30.3-45.3
Cash	20.0	12.5-27.5

## Defensive

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target of 1.0% per year above inflation over rolling 5-year periods.

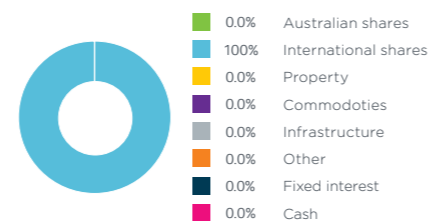


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	3.79%	4.42%
2015	4.14%	4.89%
2014	5.56%	6.53%
2013	4.86%	5.61%
2012	7.27%	8.63%
5-yr avg (% p.a.)	5.12%	6.00%
5 Year excess over CPI	3.29%	4.17%

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>21.6</b>	<b>14.1-29.1</b>
Australian shares	2.3	0.0-9.8
International shares	5.3	0.0-12.8
Property	7.5	0.0-15.0
Infrastructure	2.0	0.0-9.5
Other	4.5	0.0-12.0
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>78.4</b>	<b>70.9-85.9</b>
Fixed interest	48.4	40.9-55.9
Cash	30.0	22.5-37.5

## International Shares

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is to outperform a composite index of international shares over rolling 5-year periods.

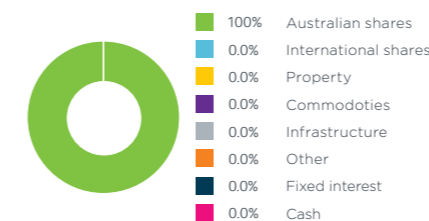


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	-1.14%	-1.21%
2015	17.01%	19.57%
2014	17.63%	20.10%
2013	26.57%	29.91%
2012	0.27%	0.36%
5-yr avg (% p.a.)	11.55%	13.09%

At 30 June	SAA %
<b>Return-seeking</b>	<b>100</b>
International shares	100
<b>Risk-controlling</b>	<b>0</b>

## Australian Shares

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is to outperform a composite index of Australian shares over rolling 5-year periods.

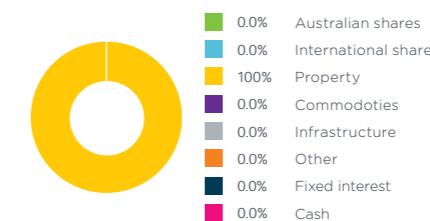


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	1.05%	1.02%
2015	3.42%	3.59%
2014	15.44%	16.28%
2013	15.82%	16.69%
2012	-9.56%	-10.54%
5-yr avg (% p.a.)	4.79%	4.90%

At 30 June	SAA %
<b>Return-seeking</b>	<b>100</b>
Australian shares	100
<b>Risk-controlling</b>	<b>0</b>

## Property

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target of 3.5% per year above inflation over rolling 5-year periods.

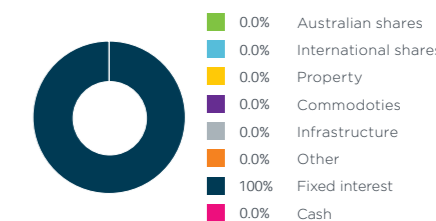


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	12.59%	13.99%
2015	9.26%	11.05%
2014	8.53%	10.12%
2013	10.47%	11.69%
2012	6.80%	7.59%
5-yr avg (% p.a.)	9.51%	10.87%

At 30 June	SAA %
<b>Return-seeking</b>	<b>100</b>
Property	100
<b>Risk-controlling</b>	<b>0</b>

## Diversified Fixed Interest

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is to outperform a composite index of Australian and international fixed interest over rolling 5-year periods.



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

At 30 June	SAA %
<b>Return-seeking</b>	<b>0</b>
<b>Risk-controlling</b>	<b>100</b>
Fixed interest	100

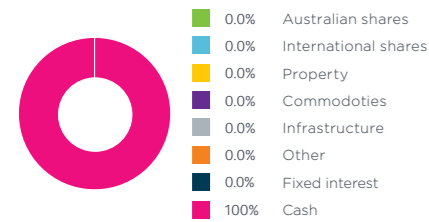
<sup>1</sup> Investment markets are uncertain. LGIAsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time.  
<sup>2</sup> Past performance is not an indicator of future performance.

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<sup>2</sup> Past performance is not an indicator of future performance.

# Accumulation Benefits Fund (cont.)

## Cash

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is the RBA official cash rate over rolling 5-year periods.

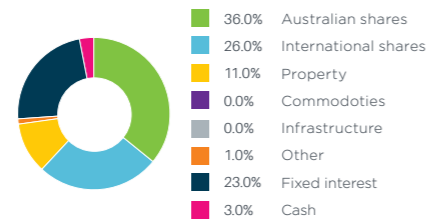


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	1.78%	2.08%
2015	2.07%	2.49%
2014	2.47%	2.95%
2013	3.18%	3.78%
2012	4.18%	4.96%
5-yr avg (% p.a.)	2.73%	3.25%
5 Year excess over CPI	0.90%	1.42%

At 30 June	SAA %
<b>Return-seeking</b>	<b>0</b>
<b>Risk-controlling</b>	<b>100</b>
Cash	100

## SR Balanced

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target of 3.0% per year above inflation over rolling 5-year periods.

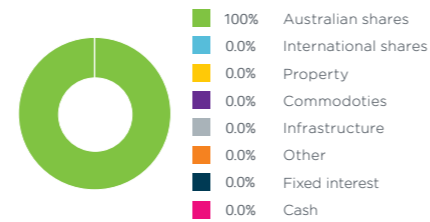


At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	0.77%	0.79%
2015	8.87%	9.79%
2014	11.78%	12.97%
2013	16.73%	18.50%
2012	-0.83%	-0.81%
5-yr avg (% p.a.)	7.26%	8.00%
5 Year excess over CPI	5.43%	6.17%

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

## SR Australian Shares

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is to outperform S&P ASX300 Accumulation Index over rolling 5-year periods.



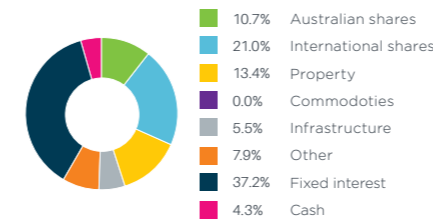
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2016	1.82%	1.88%
2015	7.83%	8.24%
2014	15.85%	16.69%
2013	28.86%	30.39%
2012	-1.49%	-1.55%
5-yr avg (% p.a.)	10.06%	10.56%

At 30 June	SAA %
<b>Return-seeking</b>	<b>100</b>
Australian shares	100
<b>Risk-controlling</b>	<b>0</b>

# Defined Benefits Funds

## Defined Benefits Fund

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is to achieve returns in excess of salary inflation plus 1.5% p.a over rolling 3-year periods.

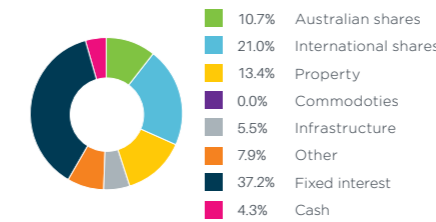


At 30 June	Investment return %	Accumulation comparison rate %
2016	4.12%	5.60%
2015	6.79%	7.82%
2014	9.86%	9.36%
2013	10.08%	8.60%
2012	10.08%	6.43%
3-yr avg (% p.a.)	6.90%	7.58%
3 Year excess over AWOTE <sup>3</sup>	3.34%	4.02%

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>62.8</b>	<b>55.3-70.3</b>
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
Property	15.0	7.5-22.5
Infrastructure	5.3	0.0-12.8
Other	12.3	4.8-19.8
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>37.2</b>	<b>29.7-44.7</b>
Fixed interest	37.2	29.7-44.7
Cash	0.0	0.0-5.0

## Defined Benefit Account (former City Super)

### Actual asset allocation at 30 June 2016



**Return target<sup>1</sup>**  
Return target is to achieve returns in excess of salary inflation plus 1.5% p.a over rolling 3-year periods.



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

At 30 June	SAA %	Ranges %
<b>Return-seeking</b>	<b>62.8</b>	<b>55.3-70.3</b>
Australian shares	9.1	1.6-16.6
International shares	21.1	13.6-28.6
Property	15.0	7.5-22.5
Infrastructure	5.3	0.0-12.8
Other	12.3	4.8-19.8
Commodities	0.0	0.0-7.5
<b>Risk-controlling</b>	<b>37.2</b>	<b>29.7-44.7</b>
Fixed interest	37.2	29.7-44.7
Cash	0.0	0.0-5.0

## Actuarial valuations

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

### Regional Defined Benefits Fund

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

### City Defined Benefits Fund

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

### Vested Benefits Index

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

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

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<sup>2</sup> Past performance is not an indicator of future performance.

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<sup>2</sup> Past performance is not an indicator of future performance.  
<sup>3</sup> Proxy for salary growth  
<sup>4</sup> Preliminary

# Market update

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

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

## International shares

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

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

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

## Australian shares

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

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

## Property

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

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

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

## Alternatives

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

## Infrastructure

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

## Fixed interest and cash

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

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

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

## Looking forward

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

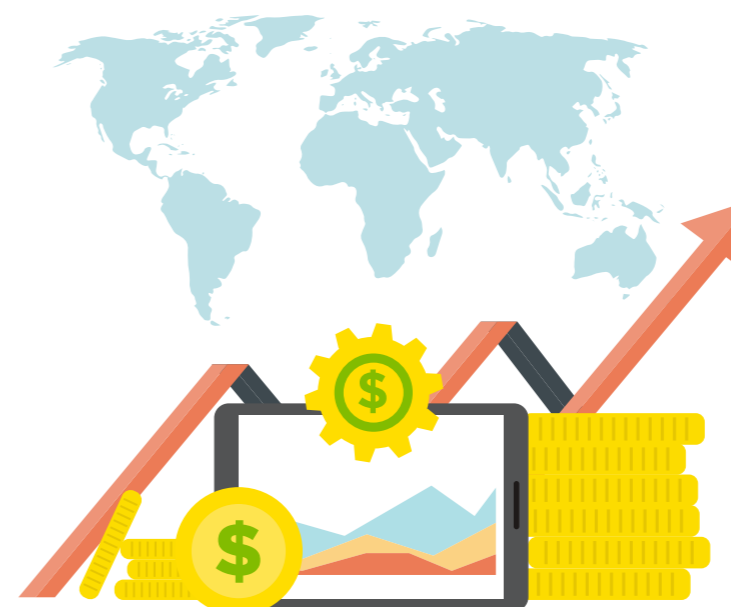
US economic data continues to indicate that the US economy is strengthening albeit at a slower pace than expected. The near term focus will be when and at what rate the US will tighten monetary policy. Eyes will also be on the outcome and any effects of the upcoming presidential election result.

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

## 2015/16 LGIASuper portfolio returns by asset class

Returns shown are before fees and tax.

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



## Where your money is invested

### Top 10 Australians shares at 30 June 2016

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

### Top 10 International shares at 30 June 2016

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

# Fees and other costs

Actual fees charged for 2015/16\*

Type of fee	Investment options								Investment options							How and when paid
	LGIAsuper MySuper Lifecycle		Ready-made options						Single asset class options					Socially responsible		
	Under 75	Over 75	Aggressive	Diversified Growth	Balanced	Stable	Defensive	International Shares	Australian Shares	Property	Diversified Fixed Interest	Cash	SR Balanced	SR Australian Shares		
<b>Investment fee</b>	0.49% p.a.	0.43% p.a.	0.49% p.a.	0.49% p.a.	0.43% p.a.	0.34% p.a.	0.27% p.a.		0.38% p.a.	0.43% p.a.	0.71% p.a.	0.27% p.a.	0.05% p.a.	0.90% p.a.	0.82% p.a.	Deducted from investment earnings as they are credited to your account
<b>Administration fee</b>	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.		0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	Deducted from investment earnings as they are credited to your account
<b>Buy-sell spread</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
<b>Switching fee</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
<b>Exit fee</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
<b>Advice fees</b>	\$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.
<b>Other fees and costs</b>	Insurance fee of 1% included in the insurance premiums deducted from your account.															
<b>Indirect cost ratio</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Deducted from gross investment earnings prior to determining earning rates applicable to your account.

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

## Additional explanation of fees and costs

### Fee changes

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

### Performance fees

Performance fees are paid to some investment managers when they outperform a set benchmark. These fees are calculated by comparing the difference between the benchmark and actual performance for each investment, and multiplying the outperformance by the performance bonus rate payable. Performance fees of approximately \$4.5 million are included in the management costs for 2015/16.

### Advice fees

LGIAsuper does not charge a fee for the provision of general advice, or for limited single issue personal advice (e.g. salary sacrifice, super co-contribution).

LGIAsuper members who receive more comprehensive personal advice and/or meet with an LGIAsuper financial adviser will be charged on a fee-for-service basis. A fee of \$220 including GST will be charged for an in person or phone meeting and a fee of \$220 - \$660 including GST will be charged for more comprehensive personal advice.

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

### Transactional and operational costs

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

### Indirect costs

Indirect costs are any amounts that we know, or reasonably ought to know, will directly or indirectly reduce the return on your investments that are not charged to your account as a fee. LGIAsuper currently does not need to deduct any other amounts from investment returns other than those we disclose above.

### Insurance fee

An Insurance administration fee of 1% including GST was included in all Death, Total and Permanent Disablement and Income Protection premiums. This fee is retained by LGIAsuper and used to partially offset the administration cost of managing the insurance arrangements.



# Investment managers

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

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

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

## Total fund investment returns

At 30 June 2016	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	3.86	8.50	8.42	9.19	6.10
Composite benchmark	2.73	7.64	7.89	8.42	6.42
Excess over benchmark	1.13	0.86	0.53	0.76	-0.32

## Administration and investment management expenses

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

## Investment managers

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

## Investment managers by asset class

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

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



Guy Rundle



## Other important information

### Tax

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

Members who have insurance premiums deducted from their accounts receive a 15% tax deduction on the premiums.

### Surcharge payments

The superannuation surcharge tax was an additional tax paid by higher income earners on employer contributions they received. This tax was abolished on 1 July 2005.

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

### Division 293 tax

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

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

### Temporary residents

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

If you are eligible, you can claim your money directly from LGIAsuper within 6 months of leaving Australia.

Once 6 months have passed, LGIAsuper will be required to transfer your money to the ATO if they request us to do so. Once transferred to the ATO, your money will not earn any interest and you will need to contact the ATO directly for a refund.

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

### Complaints

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

**POST** Complaints Officer, LGIAsuper,  
GPO Box 264, Brisbane Qld 4001

**EMAIL** [complaints@lgiasuper.com.au](mailto: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.

## Specialist consultants and advisors

### Actuarial advice

Mr J Burnett, Willis Towers Watson

### Asset consulting

Willis Towers Watson

### Audit - external

PwC

### Audit - internal

KPMG

### Custodian

JPMorgan Chase Bank

### Group life insurer

OnePath

### Information services and technology

Bravura Solutions (Australia)

Brennan IT

Westpac

Technology One

### Investment management

Acorn Micro Cap

AMP Capital Investors

Ardea Investment Management

Colonial First State Global Asset Management

Columbus Circle Investors

Eley Griffiths Group Small Cap

Equis Funds Group

Goldman Sachs Aust Ltd

JCP Investment Partners

Northcape Capital Partners

Palisade Investment Partners

PIMCO Global Credit

QIC

Resolution Capital

Rogge Global Partners

Sanders Capital

Parametric Portfolio Associates

SSgA

### Legal advisors

King & Company Solicitors

Mr S. Fynes-Clinton

### Tax advisors

PwC

### Trustee insurances broker

AON Risk Services

Anita Garred





# Financial Statements

For the year ended 30 June 2016

Local Government Superannuation Scheme ABN 23 053 121 564

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Statement of changes in net assets  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<i>Net investment revenue</i>			
Interest revenue		71,338	74,342
Dividends & trust distributions		356,111	302,930
Change in net market value of investments, derivative assets and derivative liabilities	5	(40,525)	392,046
Other investment revenue	6	4,161	4,696
		<b>391,085</b>	<b>774,014</b>
<i>Direct investment expenses</i>			
	7	(28,510)	(26,509)
		<b>362,575</b>	<b>747,505</b>
<i>Contribution revenue</i>			
Member contributions		127,528	137,929
Employer contributions		501,604	480,105
Commonwealth government co-contributions		3,339	3,547
		<b>632,471</b>	<b>621,581</b>
<i>Other revenue</i>			
Transfers from other funds		156,920	140,023
Sundry revenue		722	854
Proceeds group life policy		24,019	23,087
		<b>181,661</b>	<b>163,964</b>
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>1,176,707</b>	<b>1,533,050</b>
<i>Less: expenses incurred</i>			
Fund administration expenses	8	18,742	13,600
Benefits paid	9	551,326	545,644
Contribution split payments		1,086	755
Depreciation and gain/loss on disposal		1,147	673
Amortisation of capitalised merger costs		413	413
Group life insurance premiums		41,902	27,165
Other fees		235	159
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>614,851</b>	<b>588,409</b>
<b>Change in net assets before income tax</b>		<b>561,856</b>	<b>944,641</b>
Less: Income tax expense	17	75,095	128,091
<b>Change in net assets after income tax</b>		<b>486,761</b>	<b>816,550</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS At the beginning of the financial year</b>		<b>9,176,729</b>	<b>8,360,179</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS At the end of the financial year</b>		<b>9,663,490</b>	<b>9,176,729</b>

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

Statement of net assets  
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
<i>Investments</i>			
Cash & cash equivalents		986,688	520,964
Fixed interest securities		1,649,601	1,770,023
Listed equity investments and property trusts		4,376,346	2,675,431
Unlisted equity investments and trusts		2,799,104	4,395,240
Derivative assets		40,167	34,468
<b>TOTAL INVESTMENTS</b>	10	<b>9,851,906</b>	<b>9,396,126</b>
<i>Other assets</i>			
Cash at bank		8,766	12,035
Contributions receivable		8,844	11,012
Prepaid expenses		940	746
Receivables/unsettled trades	11	69,609	69,222
Income tax refundable		-	346
Property, plant & equipment	12	2,280	1,683
Intangible assets	13	2,048	-
Capitalised merger costs		-	413
<b>TOTAL OTHER ASSETS</b>		<b>92,487</b>	<b>95,457</b>
<b>TOTAL ASSETS</b>		<b>9,944,393</b>	<b>9,491,583</b>
<b>Liabilities</b>			
Benefits due and unpaid	14	692	493
Derivative liabilities	10	64,841	55,976
Payables/unsettled trades	15	99,399	111,292
Accrued employee entitlements	2(i)(i)(ii)	2,077	1,758
Provision for income tax payable		13,029	-
Deferred tax liability (net)	17	100,865	145,335
<b>TOTAL LIABILITIES</b>		<b>280,903</b>	<b>314,854</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>9,663,490</b>	<b>9,176,729</b>

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

# Notes to and forming part of the financial statements for the year ended 30 June 2016

## Note 1

### General information

The Local Government Superannuation Scheme is a superannuation fund domiciled in Australia.

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

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

The financial statements were approved by the Board of Directors of the Trustee on 28 September 2016.

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

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

## Note 2

### Statement of significant accounting policies

#### (a) Basis of preparation

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

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

#### (b) Statement of compliance

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

#### Rounding and functional currency

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial / Directors Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the ASIC Corporations Instrument, unless otherwise indicated.

### Application of Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the annual reporting period ended 30 June 2016. These are outlined in the table below.

AASB Amendment/ Standard	Title	Nature of change to accounting policy	Application date of standard	Adoption date for LGIA Super
AASB 9	Financial Instruments	Addresses the classification, measurement and derecognition of financial assets and financial liabilities.	1 Jan 18	1 Jul 18
AASB 1056	Superannuation Entities	Superannuation entities will be required to present five financial statements: <ul style="list-style-type: none"> <li>• statement of financial position</li> <li>• income statement</li> <li>• statement of changes in equity/reserves</li> <li>• statement of cash flows</li> <li>• statement of changes in member benefits.</li> </ul> Member benefits for both defined contribution and defined benefit schemes will have to be recognised as a liability, measured as the amount of accrued benefits. Defined benefit liabilities will need to be measured at reporting date rather than every three years, resulting in an increased need for actuarial advice. A number of additional disclosures must be provided, including information on estimates, financial risk management, policies for managing defined benefit liabilities and sub-fund reporting.	1 Jan 16	1 Jul 16
AASB 15, AASB 2014-5, AASB 2018-8	Revenue from Contracts with Customers	Specifies that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the notion of risks and rewards.	1 Jan 18	1 Jul 18
AASB 14	Regulatory Deferral Accounts	AASB 14 is an interim standard which provides relief for first-time adopters of Australian Accounting Standards in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.	1 Jan 16	1 Jul 16

**Note 2**

**Statement of significant accounting policies (continued)**

**Application of Accounting Standards**

AASB Amendment/Standard	Title	Nature of change to accounting policy	Application date of standard	Adoption date for LGIAsuper
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	The amendments to AASB 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business.	1 Jan 16	1 Jul 16
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate.  The IASB has amended AASB 116 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.  AASB 138 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate.	1 Jan 16	1 Jul 16
AASB 2014-9	Amendments to Australian Accounting Standards: Equity method in separate financial statements	The IASB has made amendments to AASB 127 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.	1 Jan 16	1 Jul 16
AASB 2014-10	Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	The IASB has made limited scope amendments to AASB 10 Consolidated financial statements and AASB 128 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.	1 Jan 18	1 Jul 18
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The amendments to AASB 101 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: <ul style="list-style-type: none"> <li>• Materiality</li> <li>• Disaggregation and subtotals</li> <li>• Notes</li> <li>• Other comprehensive income arising from investments accounted for under the equity method.</li> </ul>	1 Jan 16	1 Jul 16

**Application of Accounting Standards**

AASB Amendment/Standard	Title	Nature of change to accounting policy	Application date of standard	Adoption date for LGIAsuper
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	Amendments made to AASB 10 Consolidated Financial Statements and AASB 128 Investments in associates and joint ventures clarify that: <ul style="list-style-type: none"> <li>• The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.</li> <li>• An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.</li> </ul>	1 Jan 16	1 Jul 16
AASB 16	Leases	Removes the current distinction between operating and finance leases and requires recognition of an asset and a financial liability by lessees. Accounting by lessors does not significantly alter.	1 Jul 19	1 Jul 19

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

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

The Australian Accounting Standards Board (AASB) approved AASB 1056 Superannuation Entities in June 2014.

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

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

The key disclosure changes detailed in AASB 1056 include:

(i) Preparation of five statements under the new standard:

- a. Statement of Financial Position;
- b. Income Statement;
- c. Statement of Changes in Reserves;
- d. Statement of Cash Flows; and
- e. Statement of Changes in Member Benefits.

(ii) Recognition of member benefits as a liability on the face of the Statement of Financial Position

(iii) Net assets of the Fund to reflect the Fund's reserves, including the Operational Risk Reserve

(iv) Increased disclosure in relation to insurance arrangements.

(v) Management expects that adopting the new reporting standard will have no (material) impact on the reported results or financial position of the Fund.

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

## Note 2

### Statement of significant accounting policies (continued)

#### Application of Accounting Standards

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

Standards and interpretations that are not expected to have a material impact on the Fund have not been referred to above.

#### (c) Revenue recognition

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

##### *Changes in net market values*

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

##### *Contributions and transfers*

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

##### *Interest*

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

##### *Dividends and distributions*

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

##### *Rental income*

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

##### *Group life insurance proceeds*

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

#### (d) Significant accounting judgements, estimates and assumptions

##### (i) Significant accounting judgements

###### *Operating lease commitments*

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

##### (ii) Significant accounting estimates and assumptions

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

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

###### *Valuation of investments and derivatives*

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

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

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

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

###### *Valuation of accrued benefits*

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 16.

#### (e) Investments (including derivatives)

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

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

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

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

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

**Note 2**

**Statement of significant accounting policies (continued)**

**(f) Property, plant and equipment**

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

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

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

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

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

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

**(g) Intangible assets**

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.

**(h) Income tax**

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

Income tax in the Statement of net assets for the year comprises current and deferred tax.

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

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

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

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

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

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

**(i) Liability for accrued benefits**

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

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

The report on the most recent actuarial investigation of the Fund, as at 1 July 2015, contains details of the accrued benefit liability at that date. The report also provides details of the basis used to calculate the accrued benefit liability (refer Note 16 and the attachments to the financial statements).

**(j) Employee and director entitlements**

**(i) Superannuation**

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

**(ii) Accrued leave**

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

**(k) Currency fluctuations**

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

**(l) Payment of benefits**

Benefits paid (refer Note 9) recognise all benefits due and payable from the Fund. Benefits payable (refer Note 14) are settled in accordance with the Fund's trust deed and are excluded from vested benefits.

**(m) 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.

## Note 2

### Statement of Significant Accounting Policies (continued)

#### (n) Receivables

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

#### (o) Payables

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

#### (p) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

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

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

#### (q) Cash

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

#### (r) Leased assets

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

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

#### (s) Comparative figures

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

#### (t) 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 Board.

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 target for the General reserve is 25 basis points of the Accumulated Benefits Fund.

## Note 3

### Operation of the Fund

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

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

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

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

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

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



Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 4**

**Reconciliation of Fund net assets to member liabilities and reserves**

The Fund comprises three funds:

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

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

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

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

2016	Regional DB Fund	City DB Fund	Accumulation Benefits Fund	Regional DB Operational Risk Reserve	City DB Operational Risk Reserve	Operational Risk Reserve	General Reserve	Total Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance 1 July</b>	<b>1,119,952</b>	<b>93,953</b>	<b>7,905,649</b>	<b>3,352</b>	<b>282</b>	<b>22,223</b>	<b>31,318</b>	<b>9,176,729</b>
Adjustment prior year	2,068	(2,068)	-	-	-	-	-	-
Amended opening balance	<b>1,122,020</b>	<b>91,885</b>	<b>7,905,649</b>	<b>3,352</b>	<b>282</b>	<b>22,223</b>	<b>31,318</b>	<b>9,176,729</b>
Transfer (to)/from reserves	-	(802)	-	-	-	130	18,025	17,353
Interfund transfers	(373)	-	373	-	-	2,099	(2,099)	-
<b>Revenue</b>								
Contribution revenue	36,159	3,021	595,458	-	-	-	-	634,638
Benefits retained	-	-	530,554	-	-	-	-	530,554
Transfers from other funds	-	-	156,920	-	-	-	-	156,920
Insurance claim proceeds	480	240	23,299	-	-	-	-	24,019
Net investment revenue (a)	47,766	4,274	283,956	140	12	846	1,164	338,158
	<b>84,405</b>	<b>7,535</b>	<b>1,590,187</b>	<b>140</b>	<b>12</b>	<b>846</b>	<b>1,164</b>	<b>1,684,289</b>
<b>Expenses</b>								
Benefits paid	119,269	6,124	957,575	-	-	-	-	1,082,968
Fund administration expenses (b)	2,350	-	18,234	-	-	-	-	20,584
Premiums paid to external insurer	1,868	255	33,494	-	-	-	-	35,617
Financial planning fees	-	3	229	-	-	-	-	232
Income tax expense (c)	4,572	380	70,528	-	-	-	-	75,480
	<b>128,059</b>	<b>6,762</b>	<b>1,080,060</b>	-	-	-	-	<b>1,214,881</b>
<b>Closing balance 30 June</b>	<b>1,077,993</b>	<b>91,856</b>	<b>8,416,149</b>	<b>3,492</b>	<b>294</b>	<b>25,298</b>	<b>48,408</b>	<b>9,663,490</b>

2015	Regional DB Fund	City DB Fund	Accumulation Benefits Fund	Regional DB Operational Risk Reserve	City DB Operational Risk Reserve	Operational Risk Reserve	General Reserve	Total Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance 1 July</b>	<b>1,146,645</b>	<b>92,872</b>	<b>7,083,867</b>	<b>3,440</b>	<b>279</b>	<b>21,490</b>	<b>11,586</b>	<b>8,360,179</b>
Adjustment prior year	-	-	(29)	-	-	-	-	(29)
Amended opening balance	<b>1,146,645</b>	<b>92,872</b>	<b>7,083,838</b>	<b>3,440</b>	<b>279</b>	<b>21,490</b>	<b>11,586</b>	<b>8,360,150</b>
Transfer (to)/from reserves	-	-	-	(13)	-	(133)	19,030	18,884
Interfund transfers	(664)	(3)	739	(75)	3	-	-	-
<b>Revenue</b>								
Contribution revenue	37,600	5,346	580,088	-	-	-	-	623,034
Benefits retained	-	233	616,037	-	-	-	-	616,270
Transfers from other funds	-	-	140,023	-	-	-	-	140,023
Insurance claim proceeds	129	-	22,958	-	-	-	-	23,087
Net investment revenue (a)	76,973	5,657	585,014	-	-	866	702	669,212
	<b>114,702</b>	<b>11,236</b>	<b>1,944,120</b>	-	-	<b>866</b>	<b>702</b>	<b>2,071,626</b>
<b>Expenses</b>								
Benefits paid	132,930	9,354	1,020,385	-	-	-	-	1,162,669
Fund administration expenses (b)	2,098	-	13,156	-	-	-	-	15,254
Premiums paid to external insurer	1,004	137	21,966	-	-	-	-	23,107
Financial planning fees	-	3	155	-	-	-	-	158
Income tax expense (c)	4,699	658	67,386	-	-	-	-	72,743
	<b>140,731</b>	<b>10,152</b>	<b>1,123,048</b>	-	-	-	-	<b>1,273,931</b>
<b>Closing balance 30 June</b>	<b>1,119,952</b>	<b>93,953</b>	<b>7,905,649</b>	<b>3,352</b>	<b>282</b>	<b>22,223</b>	<b>31,318</b>	<b>9,176,729</b>

**(a) Net investment revenue**

Net investment revenue is apportioned to member accounts according to the investment strategy applicable to each member. Net investment revenue apportioned to the Operational Risk reserve was based upon a 60% cash investment strategy and 40% balanced investment strategy.

**(b) Fund administration expenses**

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

**(c) Income tax expense**

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

**(d) Operational Risk and General reserves**

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

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

#### Note 5

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

	2016 \$'000	2015 \$'000
<i>Unrealised at reporting date:</i>		
Cash and cash equivalents	-	(438)
Fixed interest securities	39,562	37,569
Equity investments and unlisted trusts	70,220	495,497
Derivatives	(11,220)	(48,993)
	<b>98,562</b>	<b>483,635</b>
<i>Realised during the period:</i>		
Fixed interest securities	761	14,987
Equity investments and unlisted trusts	(142,569)	96,337
Derivatives	2,721	(202,913)
	<b>(139,087)</b>	<b>(91,589)</b>
<b>Total</b>	<b>(40,525)</b>	<b>392,046</b>

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

#### Note 6

##### Other investment revenue

	2016 \$'000	2015 \$'000
Management fee rebates	1,902	2,379
Securities lending revenue	1,519	1,571
Proceeds from class actions and compensation claims	3	31
Equalisation revenue	-	550
Other	737	165
<b>Total</b>	<b>4,161</b>	<b>4,696</b>

#### Note 7

##### Direct investment expenses

	2016 \$'000	2015 \$'000
External investment management fees	15,814	16,189
Master custodian fees	2,915	2,343
Administration expenses - Fund investment operations	1,842	1,654
Other fees & taxes	2,135	433
Performance fees	4,357	4,472
Asset consultant fees	1,181	1,240
Options/futures brokerage fees & other expenses	266	178
<b>Total</b>	<b>28,510</b>	<b>26,509</b>

#### Note 8

##### Fund administration expenses

	2016 \$'000	2015 \$'000
Staff salaries and associated costs	10,975	8,217
Taxation and other government charges	1,677	1,439
Consultants' fees	2,372	1,311
Occupancy expenses	1,361	1,201
Maintenance and service agreements	1,066	870
Communication expenses	599	422
Insurances	343	322
Printing expenses	311	331
Staff travel and business expenses	557	312
Marketing expenses	498	299
Other management expenses	825	530
<b>Total</b>	<b>20,584</b>	<b>15,254</b>
<b>Less:</b>		
Reallocation to direct investment expenses	(1,842)	(1,654)
<b>Total</b>	<b>18,742</b>	<b>13,600</b>

Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 9**

**Benefits paid**

	2016 \$'000	2015 \$'000
<b>Lump sum benefits</b>		
Resignation	38,512	48,836
Age retirement	446,425	504,104
Total and permanent disablement	21,971	19,841
Death	24,557	23,934
Withdrawals	373,855	404,532
	<b>905,320</b>	<b>1,001,247</b>
<b>Pension benefits</b>		
Allocated pension facility	176,504	160,603
Lifetime pensions	56	64
	<b>176,560</b>	<b>160,667</b>
<b>Total</b>	<b>1,081,880</b>	<b>1,161,914</b>
<b>Less:</b>		
Transfer of retained members benefits to new accounts	(530,554)	(616,270)
<b>Total</b>	<b>551,326</b>	<b>545,644</b>

**Note 10**

**Investments and derivatives**

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

	2016 \$'000	2015 \$'000
<b>Cash and cash equivalents</b>		
Cash accounts	320,384	227,010
Short-term money market accounts	657,000	285,000
Futures deposit accounts	9,304	8,954
	<b>986,688</b>	<b>520,964</b>
<b>Fixed interest securities</b>		
Discount securities	215,420	247,135
Term deposits	4,019	110,000
Corporate bonds	316,100	272,613
Floating rate notes	84,192	93,552
Government and semi-government bonds	1,006,058	1,027,661
Other fixed interest securities	23,812	19,062
	<b>1,649,601</b>	<b>1,770,023</b>

**Listed equity investments and property trusts**

Equity investments	3,943,558	2,411,647
Property trusts	432,788	263,784
	<b>4,376,346</b>	<b>2,675,431</b>

**Unlisted equity investments and trusts**

Equity investments	1,426,622	2,946,801
Alternatives	195,479	347,873
Property trusts	936,396	814,677
Diversified fixed interest	165,752	162,062
Socially responsible investments	74,855	123,827
	<b>2,799,104</b>	<b>4,395,240</b>

**Derivative assets**

<i>Options and Warrants</i>		
Equity options	15,389	15,878
Fixed interest and currency options	5,971	7,277
Warrants	5,878	-
<i>Futures</i>		
Equity futures	-	29
Fixed interest futures	2,526	1,080
Money market futures	161	250
<i>Swaps</i>		
Swaps floating	368	2,934
Swaps fixed	9,874	7,020
	<b>40,167</b>	<b>34,468</b>
<b>Total investments assets</b>	<b>9,851,906</b>	<b>9,396,126</b>

Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 10**  
**Investments and derivatives (continued)**

	Notes	2016 \$'000	2015 \$'000
<b>Derivative liabilities</b>			
<i>Options</i>			
Fixed interest and currency options		(582)	(939)
<i>Futures</i>			
Equity futures		-	(915)
Fixed interest futures		(3,370)	(677)
Money market futures		(261)	(87)
<i>Swaps</i>			
Swaps floating		(117)	(981)
Swaps fixed		(13,135)	(15,577)
Forward foreign exchange		(47,376)	(36,800)
<b>Total derivative liabilities</b>		<b>(64,841)</b>	<b>(55,976)</b>
<b>Other financial assets</b>			
Investment revenue receivable	11	28,658	44,819
Other receivables/unsettled trades	11	30,911	22,717
		<b>59,569</b>	<b>67,536</b>
<b>Other financial liabilities</b>			
Other payables/unsettled trades	15	(84,660)	(99,797)
<b>Net investment assets</b>		<b>9,761,974</b>	<b>9,307,889</b>

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

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

**Level 1 - Fair value in an active market**

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

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

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

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

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

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

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

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

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

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

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2016</b>				
<b>Financial assets</b>				
Equity investments	3,941,149	1,373	1,036	3,943,558
Listed property 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
<b>Financial liabilities</b>				
Derivatives	(3,631)	(61,210)	-	(64,841)
<b>Total</b>	<b>4,407,839</b>	<b>1,568,504</b>	<b>2,824,034</b>	<b>8,800,377</b>

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

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 10**

**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:

	Equity securities \$'000	Unlisted unit trusts \$'000	Fixed interest securities \$'000	Derivatives \$'000	Total \$'000
<b>2016 financial year</b>					
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)
<b>Balance at 30 June 2016</b>	<b>1,036</b>	<b>2,799,104</b>	<b>23,823</b>	<b>71</b>	<b>2,824,034</b>

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

**Valuation inputs and relationship to fair value**

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

	Fair Value \$'000	Valuation Approach	Key unobservable inputs	Inter-relationship between unobservable inputs and fair value
Equity securities	1,036	Last traded price	Trading price	Less actively traded equities or trading in less developed markets may alter the fair value
Unlisted unit trusts	2,799,104	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	23,823	Discounted cashflow	Face value and interest rate of notes/bonds	Increase/(decrease) in interest rate results in an increase/(decrease) in fair value
Derivatives	71	Pricing models	Yields, cash flows, volatility, default probability	Higher/(lower) yields, cash flows and counterparty credit quality will result in higher/(lower) fair values

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

	Equity securities \$'000	Unlisted unit trusts \$'000	Fixed interest securities \$'000	Derivatives \$'000	Total \$'000
<b>2016 financial year</b>					
<i>Total realised gains (losses)</i>					
Trading income	-	(204,784)	4	-	(204,780)
<i>Total unrealised gains (losses)</i>					
Trading income	(1,843)	37,722	-	-	35,879

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2016 financial year</b>				
<b>Financial assets</b>				
Equity securities	-	(2,202)	2,202	-
<b>Total</b>	-	<b>(2,202)</b>	<b>2,202</b>	-

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

**Note 11**  
**Receivables/unsettled trades**

	2016 \$'000	2015 \$'000
<b>Investment revenue receivable</b>		
Interest receivable	1,820	1,733
Dividends receivable	5,197	7,383
Trust distributions receivable	21,641	35,703
	<b>28,658</b>	<b>44,819</b>
<b>Other</b>		
Sundry & other debtors	10,040	1,686
Other receivables & unsettled trades	30,911	22,717
	<b>40,951</b>	<b>24,403</b>
<b>Total</b>	<b>69,609</b>	<b>69,222</b>

**Note 12**  
**Property, plant and equipment**

	Furniture and equipment \$'000	Computer hardware \$'000	Computer software \$'000	Leasehold improve- ments \$'000	Motor vehicles \$'000	Total \$'000
Opening balance 1 July 2014	106	296	1,002	71	212	1,687
Additions	21	152	342	154	-	669
Disposals	(1)	(1)	-	-	-	(2)
Depreciation	(28)	(170)	(397)	(29)	(47)	(671)
<b>Closing balance 30 June 2015</b>	<b>98</b>	<b>277</b>	<b>947</b>	<b>196</b>	<b>165</b>	<b>1,683</b>
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)
<b>Closing balance 30 June 2016</b>	<b>72</b>	<b>413</b>	<b>1,201</b>	<b>383</b>	<b>211</b>	<b>2,280</b>

**Note 13**  
**Intangible assets**

	Software development costs \$'000
Opening balance 1 July 2014	-
Additions	-
Disposals	-
Amortisation	-
<b>Closing balance 30 June 2015</b>	-
Opening balance 1 July 2015	-
Additions	2,048
Disposals	-
Amortisation	-
<b>Closing balance 30 June 2016</b>	<b>2,048</b>

Intangible assets represent capitalised costs associated with an IT software development project.

**Note 14**  
**Benefits due and unpaid**

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

	2016 \$'000	2015 \$'000
Lump sum death benefits	692	493
<b>Total</b>	<b>692</b>	<b>493</b>

**Note 15**  
**Payables/unsettled trades**

	2016 \$'000	2015 \$'000
Other payables & unsettled trades	84,660	99,797
Trade & sundry creditors	14,527	11,312
PAYG tax payable	212	183
<b>Total</b>	<b>99,399</b>	<b>111,292</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2016

### Note 16

#### Accrued benefits

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

The valuation of accrued benefits for the Regional Defined Benefits Fund was undertaken by the actuary as part of a comprehensive actuarial review as at 1 July 2015 (Refer Note 21(a)). Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken as at 1 July 2012.

	2015 \$'000	2012 \$'000
Accrued benefits as at 1 July	991,900	1,073,200
Accrued Benefits Reserve Index	112.9%	103.5%

The calculation of the Accrued Benefits Reserve Index as at 1 July 2015 was as follows:

Net assets value	=	\$1,120.0M
Accrued benefits		\$991.9M
	=	112.9%

The valuation of accrued benefits for the City Defined Benefits Fund was undertaken by the actuary as part of a comprehensive actuarial review as at 1 July 2015 (Refer Note 21(b)). Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken as at 1 July 2012.

	2015 \$'000	2012 \$'000
Accrued benefits as at 1 July	73,200	85,100
Accrued Benefits Reserve Index	128.3%	102.6%

The calculation of the Accrued Benefits Reserve Index as at 1 July 2015 was as follows:

Net assets value	=	\$93.9M
Accrued benefits		\$73.2M
	=	128.3%

### Note 17

#### Income tax

Major components of income tax expense were:

	2016 \$'000	2015 \$'000
<b>Statement of changes in net assets</b>		
Current income tax expense	119,564	48,519
Deferred income tax expense	(44,469)	79,572
<b>Total</b>	<b>75,095</b>	<b>128,091</b>
A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:		
Change in net assets before income tax	561,856	944,641
Tax at the rate of 15%	84,278	141,696
<i>Add-tax effect of non-deductible:</i>		
- benefits paid	81,287	80,596
- other	35	24
- expenses relating to exempt pension income	10,007	7,480
	<b>91,329</b>	<b>88,100</b>
<i>Less-tax effect of non-assessable:</i>		
- contributions	19,630	20,646
- transfers from other funds	23,538	21,004
- proceeds group life policy	3,603	3,463
- pension income	20,922	9,567
Dividend imputation and foreign tax credits (net)	30,487	31,594
Discount on capital gains	21,920	-
	<b>120,100</b>	<b>86,274</b>
<b>Adjusted income tax expense</b>	<b>55,507</b>	<b>143,522</b>
- Under provision (over provision) for current income tax in prior year	(4,549)	(1,797)
- Under provision (over provision) for deferred income tax in prior year	7,692	4,675
- Other movements in deferred tax assets/deferred tax liabilities	15,082	(19,082)
- Recovery of anti-detriment payments from ATO	1,363	773
	<b>19,588</b>	<b>(15,431)</b>
Income tax expense reported in Statement of changes in net assets	<b>75,095</b>	<b>128,091</b>

**Note 17**

**Income tax (continued)**

	2016 \$'000	2015 \$'000
<b>Deferred income tax</b>		
Deferred income tax at 30 June relates to the following:		
<b>Deferred income tax liabilities</b>		
Taxable temporary differences – assets subject to CGT	90,089	141,251
Taxable temporary differences – other assets	18,879	19,399
	<b>108,968</b>	<b>160,650</b>
<b>Movements:</b>		
Opening balance at 1 July	160,650	109,902
Charged/(credited) to the Statement of changes in net assets	(51,682)	50,748
Closing balance at 30 June	<b>108,968</b>	<b>160,650</b>
The deferred tax liabilities expected to be settled in more than 12 months are \$90,089k (2015: \$141,251k).		
<b>Deferred income tax assets</b>		
Taxable temporary differences – assets subject to CGT	92	48
Taxable temporary differences – other assets	8,011	15,267
	<b>8,103</b>	<b>15,315</b>
<b>Movements:</b>		
Opening balance at 1 July	15,315	44,139
Charged/(credited) to the statement of changes in net assets	(7,212)	(28,824)
Closing balance at 30 June	<b>8,103</b>	<b>15,315</b>
<b>Net deferred tax liability</b>	<b>100,865</b>	<b>145,335</b>

The deferred tax assets expected to be settled in more than 12 months are \$92k (2015: \$48k).

**Note 18**

**Vested benefits – Defined Benefits Funds**

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

The Vested Benefits Index (i.e. the value of net assets expressed as a percentage of vested benefits) as at 30 June 2016 was as follows for the two defined benefits funds:

	Regional Defined Benefits		City Defined Benefits	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Net assets value	1,078.0	1,120.0	91.9	94.0
Vested benefits	956.7	1,001.2	76.2	77.3
Vested Benefits Index (VBI)	113.04%	111.87%	120.89%	121.60%

**Note 19**

**Guaranteed benefits**

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

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

**Note 20**

**Funding arrangements**

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

Given the closure of the Regional Defined Benefits Fund to new entrants as from 1 July 1998, the actuary, in conducting future investigations of the Regional Defined Benefits Fund, adopted a valuation method known as 'Target' Funding. During 2016 employers contributed 12% (2015: 12%) of employees' salaries, while employees contributed 6% (2015: 6%) of their salaries.

For the City Defined Benefits Fund, during 2016 employers contributed 14% (2015: 14%) of employee salaries while employees contributed 5% (2015: 5%) of their salaries.



# Notes to and forming part of the financial statements for the year ended 30 June 2016

## Note 21

### Actuarial investigation

#### (a) Regional Defined Benefits Fund

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

The most recent actuarial investigation of the Fund was conducted by Mr John Burnett of Towers Watson Australia Pty Ltd, based on Fund membership and asset data at 1 July 2015. The Board has determined that the next actuarial investigation of the Defined Benefits Funds will be undertaken as at 1 July 2018. (Refer Attachment A Summary of Actuarial Report 2015).

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

The net asset value of the Regional Defined Benefits Fund at 30 June 2015 representing defined benefits members' funds was used for the purpose of the 1 July 2015 actuarial valuation:

Defined benefits members' funds as at 1 July 2015	\$1,120.0m
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#### (b) City Defined Benefits Fund

The last full actuarial investigation of the City Defined Benefits Fund was conducted by Mr John Burnett of Towers Watson Australia Pty Ltd, based on membership and asset data as at 1 July 2015. The Board has determined that the next actuarial investigation of the City Defined Benefits Fund will be undertaken as at 1 July 2018.

(Refer Attachment A Summary of Actuarial Report 2015).

The net asset value of the City Defined Benefits Fund at 30 June 2015 representing defined benefits members' funds was used for the purpose of the 1 July 2015 actuarial valuation:

Defined benefits members' funds as at 1 July 2015	\$93.9m
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## Note 22

### Financial instruments and risk management

#### (a) General financial instruments

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

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

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

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

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

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

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

#### (b) Market risk

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

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

#### Currency risk

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

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

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

30 June 2016	AUD \$'000	USD \$'000	JPY \$'000	EUR \$'000	GBP \$'000	Other \$'000	Total \$'000
Gross investment assets	4,660,419	3,157,570	251,036	565,539	445,797	728,989	9,809,350
Foreign exchange contracts (notional value)	2,751,339	(1,895,944)	(127,872)	(305,447)	(298,054)	(124,022)	-
<b>Total</b>	<b>7,411,758</b>	<b>1,261,626</b>	<b>123,164</b>	<b>260,092</b>	<b>147,743</b>	<b>604,967</b>	<b>9,809,350</b>
Fair value of foreign exchange contracts	(50,549)	1,691	990	136	(838)	1,194	(47,376)
<b>Total investments and derivatives - refer Note 10</b>	<b>7,361,209</b>	<b>1,263,317</b>	<b>124,154</b>	<b>260,228</b>	<b>146,905</b>	<b>606,161</b>	<b>9,761,974</b>

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

Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 22**

**Financial instruments and risk management (continued)**

*Sensitivity analysis*

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

It should be noted that this sensitivity analysis excludes the impact of forward foreign exchange contracts which effectively hedge 100% of the currency exposure of the Fund's overseas fixed interest and infrastructure investments and up to 50% of international equity assets. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2015.

	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
<b>30 June 2016</b>				
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
			<b>(256,165)</b>	<b>256,165</b>
<b>30 June 2015</b>				
US dollars	11.7%	(11.7%)	(174,102)	174,102
Japanese yen	14.2%	(14.2%)	(17,924)	17,924
Euro	9.7%	(9.7%)	(26,582)	26,582
British pounds	10.9%	(10.9%)	(24,678)	24,678
Other	9.7%	(9.7%)	(4,288)	4,288
			<b>(247,574)</b>	<b>247,574</b>

*Interest rate risk*

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

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

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>30 June 2016</b>				
<b>Assets</b>				
Cash & cash equivalents	986,688	-	-	986,688
Fixed interest securities	112,757	1,536,844	-	1,649,601
Listed equity investments & property trusts	-	-	4,376,346	4,376,346
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
	<b>1,099,973</b>	<b>1,555,216</b>	<b>7,256,286</b>	<b>9,911,475</b>
<b>Liabilities</b>				
Derivatives	(378)	(17,056)	(47,407)	(64,841)
Other financial liabilities	(571)	-	(84,089)	(84,660)
	<b>(949)</b>	<b>(17,056)</b>	<b>(131,496)</b>	<b>(149,501)</b>
<b>Total</b>	<b>1,099,024</b>	<b>1,538,160</b>	<b>7,124,790</b>	<b>9,761,974</b>

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

# Notes to and forming part of the financial statements for the year ended 30 June 2016

## Note 22

### Financial instruments and risk management (continued)

#### Sensitivity analysis for fixed rate and variable rate instruments

Potential increases in interest rates applying to fixed and variable rate instruments as at 30 June would have decreased net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2015.

Volatility factors by asset class	2016	2016	2015	2015
	Reflects higher interest rates	Reflects lower interest rates	Reflects higher interest rates	Reflects lower interest rates
Australian sovereign bonds	1.2%	(1.2%)	1.2%	(1.2%)
Australian corporate bonds	1.4%	(1.4%)	1.3%	(1.3%)
International sovereign bonds	0.6%	(0.6%)	0.5%	(0.5%)
International corporate bonds	0.8%	(0.8%)	0.6%	(0.6%)
Australian real yields	0.8%	(0.8%)	0.8%	(0.8%)
International real yields	0.4%	(0.4%)	0.4%	(0.4%)
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Effect on net assets available to pay benefits</b>	<b>(24,670)</b>	<b>24,670</b>	<b>(20,881)</b>	<b>20,881</b>

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

#### Asset price risk

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

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

#### Sensitivity analysis

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

Volatility factors	2016	2016	2015	2015
	Reflects higher asset prices	Reflects lower asset prices	Reflects higher asset prices	Reflects lower asset prices
Australian equities	19.8%	(19.8%)	19.9%	(19.9%)
International equities	16.9%	(16.9%)	16.8%	(16.8%)
Australian & global listed property	16.5%	(16.5%)	16.4%	(16.4%)
Asset backed securities	6.6%	(6.6%)	6.5%	(6.5%)
Emerging markets cash	7.7%	(7.7%)	7.8%	(7.8%)
Emerging markets equities	-	-	22.0%	(22.0%)
High yield debt	10.7%	(10.7%)	10.5%	(10.5%)
Global infrastructure	17.3%	(17.3%)	17.4%	(17.4%)
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Effect on net assets available to pay benefits</b>	<b>1,265,426</b>	<b>(1,265,426)</b>	<b>1,297,342</b>	<b>(1,297,342)</b>

#### (c) Liquidity risk

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

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

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

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

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

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

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

Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 22**

**Financial instruments and risk management (continued)**

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	More than 5 years \$'000	Total \$'000
<b>2016</b>						
<i>Non-derivatives</i>						
Other payables & unsettled trades	(84,660)	-	-	-	-	(84,660)
Trade & sundry creditors	(14,739)	-	-	-	-	(14,739)
Current tax liabilities	(13,029)	-	-	-	-	(13,029)
Accrued employee entitlements	(1,782)	-	-	(150)	(145)	(2,077)
Benefits payable	-	(692)	-	-	-	(692)
<b>Total non-derivatives</b>	<b>(114,210)</b>	<b>(692)</b>	<b>-</b>	<b>(150)</b>	<b>(145)</b>	<b>(115,197)</b>
<i>Derivatives</i>						
Gross settled (forward currency contracts, futures, options, swaps)						
- 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)
<b>Total derivatives</b>	<b>2,290</b>	<b>(21,089)</b>	<b>271,562</b>	<b>(23,721)</b>	<b>(167)</b>	<b>228,875</b>

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

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

**(d) Credit risk**

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

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

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

	2016 \$'000	2015 \$'000
Cash and cash equivalents	986,688	520,964
Term deposits	4,019	110,000
Investments in debt instruments	1,645,582	1,660,023
Contributions receivable	8,844	11,012
Unsettled trades and income receivable	69,609	69,222
	<b>2,714,742</b>	<b>2,371,221</b>

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

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

	AAA to AA \$'000	A+ to A- \$'000	BBB+ to BB+ \$'000	CCC+ \$'000	Not Rated \$'000	Total \$'000
<b>2016</b>	1,131,906	272,879	215,167	-	25,630	1,645,582
<b>2015</b>	1,188,636	255,186	195,065	-	21,136	1,660,023

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

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

Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 23**  
**Structured entities**

Name of entity	Country of establishment	Ownership interest		Value	
		2016 %	2015 %	2016 \$'000	2015 \$'000
<b>Wholly owned structured entities</b>					
Kosciusko LG					
Multi Strategy Fund No. 2	Australia	100%	100%	472,592	460,401
Westbourne Yield Fund No 4	Australia	100%	100%	125,930	148,613
Morgan Stanley Global Infrastructure Fund No. 3	Australia	100%	100%	20,613	16,964
LG Super Asian Infrastructure Investment Trust	Australia	100%	100%	236,784	149,231
Palisade (LG) Investment Trust	Australia	100%	100%	8,761	11,449
Palisade AWT Trust 1	Australia	100%	100%	561	5,603
ISQ Global Infrastructure Fund (AU) L.P.	United States of America	100%	100%	62,659	4,086
Altis QLGS Trust	Australia	100%	-	30,000	-
<b>Partially owned structured entities</b>					
Palisade TGP Holdings Pty Ltd	Australia	28.6%	28.6%	46,542	38,427
Palisade North Queensland Gas Pipeline	Australia	18.7%	-	36,720	-
Palisade Waterloo Holdings Pty Ltd	Australia	42.4%	42.4%	61,069	49,613
RLMC Operating Company Pty Ltd and RLX Investment Trust	Australia	28.4%	34.6%	33,024	30,525
Palisade Eastern Creek Holdings Pty Ltd and Palisade Eastern Creek Holdings Trust	Australia	25.6%	25.6%	23,792	21,548
Palisade Ports Pty Ltd	Australia	31.0%	31.0%	32,519	29,946
Palisade Australian Social Infrastructure Investment Fund 1	Australia	36.9%	43.4%	47,895	47,311
Palisade Terminals Holding Trust	Australia	30.2%	30.2%	31,113	30,479
Clearbell II Unit Trust	Isle of Man	6.2%	6.3%	32,329	27,701
Orion European Real Estate Fund IV, C.V.	Netherlands	3.1%	3.1%	27,469	33,891

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

*Related and unrelated investments*

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

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

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

**Note 24**  
**Auditors' remuneration**

	2016 \$	2015 \$
Amount received or due and receivable by PricewaterhouseCoopers:		
Audit of financial statements and APRA return	139,012	136,286
Taxation services	307,657	293,758
Other assurance services (specified assertions audit over Custodian balances and agreed upon procedures)	119,438	42,461
<b>Total</b>	<b>566,107</b>	<b>472,505</b>

**Note 25**  
**Related parties**

*Details of compensation*

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

**(a) Directors**

The following persons were directors of the Queensland Local Government Superannuation Board for the year ended 30 June 2016:

Director	Position	Representative body	Appointment date	Resignation/term expired date
Mr N P Cass	Director and committee member	Member representative	1 July 2008 **	
Ms F Connor	Director and committee member	Member representative	1 July 2001	
Mr R L Curtis	Director and committee member	Member representative	1 July 2011	
Cr M A de Wit	Director	Employer representative	1 June 2013	
			1 December 2013	
Ms B K Morris	Chair and committee member	Independent	1 October 2014-Chair	
Mr J S Smith	Director and committee member	Independent	1 December 2013	
Mr J F Wilson	Director and committee member	Independent	1 December 2013	
Mr I C Leckenby	Director and committee member	Employer representative	3 July 2014	30 June 2016
Cr P N Matic	Director and committee member	Employer representative	3 July 2014	30 June 2016

\*\* Previous term 1 July 1995 - 30 June 2004

Notes to and forming part of the financial statements  
for the year ended 30 June 2016

**Note 25**

**Related parties (continued)**

**(b) Executives**

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

The following persons were executives of the Queensland Local Government Superannuation Board for the year ended 30 June 2016:

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	Executive contract

**Remuneration of directors**

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

**Remuneration of executives and other employees**

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

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

**(c) Remuneration of directors**

Directors		Short-term		Post-employment	Total remuneration
Name	Position	Board fee \$'000	Board committee fee \$'000	Superannuation \$'000	\$'000
<b>2015 - 2016</b>					
Ms B K Morris <sup>1</sup>	Chairman	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 <sup>2</sup>	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 <sup>2</sup>	Director	55	9	12	76
<b>Total remuneration</b>		<b>489</b>	<b>126</b>	<b>216</b>	<b>831</b>

<sup>1</sup>Term expired 30 June 2016

Directors		Short-term		Post-employment	Total remuneration
Name	Position	Board fee \$'000	Board committee fee \$'000	Superannuation \$'000	\$'000
<b>2014 - 2015</b>					
Ms B K Morris <sup>2</sup>	Chairman	104	13	22	139
Mr B D Roebig OAM <sup>3</sup>	Chairman	5	2	30	37
Cr M A de Wit	Director	55	-	11	66
Mr N P Cass	Director	38	8	35	81
Ms F Connor	Director	52	8	14	74
Mr R L Curtis	Director	56	10	12	78
Mr I C Leckenby <sup>4</sup>	Director	54	8	12	74
Mr J S Smith	Director	34	15	32	81
Mr J F Wilson	Director	35	14	33	82
Cr P N Matic <sup>4</sup>	Director	54	7	12	73
<b>Total remuneration</b>		<b>487</b>	<b>85</b>	<b>213</b>	<b>785</b>

<sup>2</sup> Appointed Chair 1 October  
<sup>3</sup> Resigned 30 September 2014  
<sup>4</sup> Appointed 3 July 2014

All remuneration above was paid directly to each director and not to any representative organisation. The remuneration shown above is the full remuneration and no director receives remuneration from related parties for their role as a director of The Queensland Local Government Superannuation Board.

**(d) Remuneration of executives**

Executives		Short-term			Post-employment		Termination benefits	Total remuneration
Name	Position	Salary <sup>1</sup> \$'000	Non-monetary benefits <sup>2</sup> \$'000	Bonus \$'000	Super \$'000	Other <sup>3</sup> \$'000	\$'000	\$'000
<b>2015 - 2016</b>								
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 <sup>4</sup>	Chief Digital Officer	264	-	-	30	-	-	294
<b>Total remuneration</b>		<b>1,470</b>	<b>157</b>	<b>-</b>	<b>160</b>	<b>34</b>	<b>-</b>	<b>1,821</b>

**Note 25**

**Related parties (continued)**

**(d) Remuneration of executives**

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

<sup>1</sup> Salary includes base pay plus annual leave accrued less annual leave taken less salary sacrificed non-monetary benefits

<sup>2</sup> Non-monetary benefits includes salary sacrificed motor vehicles on a cost neutral basis to the Board

<sup>3</sup> Other post-employment includes long service leave accrued - long service leave taken

<sup>4</sup> Appointed 6 July 2015

**(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 Board or the Fund and key management personnel or employees.

**Note 26**

**Commitments and contingent liabilities**

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

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

Details of investment commitments are as follows:

	2016 \$'000	2015 \$'000
Not later than one year	376,382	474,243
<b>Total</b>	<b>376,382</b>	<b>474,243</b>

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

Contracted operating lease expenditure is payable as follows:

	2016 \$'000	2015 \$'000
Not later than one year	1,408	1,197
Later than one year and not later than five years	6,156	5,340
Later than 5 years	4,627	5,879
<b>Total</b>	<b>12,191</b>	<b>12,416</b>

**Note 27**

**Significant post balance date events**

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

### Trustee's declaration

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

In the opinion of the Board

- (a) the financial statements set out on pages 36 to 77 are drawn up so as to present fairly the net assets of the Fund as at 30 June 2016 and the changes in net assets for the year then ended;
- (b) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standard AAS 25, Financial Reporting by Superannuation Plans, other applicable Australian equivalents to International Financial Reporting Standards, the provisions of the Trust Deed and relevant legislative requirements; and
- (c) the Fund has operated in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993 as amended and Regulations, the Corporations Act 2001, Regulations and Guidelines and Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2016..



**Bronwyn K Morris**  
Chair



**John S Smith**  
Chairman Audit and  
Risk Management Committee



**David J Todd**  
Chief Executive Officer

28 September 2016  
Brisbane

### For a Reporting Entity

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

Local Government Superannuation Scheme  
(ABN 23 053 121 564)

Report by the RSE Auditor to the trustee and members

### Financial statements

I have audited the financial statements of the Local Government Superannuation Scheme for the year ended 30 June 2016 comprising the Statement of Net Assets, Statement of Changes in Net Assets, summary of significant accounting policies and other explanatory notes.

### Trustee's responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

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

### Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the net assets of the Local Government Superannuation Scheme as at 30 June 2016 and the changes in net assets for the year ended 30 June 2016.



PricewaterhouseCoopers



**David Coogan**  
Partner

28 September 2016  
Brisbane

<sup>1</sup> Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans

**PricewaterhouseCoopers, ABN 52 780 433 757**

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## Attachment A Summary of Actuarial report 2015

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

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

#### Results

For the disclosure purposes of AAS25, the Accrued benefits under the Fund as at 30 June 2015 are determined to be:

Defined Benefits Fund (Regional and City):	\$1,065.1m
Accumulation Benefits Fund:	\$7,905.6m

The aggregate amount of vested benefits at 30 June 2015 was:

Defined Benefits Fund:	\$1,079.1m
Accumulation Benefits Fund:	\$7,905.6m

The market value of assets of the Fund at 30 June 2015 was \$9,176.7m of which \$1,213.9m was attributable to defined benefits.

#### Method

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

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

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

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

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

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

#### Data and assumptions

The assumptions and data used to calculate Accrued Benefits are summarised as follows:

Discount Rate (active defined benefit members):	5.5% p.a.
Future Salary Increases:	4.0% p.a.

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

#### Summary of Actuarial report

AAS23 also requires the notes to the Fund's accounts to include a summary of the most recent actuarial report of Funds. The attachment to this statement provides a summary of my report on the actuarial investigation of the Local Government Superannuation Fund carried out as at 30 June 2015. The summary has been prepared in accordance with Professional Standard 401 issued by the Institute of Actuaries of Australia and contains information required under AAS25.

John Burnett  
Fellow of the Institute of Actuaries of Australia  
3 December 2015

## Attachment to AAS25 Statement Local Government Superannuation Fund

### Summary of Actuarial report

This attachment provides a summary of the report on actuarial investigation of the Local Government Superannuation Scheme as at 30 June 2015, including the Actuary's opinion as to the financial condition of the Fund.

#### Data

The actuarial investigation was based on 3,049 defined benefit members. The net value of assets attributable to defined benefit members was taken as at 30 June 2015 to be \$1,213.9m (setting aside offset accounts for the purpose of the review).

#### Financing method and recommendations

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

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

The actuary also recommended that the next full actuarial investigation be made on or before 30 June 2018.

#### Financial condition

The coverage of various measures of defined benefit liabilities by assets at 30 June 2015 was as follows (adjusted for offset accounts):

	Assets	Benefits	Ratio*
	\$	\$	%
Regional coverage of accrued and vested benefits	1,120.0	1,000.8	111.9%
City coverage of accrued and vested benefits	93.9	78.3	119.9%

\*These ratios are currently considered satisfactory.



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