



LGIAsuper

Let's Grow

INVESTMENT ADVICE INSURANCE

2017
ANNUAL REPORT
TO MEMBERS





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LGIAsuper - a complying fund

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

Disclaimer

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

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

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

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

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

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

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

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

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

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

(left to right)
John Smith
and David Todd



Another year of strong returns

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

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

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

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

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

That focus on providing competitive returns while taking on less risk has been recognised by independent research firm SuperRatings¹, which recently reported that our Balanced and Diversified Growth investment options outperformed a typical return in 89% of falling markets over the last 7 years.

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

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

Industry recognition

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

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

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

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

It is a reflection of the hard work of the Board and LGIAsuper's staff that your fund has now been recognised with the 'Platinum' rating for 9 consecutive years¹.

We were also named as finalists in a number of other award categories including Best Public Sector fund and Best MySuper investment option, together with a 5-Star Heron Partnership rating for the 2016/17 financial year².

Governance structure

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

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

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

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

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

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

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

Digital transformation

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

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

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

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

The year ahead

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

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

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

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

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

John Smith
Independent Director and Chair

David Todd
Chief Executive Officer

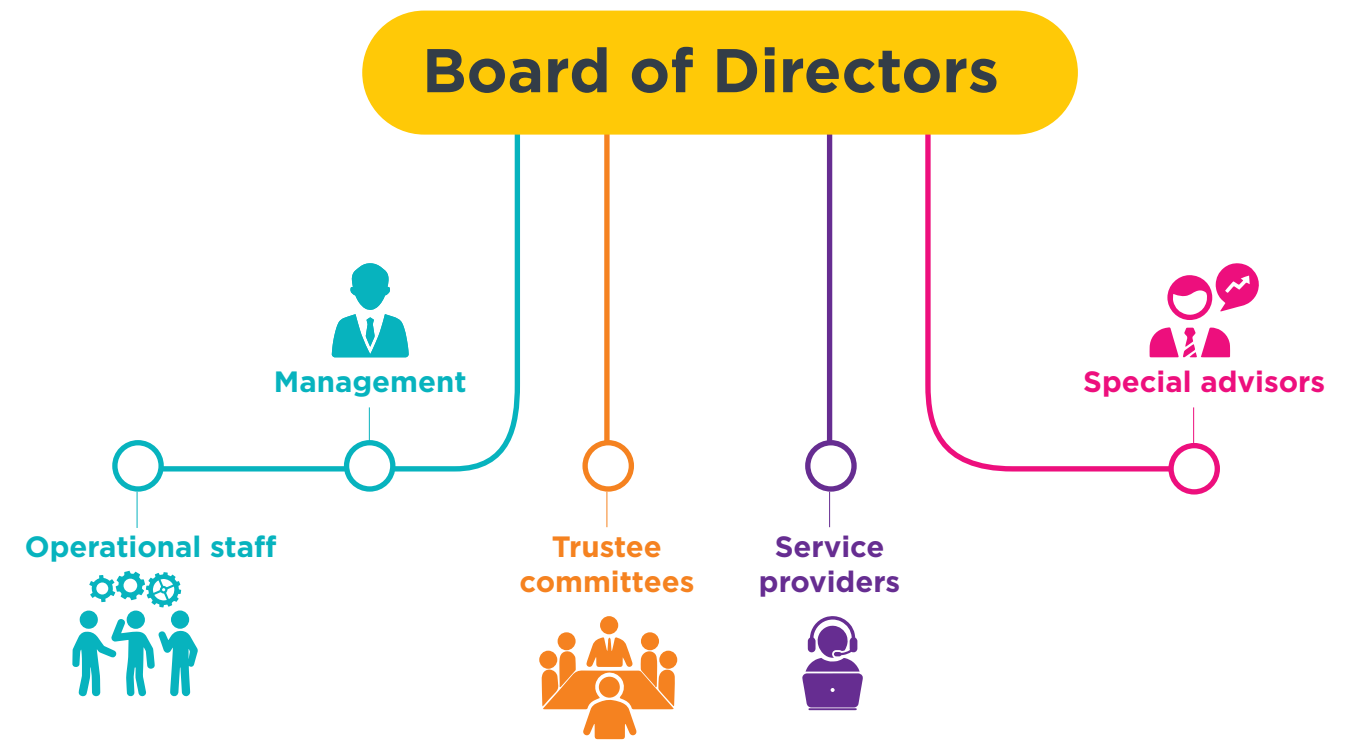
1 Read more at lgiasuper.com.au/forms-and-calculators/publications/news/lgiasuper-rated-one-of-australias-best-value-for-money-funds/.

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

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

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

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



Governance structure

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

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

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

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

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

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

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

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

Trustee liability insurance

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



Trustee remuneration policy

Goals

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

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

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

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

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

Independent remuneration consultant

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

Director and management remuneration

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



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

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



Independent Director and Chair

John Smith

Director

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

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

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

Independent directors

Member representatives



Peter Kazacos

Director

Member, Audit and Risk Management Committee

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



John Wilson

Director

Chair, Investment Committee

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



Noel Cass

Director

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

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



Fiona Connor

Director

Member, Audit and Risk Management Committee,
Member, Investment Committee

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



Ron Curtis

Director

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

Ron Curtis was appointed an LGIAsuper director on 1 July 2011 and was a member representative director of City Super from 2005. He served as Chair of City Super from 2009 to 2011 and also served on numerous City Super committees. Ron's experience as a representative on superannuation fund boards spans back to 1988. He was also a Brisbane City Council employee in the industrial relations field from 2002. Ron has completed various courses through the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees and is a Member of the Association of Superannuation Funds of Australia.

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

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

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

Employer representatives



Cr Matthew Bourke

Director

Member, Investment Committee

Cr Matthew Bourke was appointed as an LGIASuper director in July 2016 and has been a Councillor for the ward of Jamboree since 2008. Matthew is well known for his contribution to the local community, specifically his flood recovery work where he received the National Emergency Medal for his involvement. Matthew is a Graduate member of the Australian Institute of Company Directors, a member of the Lord Mayor's Creative Advisory Trustee and the Lord Mayor's Inclusive Brisbane Trustee.



Margaret de Wit (OAM)

Director

Member, Remuneration, HR and Nominations Committee

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



Cr Cameron O'Neil

Director

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

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

Special advisors

Andrew Cormie

Special Advisor

Investment Committee

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

Mitchell Petrie

Special Advisor

Audit and Risk Management Committee

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



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

Chief Executive Officer

David Todd

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



Chief Risk Officer and Deputy Chief Executive Officer

Ian Harcla

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



Chief Operating Officer

Timothy Willmington

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



Chief Financial Officer

Peter Gamin

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

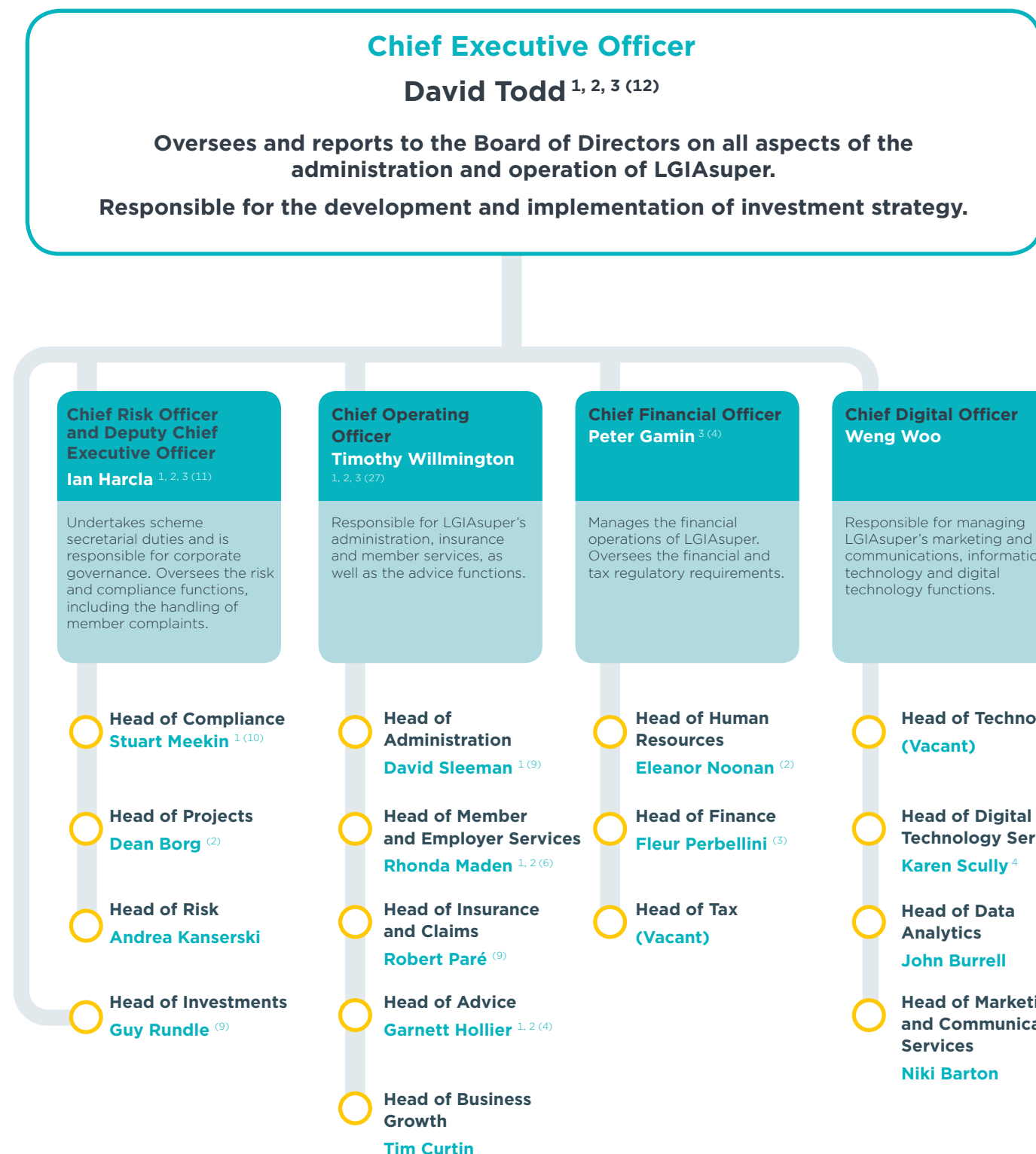


Chief Digital Officer

Weng Woo

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

Organisational structure



1 Authorised representative under Australian Financial Services Licence No. 230511
 2 Responsible Manager under Australian Financial Services Licence No. 230511
 3 Responsible Person under the RSE Licence
 4 From 31 July 2017
 Figures in brackets indicate number of completed years of service at 30 June 2017. Includes City Super.

The Trustee's general investment objectives for LGIASuper assets are:

- to invest the assets as permitted by the Trust Deed or by law
- to prudently manage all aspects of risk in relation to LGIASuper assets by ensuring:



- **assets are adequately diversified**



- **assets have an appropriate level of liquidity**



- **assets are sufficient to meet benefit payments when they fall due**



- **any third party to whom investment decision making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to them, and the actions of the third party are fully accountable to the Trustee.**

The Trustee holds the following beliefs:

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

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

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

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

Allocation of earnings

Earning rates on the following pages are the net investment return that applies to your account, after fees and tax, at the end of each financial year. They can be positive or negative, and are a reflection of how your investment performs. LGIASuper publishes the daily performance of each of LGIASuper's investment options — a daily movement percentage and a year to date performance percentage. This reflects the actual underlying investments' performance from two business days earlier. If you make withdrawals or switch investment options during the month we use this rate in our calculation of your current balance. Following the end of each financial year, an annual earning rate is declared by the Trustee for each investment option based on the investment return achieved on the underlying assets for that option for the year.

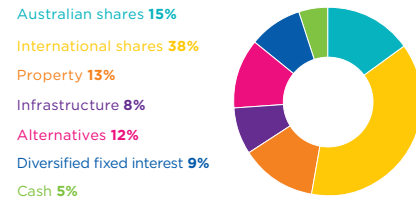
During periods of significant market volatility, or other conditions which prevent LGIASuper from determining daily and/or weekly rates, processing of claims and/or switches may be suspended for up to 7 days or longer, as dictated by market conditions.

Accumulation accounts and Pension accounts

LGIAsuper MySuper Lifecycle

Under 75

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	75.0%
Defensive assets	25.0%

Return target¹

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

Risk High



Negative returns expected 5.2 out of 20 years

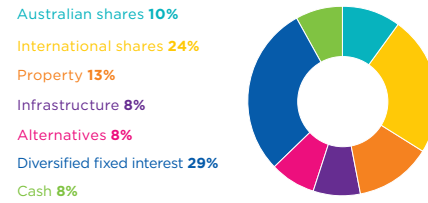
Returns

Past performance is not an indicator of future performance.

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

75 plus

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	55.0%
Defensive assets	45.0%

Return target¹

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

Risk High



Negative returns expected 4.3 out of 20 years

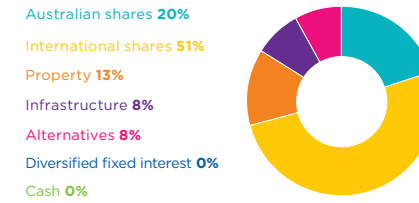
Returns

Past performance is not an indicator of future performance.

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

Aggressive

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	88.0%
Defensive assets	12.0%

Return target¹

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

Risk High



Negative returns expected 5.8 out of 20 years

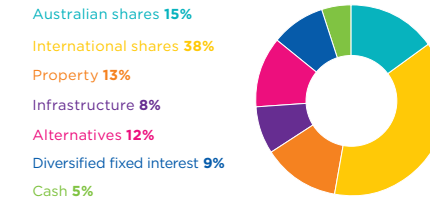
Returns

Past performance is not an indicator of future performance.

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

Diversified Growth

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	75.0%
Defensive assets	25.0%

Return target¹

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

Risk High



Negative returns expected 5.2 out of 20 years

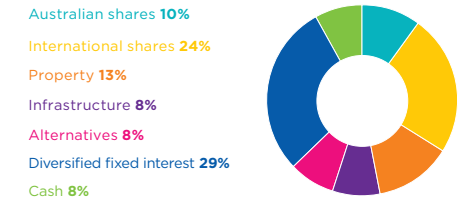
Returns

Past performance is not an indicator of future performance.

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

Balanced

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	55.0%
Defensive assets	45.0%

Return target¹

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

Risk High



Negative returns expected 4.3 out of 20 years

Returns

Past performance is not an indicator of future performance.

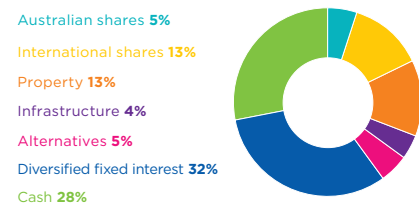
At 30 June	Accumulation acc % p.a.	Pension acc % p.a.
2017	7.25%	7.98%
2016	4.12%	4.68%
2015	6.79%	7.81%
2014	9.74%	11.14%
2013	10.08%	11.12%
5-yr avg (% p.a.)	7.57%	8.52%
5 Year excess over CPI	5.54%	6.49%

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

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Stable

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	35.0%
Defensive assets	65.0%

Return target¹

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

Risk Medium to high



Negative returns expected 3.0 out of 20 years

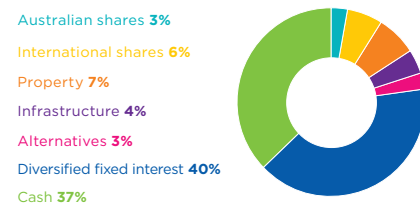
Returns

Past performance is not an indicator of future performance.

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

Defensive

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	20.0%
Defensive assets	80.0%

Return target¹

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

Risk Low to medium



Negative returns expected 1.9 out of 20 years

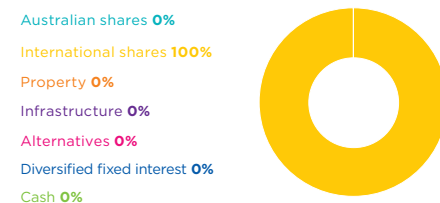
Returns

Past performance is not an indicator of future performance.

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

International Shares

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	100.0%
Defensive assets	0.0%

Return target¹

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

Risk Very high



Negative returns expected 6.7 out of 20 years

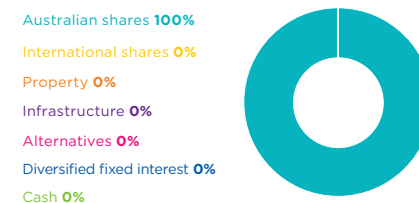
Returns

Past performance is not an indicator of future performance.

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

Australian Shares

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	100.0%
Defensive assets	0.0%

Return target¹

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

Risk Very high



Negative returns expected 7.8 out of 20 years

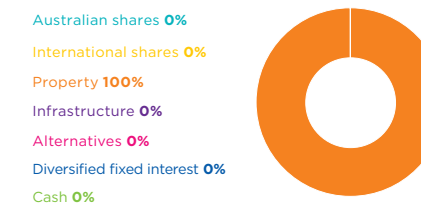
Returns

Past performance is not an indicator of future performance.

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

Property

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	100.0%
Defensive assets	0.0%

Return target¹

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

Risk High



Negative returns expected 4.8 out of 20 years

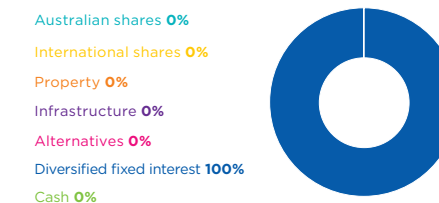
Returns

Past performance is not an indicator of future performance.

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

Diversified Fixed Interest

Actual asset allocation at 30 June 2017



Strategic asset allocation and ranges

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

Growth assets	0.0%
Defensive assets	100.0%

Return target¹

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

Risk Medium to high



Negative returns expected 3.6 out of 20 years

Returns

Past performance is not an indicator of future performance.

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

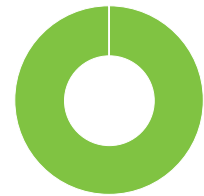
¹ Investment markets are uncertain. LGIAsuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time.

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Cash

Actual asset allocation at 30 June 2017

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



Strategic asset allocation and ranges

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

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

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

Risk Very low



Negative returns expected
0.0 out of 20 years

Returns

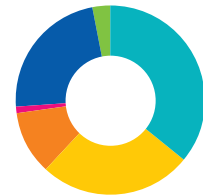
Past performance is not an indicator of future performance.

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

SR Balanced

Actual asset allocation at 30 June 2017

Australian shares **36%**
International shares **26%**
Property **11%**
Infrastructure **0%**
Alternatives **1%**
Diversified fixed interest **23%**
Cash **3%**



Strategic asset allocation and ranges

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

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

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

Risk High



Negative returns expected
4.8 out of 20 years

Returns

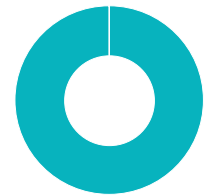
Past performance is not an indicator of future performance.

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

SR Australian Shares

Actual asset allocation at 30 June 2017

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



Strategic asset allocation and ranges

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

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

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

Risk Very high



Negative returns expected
7.8 out of 20 years

Returns

Past performance is not an indicator of future performance.

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

Defined Benefits Fund

Actual asset allocation at 30 June 2017

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



Strategic asset allocation and ranges

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

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

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

Risk High



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

¹ Investment markets are uncertain. LGIASuper sets investment objectives for the investment options and expects to meet or exceed these between half and two thirds of the time.
² Past performance is not an indicator of future performance.
³ Proxy for salary growth.

Defined Benefit Account (former City Super)

Actual asset allocation at 30 June 2017

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



Strategic asset allocation and ranges

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

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

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

Risk High



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

Actuarial valuations

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

Regional Defined Benefits Fund

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

City Defined Benefits Fund

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

Vested Benefits Index

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

	2017 %	2016 %	2015 %
Regional Defined Benefits Fund			
	116-117	113-114	110-112
Former City Super Defined Benefits Fund			
	125-126	118-120	119-121

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

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

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

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

International shares

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

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

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

Alternatives

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

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

Australian shares

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

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

Property

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

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

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

Infrastructure

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

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

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

Cash

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

Diversified fixed interest

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

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

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

Looking forward

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

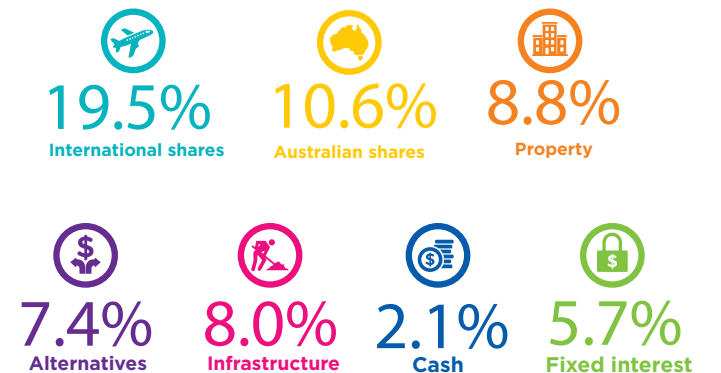
Domestically, economic growth of 1.7% for the 12 months to March 2017 was the weakest annual expansion since 2009. The persistent headwinds of high debt, low wages growth and shrinking credit set the scene for low GDP growth to continue.

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

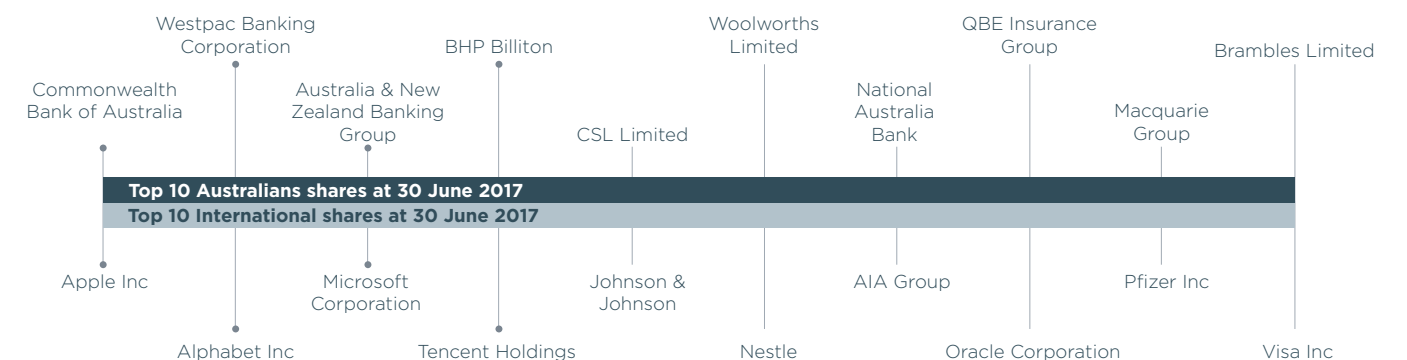
While the outlook for 2017/18 appears subdued, the positive investment outcomes in the 2016/17 financial year are reminders that investment markets can ignore macroeconomic and geopolitical noise and surprise on the upside.

2016/17 LGIAsuper portfolio returns by asset class

Returns shown are before fees and tax.



Where your money is invested



Fees and other costs

Actual fees charged for 2016/17*

Type of fee	Investment options								Investment options							How and when paid
	LGIAsuper MySuper Lifecycle		Ready-made options						Single asset class options					Socially responsible		
	Under 75	Over 75	Aggressive	Diversified Growth	Balanced	Stable	Defensive	International Shares	Australian Shares	Property	Diversified Fixed Interest	Cash	SR Balanced	SR Australian Shares		
Investment fee	0.46% p.a.	0.42% p.a.	0.47% p.a.	0.46% p.a.	0.42% p.a.	0.33% p.a.	0.25% p.a.		0.37% p.a.	0.39% p.a.	0.67% p.a.	0.26% p.a.	0.03% p.a.	0.90% p.a.	0.80% p.a.	Deducted from investment earnings as they are credited to your account
Administration fee	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.		0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	0.21% p.a.	Deducted from investment earnings as they are credited to your account
Buy-sell spread	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
Switching fee	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
Exit fee	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Not applicable
Advice fees	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660		\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	\$0-\$660	Up to \$660 (inc. GST) is charged for personal advice. The fee may be deducted directly from your account on request.
Other fees and costs	Insurance fee of 1% included in the insurance premiums deducted from your account.															
Indirect cost ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Deducted from gross investment earnings prior to determining earning rates applicable to your account.

* The fees and costs for managing your investment, including performance fees charged. Actual charged to LGIAsuper members in 2016/17.

Additional explanation of fees and costs

Fee changes

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

Performance fees

Performance fees are paid to some investment managers when they outperform a set benchmark. These fees are calculated by comparing the difference between the benchmark and actual performance for each investment, and multiplying the outperformance by the performance bonus rate payable. Performance fees of approximately \$4.5 million are included in the management costs for 2016/17.

Advice fees

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

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

The fee charged for advice directly related to your LGIAsuper account may be deducted from your LGIAsuper account on request. The fees will be explained to you in detail if you ask for this advice. These advice fees apply to the 2016/17 financial year only. For current advice fees see the Financial Services Guide.

Transactional and operational costs

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

Indirect costs

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

Insurance fee

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



Investment managers

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

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

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

Total fund investment returns

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

Administration and investment management expenses

Year ending 30 June 2017	Administration expenses as % of FUM ¹	Investment management expenses as % of FUM	Average FUM \$M
2017	0.21	0.28	10,209.3
2016	0.21	0.29	9,418.3
2015	0.21	0.29	8,929.8
2014	0.21	0.27	7,404.7
2013	0.21	0.27	6,377.7
2012	0.18	0.28	6,066.7
2011	0.18	0.39	4,161.7
2010	0.18	0.31	3,577.8
2009	0.17	0.26	3,484.5

Investment managers

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

Investment managers by asset class

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

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



Guy Rundle
Head of Investment

Tax

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

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

Surcharge payments

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

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

Division 293 tax

An additional 15% tax applies to concessional contributions if your total annual income is more than \$300,000 in 2016/17. Total income is defined in a similar way to that for Medicare levy surcharge purposes.

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

Temporary residents

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

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

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

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

Complaints

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

POST Complaints Officer, LGIASuper,
GPO Box 264, Brisbane Qld 4001

EMAIL complaints@lgiasuper.com.au

PHONE 1800 444 396

FAX (07) 3244 4344

Privacy

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

The abridged financial statements are at a total fund level. They are unaudited and based on information available at the time of publication.

The audited financial statements will be published on the website and available on request from November 2017.

Preliminary unaudited statement of net assets

	2017 \$M	2016 \$M
Investments		
Cash and cash equivalents	1,011	995
Fixed interest securities	1,411	1,650
Listed equity investments and property trusts	5,196	4,379
Unlisted equity investments and trusts	3,191	2,799
Derivatives	73	40
Other assets	145	84
Total assets	11,027	9,947
Total liabilities excluding member benefits	391	281
Net assets available for member benefits	10,636	9,666
Total member liabilities	10,410	9,437
Net assets	226	229
Reserves	84	78
Defined Benefits that are over funded	185	151
Unallocated deficit	(43)	0
Total reserves	226	229

Preliminary unaudited income statement

	2017 \$M	2016 \$M
Superannuation activities		
Investment revenue	1,001	393
Other revenue	1	1
Total revenue	1,002	394
Investment expenses	36	29
Administration expenses	24	20
Total expenses	60	49
Results from superannuation activities before income tax expense	942	345
Income tax expense	(75)	(6)
Results from superannuation activities after income tax expense	867	339
Net benefits allocated to defined contribution members	(819)	(270)
Net change in defined benefit member benefits	(51)	(49)
Operating result after income tax	(3)	20

Preliminary unaudited statement of changes in member benefits

	2017 \$M	2016 \$M
Balance at 1 July	9,437	8,969
Contributions	698	632
Transfers from other funds	165	157
Income tax on contributions	(72)	(69)
Net after tax contributions	791	720
Benefits paid	(680)	(552)
Insurance premiums charged to members	(40)	(43)
Insurance entitlements paid	32	24
Net benefits allocated to members	819	270
Net change in defined benefit member benefits	51	49
Balance at 30 June	10,410	9,437

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

Reserves and funds

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

Operational risk and general reserves

Operational risk reserves have been established to set aside funds to meet possible operational errors in the future which would otherwise be funded from investment earnings. The federal government also requires trustees to establish operational risk reserves. The Trustee has determined a target level of 0.30% of funds under management for the Operational Risk Reserve.

The reserves were initially funded by transfers of surplus funds from the Insurance Fund and subsequent funding is by deductions from fund earnings, surplus administration costs charged to members and investment earnings on reserve balances. Reserves for Accumulation Benefit Fund balances are invested 80% in the Diversified Growth option and 20% in the Balanced option. Reserves for the Defined Benefits Funds are invested within the Defined Benefits Funds investment strategy.

Accumulation Benefits Fund - Operational risk reserve

	2017 \$M	2016 \$M	2015 \$M
Balance at 1 July	25.3	22.2	21.5
Plus/minus intra-scheme transfers	-	2.2	(0.1)
Allocation from (to) scheme earnings	-	-	-
Investment income	2.2	0.9	0.8
Balance at 30 June	27.5	25.3	22.2

Accumulation Benefits Fund - General reserve

	2017 \$M	2016 \$M	2015 \$M
Balance at 1 July	48.4	31.3	11.6
Plus/minus intra-scheme transfers	0.2	15.9	-
Allocation from (to) scheme earnings	-	-	19
Investment income	4.3	1.2	0.7
Balance at 30 June	52.9	48.4	31.3

Defined Benefits Funds - Operational risk reserve

	2017 \$M	2016 \$M	2015 \$M
Balance at 1 July	3.8	3.7	3.7
Transfer from DBF assets	0.2	0.1	-
Balance at 30 June	4.0	3.8	3.7



Scott Cullen
Paraplanner



(left to right) Eleanor Noonan
and Fleur Perbellini

Anita Garred
Reception



Actuarial advice

- Mr J Burnett, Willis Towers Watson

Asset consulting

- Willis Towers Watson

Audit - external

- PwC

Audit - internal

- KPMG

Custodian

- JPMorgan Chase Bank

Group life insurer

- OnePath

Information services and technology

- Bravura Solutions (Australia)
- Brennan IT
- Westpac
- Technology One

Investment management

- Acorn
- Altis
- AMP Capital
- ANZ
- Artemis
- Barwon
- Black Creek
- BlueSky
- Bridgewater
- Clearbell
- Columbus Circle
- Dexus
- Eley Griffiths
- EQT
- Equis Funds Group
- Goldman Sachs
- Greenoak
- GTP Bottom Billion
- GPT
- ICG

- I Squared Capital
- JCP Investment Partners
- K2 Advisors
- Lend Lease
- Morgan Stanley
- Northcape Capital
- Orion European Funds
- Palisade Investment Partners
- Parametric Portfolio Associates
- Perpetual Ltd
- QIC
- Resolution Capital
- Rockspring
- Sanders Capital
- State Street Global Advisers
- Sustainable Growth Advisers
- Stone Harbour
- Wavestone Capital
- Wellington
- Westbourne Capital

Legal advisors

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

Tax advisors

- PwC

Trustee insurances broker

- AON Risk Services



INVESTMENT ADVICE INSURANCE

