Annual Financial Report 30 June 2015

Local Authorities Superannuation Fund

ABN: 24 496 637 884
RSE: R1000603

CONTENTS

Local Authorities Superannuation Fund

Statement of net assets as at 30 June 2015

	Note	2015 $000	2014 $000
Assets			
Cash at bank and cash equivalents		10,311	16,737
Other receivables		407	1,074
Contributions receivable	*10*	3,564	10,805
Deferred tax assets	*13*	9	5
Investments			
Units in Vision Pooled Superannuation Trust	*17*	7,546,504	6,889,588
Total assets		7,560,795	6,918,209
Liabilities			
Benefits payable		42,390	22,260
Other payables		2,435	3,492
Current tax liabilities	*12*	45,574	63,899
Deferred tax liabilities	*13*	942	1,495
Total liabilities		91,341	91,146
Net assets available to pay benefits		7,469,454	6,827,063

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

Local Authorities Superannuation Fund

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

	Note	2015 $000	2014 $000
Revenue			
Investment revenue			
Changes in net market value of investments	8	586,440	629,554
		586,440	629,554
Contributions revenue			
Employer contributions		342,266	315,759
Member contributions		151,074	82,580
Transfers from other funds		134,984	929,288
		628,324	1,327,627
Other revenue			
Group life insurance proceeds		6,641	6,597
Other revenue		790	629
		7,431	7,226
Total revenue		1,222,195	1,964,407
Expenses			
Benefits paid		(495,291)	(520,245)
General administration expenses	9	(21,138)	(27,053)
Group life insurance premium expense	16	(18,137)	(16,236)
Superannuation contributions surcharge		(3)	(11)
Total expenses		(534,569)	(563,545)
Change in net assets before income tax		687,626	1,400,862
Income tax expense	11	(45,235)	(40,851)
Change in net assets after income tax		642,391	1,360,011
Net assets available to pay benefits at the beginning of the year		6,827,063	5,467,052
Net assets available to pay benefits at the end of the year		7,469,454	6,827,063

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

Notes to the financial statements for the year ended 30 June 2015

1. Background

(a) Operation of the Fund

Local Authorities Superannuation Fund (the "Fund") is a superannuation fund domiciled in Australia. The address of the Fund's registered office is Level 15, 360 Collins Street in Melbourne.

The Fund's governing rules are contained within the Local Authorities Superannuation Fund Trust Deed dated 26 June 1998. The Fund was established to provide superannuation benefits for members. The majority of the Fund's members and participating employees are from the local government, water and community services sectors.

The Trustee of the Fund is Vision Super Pty Ltd (VSPL). VSPL is the holder of an extended public offer class Registrable Superannuation Entity Licence (licence no. L0000239). In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund was registered with the Australian Prudential Regulation Authority on 12 December 2005 (registration no. R1000603).

The Fund is a standard employer-sponsored fund with a defined benefit section, an accumulation section and pension arrangements. The defined benefits section of the Fund was closed to new entrants from 31 December 1993, with all new entrants joining the accumulation/pension section of the Fund as appropriate.

(b) Reporting entity

The Fund meets the definition of an investment entity in AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities* as discussed in Note 2(e) and therefore needs not present consolidated financial statements under AASB 10 *Consolidated Financial Statements*. The reporting entity for the current and prior period for the purposes of these financial statements is the Fund only.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans*, other applicable Accounting Standards, the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

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

(b) Statement of compliance

The financial statements comply with AAS 25. Since AAS 25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. Certain requirements of AAS 25 however differ from the equivalent requirements that would be applied under IFRS.

The financial statements were authorised for issue by the Directors of the Trustee, Vision Super Pty Ltd, on 24 September 2015.

2. Summary of significant accounting policies (continued)

(c) Change of accounting policies

The Fund has adopted AASB 2013-3 - *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* from 1 July 2014. Adoption of the standard has had no significant impact to the financial performance or position of the Fund.

(d) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Significant accounting judgements, estimates and assumptions are reviewed on an ongoing basis. If there are revisions to accounting estimates, they are recognised in the period which the estimate is revised and in any future period affects.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies and have the most significant effect on the amounts recognised in the financial statements are listed below:

Deferred Tax Asset recognition - The significant accounting judgements are discussed in Note 2(m).

Valuation of Accrued Benefits - The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 4, 6 and 7.

Valuation of Investments - The key assumptions are set out in Note 2(f) and Note 18(a).

(e) Investment entity

An entity is defined as investment entity in AASB 2013-5 Amendment to Australian Accounting Standards - Investment Entities if it:

1) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
2) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
3) measures and evaluates the performance of substantially all of its investments on a fair value basis.

As the definition of investment management services is very broad, the Fund satisfies this definition. The Fund invests to obtain returns from capital appreciation and investment income. While the Fund is required to use net market value under AASB 25 for its investments, there is minimal difference between the fair value of its investments compared to the net market value. On this basis, the Fund meets the valuation criteria of the definition of investment entity. Therefore, the Fund satisfies the definition of an investment entity in AASB 2013-5.

(f) Financial assets and financial liabilities

Financial assets and financial liabilities are included in the Statement of net assets at net market value as at reporting date and movements in the net market value of assets and liabilities are recognised in the Statement of changes in net assets in the periods in which they occur.

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset. From this date, any gains or losses from changes in net market value are recorded.

While the Fund uses net market value to record the value of its investments, the net market value is not materially different to the fair value of those assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date.

Estimated costs of disposal have been deducted in determining net market value. As disposal costs are generally immaterial, unless otherwise stated net market value is considered a reasonable approximation of fair value.

The best evidence of the net market value of a financial asset at initial recognition is normally the transaction price - the fair value of the consideration given.

Net market values of investments have been determined as follows:

Units in pooled superannuation trust

Units in pooled superannuation trusts are valued at the redemption price at reporting date quoted by the Trustee of the pooled superannuation trust. This redemption price is based on the net market value of the underlying investments of the pooled superannuation trust.

(g) Cash and cash equivalents

Cash and cash equivalents in the Statement of net assets comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

(h) Benefits payable

Benefits payable are valued at net market value which comprises the entitlements of members who have claimed a benefit prior to the end of the year and the entitlement had not been paid at reporting date. Benefits entitlements rolled over within the Fund are not included as benefits payable. Benefits payable are generally settled within 30 days.

(i) Accrued benefits

For defined benefit members, the amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels, an expected future fund earning discount rate determined by the fund actuary and other relevant actuarial assumptions. Refer to Note 4 for disclosure of accrued benefits.

For defined contribution members, the liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries.

2. Summary of significant accounting policies (continued)

(i) Accrued benefits (continued)

This has been calculated as the difference between the carrying amount of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at balance date.

(j) Other payables

Other payables are carried at nominal amounts which approximate net market value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

(k) Foreign currency

The functional and presentation currency of the Fund is Australian dollar. There are no foreign currency transactions or items.

(l) 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 must also be met before revenue is recognised.

(i) 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 recognised in the Statement of change in net assets.

(ii) Contributions revenue and transfers in

Contributions revenue and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

Contribution revenue includes the funding call for the unfunded liability of the defined benefits plan and its interest component. The participating employers in the defined benefits plan are compelled by Participation Agreements with the Fund's Trustee to make contributions and fund the deficit.

(iii) Interest revenue

Interest income is recognised in the Statement of change in net assets as it accrues on the amount of cash at bank.

(m) Income tax

Income tax on the benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Statement of changes in net assets except to the extent that it relates to items recognised directly in members' funds in which case it is recognised directly in members' funds.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Notes to the financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(m) Income tax (continued)

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in controlled entities to the extent that it is not probable they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Income tax has been provided in the current year at the rate of 15% as it is the expectation of the Trustee that the Fund will be treated as a complying superannuation fund and its subsidiary VPST's taxable income is "standard income". If the Fund is subsequently deemed to be a non-complying fund for the current year or VPST has "special income", then income tax will be payable at a rate of 45% on the Fund's taxable income.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are payable by the Fund.

(n) 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 transfers substantially all the risks and rewards of the ownership of the assets; and
- the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(o) No-TFN contribution tax

Where a member does not provide their tax file number to a fund, the Fund may be required to pay no-TFN contributions tax at a rate of 34% which is in addition to the concessional tax rate of 15% which applies to the Fund's taxable income.

The no-TFN contributions tax liability recognised by the Fund will be charged to the relevant members' accounts. Where a tax offset is obtained by the Fund in relation to members' no-TFN contribution tax, the tax offset will be included in the relevant members' accounts.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO). In circumstances where the GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of net assets.

Notes to the financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(q) Reclassification of financial information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(r) Valuation dates

The investment held in VPST has been valued at 30 June 2015 based on valuations obtained from the Custodian taking into account information received post balance date.

For accumulation members, the vested benefits value is based on members' accounts value which is determined by using the daily unit price applicable as at 30 June 2015.

For defined benefits members, the vested benefits value is determined in accordance with Trust Deed and takes into accounts the members' salary and years of service subject to the minimum requisite benefit threshold.

(s) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. Those which may be relevant for the Fund are:

AASB 1056 - *Superannuation Entities*

AASB 1056 replaces AAS 25 *Financial Reporting by Superannuation Plans*. The key changes are:

- The requirement to prepare financial statements which include a statement of financial position; an income statement, a statement of changes in equity; a statement of cash flows; and a statement of changes in member benefits.
- Recognising and measuring defined benefit obligations as liabilities.
- Defined contribution liabilities are measured as the amount of member account balances as at the reporting date.
- Measuring most assets and liabilities at fair value instead of net market value.
- Recognising contributions and benefits payments as movement in the defined contribution or defined benefit obligation rather than revenues or expenses.
- Significantly more disclosures, including deeming defined contribution member liabilities to be within the scope of AASB 7 in respect of credit risk, market risk or liquidity risk and extensive disclosures for defined benefit member liabilities.
- Disclosure of additional information for defined benefit sub-plans and recording of employer receivables where defined benefits plans are not fully funded.

The application date of the standard is 1 July 2016 and early adoption is permitted.

Application of AASB 1056 will have a significant impact to the Fund's financial statements as stated above. On transition, comparatives are required to be restated as at 30 June 2016 as the standard is to be adopted retrospectively. After assessing the new standard's impact on the Fund's financials statement and whether the superannuation industry is early adopting AASB 1056, management decided not to early adopt the standard for the reporting year ended 30 June 2015 or the year ending 30 June 2016.

Notes to the financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

(s) New accounting standards and interpretations (continued)

AASB 9 (2014) - *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.

In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The application date of the standard is 1 January 2018. The standard may apply to the Fund for the reporting year ending 30 June 2019. Management has assessed the impact and concluded that there would be no material change in the financial statements by adoption of AASB 9 (2014).

3. Investment in subsidiary

The Fund is not required to consolidate its subsidiary in accordance to AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities.* The Fund invests in the following unconsolidated subsidiaries:

Name of unconsolidated subsidiary	Principal place of business	2015		2014	
		Ownership interest		Ownership interest	
		%	$000	%	$000
Vision Pooled Superannuation Trust (VPST)	Australia	**98.6%**	**7,546,504**	95.6%	6,889,588

The underlining financial assets/liabilities held by VPST are disclosed in the table below:

Financial assets at fair value through profit or loss	2015 $000	2014 $000
Asset backed securities	**1,146**	2,040
Cash and deposits	**1,080,742**	1,213,816
Covered bonds	**5,680**	-
Discount securities	**132,190**	107
Fixed interest bonds	**729,260**	773,272
Floating rate notes	**13,290**	15,636
Life insurance policies	**-**	164,488
Listed equities	**3,129,162**	2,763,660
Listed investment companies	**25,444**	29,763
Listed property trusts	**181,945**	100,088
Listed unit trusts	**420,031**	167,388
Loans	**1,429**	3,487
Mortgage backed securities	**3,983**	2,637

Notes to the financial statements for the year ended 30 June 2015

3. Investment in subsidiary (continued)

Financial assets at fair value through profit or loss (continued)	2015 $000	2014 $000
Outstanding settles	43,793	31,223
Pooled development fund	1,030	1,336
Preference shares redeemable	1,468	6,688
Unlisted equities	169,793	300,753
Unlisted managed investment scheme	1,781,397	1,639,373
Unlisted partnership	6,897	10,503
FFX contracts	526	30,202
Warrants	-	30
Options	13,252	729
Futures	5,193	183
Total financial assets designated at fair value through profit or loss	7,747,651	7,257,402
Financial liabilities at fair value through profit or loss		
Cash and deposits	(1,301)	(149)
Listed equities	-	(363)
Outstanding settles	(15,252)	(21,953)
FFX contracts	(11,220)	(1,236)
Options	-	(40)
Futures	(90)	(15)
Total financial liabilities designated at fair value through profit or loss	(27,863)	(23,756)
Net assets held by VPST at fair value through profit or loss	7,719,788	7,233,646

4. Accrued benefits

The valuation of accrued benefits was undertaken by the Actuary as part of a comprehensive actuarial valuation as at 30 June 2014. The previous actuarial review was conducted as at 31 December 2011. A copy of the Actuarial Report as at 30 June 2014 for each defined benefit plan, prepared by the Fund's actuary from Russell Employee Benefits, is attached. The following is a breakdown of the accrued defined benefits of the Fund:

Accrued Benefits for	As at 30 June 2014 $m	As at 31 December 2011 $m
- LASF Defined Benefit (LASF DB)	$2,061.9	$2,023.2
- City of Melbourne (CoM)	$48.7	$54.5
- Parks Victoria	$27.9	$31.6

The Trustee has a number of steps in place to manage the risks associated with the defined benefit plan. The Trustee has appointed an external actuary to advise on these risks, including establishing suitable funding objectives. The Fund Actuary conducts regular (at least every three years, or more frequently as required) actuarial investigations of the defined benefit plan at the Trustee's request. Taking into account the Trustee's funding objectives and the Fund's circumstances, the Fund Actuary recommends the employers' required contribution levels.

4. Accrued benefits (continued)

Funding requirements for the Fund are impacted by various financial and demographic factors including investment earnings, salary inflation, benefit claims experience and pensioner mortality rates. The funding arrangements are primarily dependent upon investment performance relative to salary growth and pension growth. The Fund has a current Funding and Solvency Certificate. The next actuarial review for the Fund is as at 30 June 2017.

The main financial assumptions used to calculate the accrued benefits for the defined benefit categories of the Fund are as follows:

Net investment return	7.50% p.a.
Salary inflation	4.25% p.a.
Price inflation	2.75% p.a.

Following the completion of the 30 June 2014 actuarial review of the Fund, the Fund Actuary did not recommend any additional contributions be made by the participating employers as there was no funding deficiency identified.

On completion of the 31 December 2011 actuarial review of the Fund, the Fund's Actuary recommended that participating employers pay an additional contribution due to the funding deficiency identified as at 31 December 2011. The Trustee accepted the actuarial recommendations and informed the employers of the Defined Benefit plans of their share of the unfunded liability as at 31 December 2011.

For the LASF Defined Benefit Plan, the invoices issued were due and payable on 1 July 2013 with an option of a fifteen-year payment plan. The total invoiced amount was $539 million, which comprised the unfunded accrued liability as at 31 December 2011 of $406 million, estimated fund earnings accrued to 1 July 2013 on that unfunded accrued liability of $53 million and contributions tax of $80 million.

Of this amount, an amount of $3.5 million remains as contributions receivable as at 30 June 2015 (2014: $9.6 million). During the 2015 year, the employers of the Defined Benefit plan have paid $6.1 million (2014: $152.4 million) of the total amount invoiced. The total payments received to 30 June 2015 represent 99.9% (2014: 98.0%) of total unfunded liability invoiced amount. Where an employer paid some/all of their invoiced amount prior to the due date of 1 July 2013, the amount of the invoice was discounted at the rate of 7.5% per annum (calculated daily) based on the expected long-term investment return on the assets of the LASF Defined Benefits Plan. The contributions receivable of $3.5 million at 30 June 2015 (2014: $9.6million) represents the outstanding unfunded liability which has been invoiced but not yet paid. These employers have entered into payment plans to pay these outstanding amounts.

5. Guaranteed benefits

No guarantees have been made in respect of any part of the liabilities for accrued benefits.

6. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members are entitled to receive had they terminated their Fund membership as at the reporting date.

Notes to the financial statements for the year ended 30 June 2015

6. Vested benefits (continued)

	2015 $000	2014 $000
Defined benefit plans	**2,331,066**	2,339,577
Accumulation plans	**4,977,878**	4,361,104
Total vested benefits	**7,308,944**	6,700,681
As compared to net assets available to pay benefits	**7,469,454**	6,827,063

Key results as at 30 June 2015, as estimated by the actuary, on the defined benefit plans are as follows. The Discounted Accrued Benefits Index (DABI) and Minimum Requisites Benefits Index (MRBI) (Solvency basis) are calculated as part of each actuarial review.

Plan	Results	30 June 2015	30 June 2014
LASF defined benefits	VBI	105.8%	103.4%
	DABI	tba*	114.2%
	MRBI	tba	158.7%
City of Melbourne	VBI	117.8%	112.1%
	DABI	n/a**	125.1%
	MRBI	n/a	153.8%
Parks Victoria	VBI	105.1%	101.8%
	DABI	n/a	119.4%
	MRBI	n/a	158.6%

* The Fund Actuary is expected to complete the LASF DB 30 June 2015 annual review late October 2015.
** The next actuarial review for these plans is scheduled to be at 30 June 2017.

The main financial assumptions used to calculate the VBI for the defined benefit categories of the Fund are as follows:

	LAS Defined Benefits		City of Melbourne Plan		Parks Victoria Plan	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Net investment return	7.00%	7.50%	6.00%	7.50%	6.50%	7.50%
Salary inflation	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

7. Funding arrangements

(a) LASF Defined Benefit Plan

The actuarial investigation (the investigation) of LASF Defined Benefit Plan was carried out as at 30 June 2014. The investigation concluded that the LASF Defined Benefits Plan was in a satisfactory financial position as at 30 June 2014 as defined in Superannuation Prudential Standard 160 (SPS160). An actuarial surplus of $236.0 million was identified by the investigation.

The investigation also concluded that it is still appropriate for the Plan's to self-insure its death and disability benefits. The self-insurance reserve is $6 million (2014: $8.6 million).

Notes to the financial statements for the year ended 30 June 2015

7. Funding arrangements (continued)

(a) LASF Defined Benefit Plan (continued)

The Trustee agreed the following funding plan that was recommended by the Fund's Actuary. Under the plan, the Employers will pay:

- Contributions equal to 9.5% of members' salaries, increasing with increases in the Superannuation Guarantee;
- Additional contributions to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the Vested Benefits Index multiplied by the benefit), plus contributions tax;
- Outstanding contributions in respect of calls made at the previous actuarial investigations; and
- Additional top up contributions that may be recommended in the future, if the defined benefit plan becomes in an unsatisfactory financial position.

The next full actuarial investigation of the LASF Defined Benefit Plan's liability for accrued benefits will be at 30 June 2017.The funding plan as described above will remain in place for the LASF Defined Benefits Plan until the next full actuarial investigation is completed.

(b) City of Melbourne

The actuarial investigation (the investigation) of City of Melbourne Plan was carried out as at 30 June 2014. The investigation concluded that the City of Melbourne Plan was in a satisfactory financial position as at 30 June 2014 as defined in SPS160. An actuarial surplus of $11.4 million was identified by the investigation.

The Trustee agreed the following funding plan that was recommended by the Fund's Actuary. Under the plan, City of Melbourne will pay:

- A contribution rate of 13% (inclusive of 1% of salary continuance cover) of salaries for Division D members;
- Top-up amounts for existing members equal to the amount increased for contribution tax: *Benefits Payment less (Vested Benefit x VBI)*. Top up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required from all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. Benefits payments exclude the amount of any insurance proceeds; and
- Any additional contributions that may be required in future under SPS 160.

Members contribute at rates between 0% to 9% of salaries.

The next full actuarial investigation of the City of Melbourne Plan's liability for accrued benefits will be at 30 June 2017.

The funding plan as described above will remain in place for the City of Melbourne Plan until the next full actuarial investigation is completed.

(c) Parks Victoria

The actuarial investigation (the investigation) of Parks Victoria Plan was carried out as at 30 June 2014. The investigation concluded that the Parks Victoria Plan was in a satisfactory financial position as at 30 June 2014 as defined in SPS160. An actuarial surplus of $4.2 million was identified by the investigation.

The Trustee agreed the following funding plan that was recommended by the Fund's Actuary. Under the plan, Parks Victoria will pay:

Notes to the financial statements for the year ended 30 June 2015

7. Funding arrangements (continued)

(c) Parks Victoria (continued)

- A contribution rate of 12% of salaries of salaries for Division E members and the current accruing cost contribution rates for Division F members;
- Top-up amounts for existing members equal to the amount increased for contribution tax: *Benefits Payment less (Vested Benefit x VBI)*. Top up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required from all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. Benefits payments exclude the amount of any insurance proceeds; and
- Any additional contributions that may be required in future under SPS 160.

Members contribute at rates between 0% and 7.5% of salaries.

The next full actuarial investigation of the Parks Victoria Plan's liability for accrued benefits will be at 30 June 2017.

The funding plan as described above will remain in place for the Parks Victoria Plan until the next full actuarial investigation is completed.

(d) Vision MySuper

The Fund's MySuper category receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee legislation for each year (for the year ended 30 June 2015 - 9.5% (2014: 9.25%). This rate increases to 10% for the 2021/22 year and will progressively increase to 12% by 1 July 2025 subject to legislative changes. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

(e) Prudential Standard SPS 160 - Defined benefit Matters

Prudential Standard 160 - *Defined Benefit Matters* (SPS 160) applies to the Fund with effect from 1 July 2013. The Trustee has adopted SPS 160 and will put in place a restoration plan to restore the VBI to 100% if:

(i) the VBI falls below 97% at any time when an actuarial investigation is not completed and there is not a valuation date within 6 months; or

(ii) the VBI falls below 100% at the date an actuarial investigation is completed.

The Fund Actuary agrees with the trustee's shortfall limit of 97% for each of the defined benefit plans.

8. Change in net market values

	2015 $000	2014 $000
Investments held at balance date		
Units in VPST:		
Realised gains/(losses)	**56,049**	56,130
Unrealised gains/(losses)	**530,391**	573,424
Total changes in net market values	**586,440**	629,554

Notes to the financial statements for the year ended 30 June 2015

9. Administration expenses

	2015 $000	2014 $000
Annual lodgement fee - APRA	932	1,263
Banking & Regulatory Charges	26	28
External audit fees	104	91
Trustee services fees	19,693	25,606
Other administration fees	383	65
	21,138	27,053

10. Contributions receivable

Contributions for outstanding 2010 defined benefits unfunded liability accounts are payable by the year 2021.

The funding call resulted from Trustee's actuarial investigation as at 31 December 2011 were payable on 1 July 2013. Employers are offered a fifteen-year payment plan at the interest rate of 7.5% per annum.

Contributions for defined benefits members' ongoing service are payable on the 21 day of the first month in each quarter.

The receivables are due from unrated entities.

	2015 $000	2014 $000
Ongoing service	78	120
Past service - 2010	448	1,050
Past service - 2011	3,038	9,635
Contributions receivable	3,564	10,805

11. Income tax expense

	2015 $000	2014 $000
Current tax expense		
Current income tax	45,574	63,885
Adjustment of current income tax of previous years	217	416
	45,791	64,301
Deferred tax expense		
Relating to origination and reversal of temporary difference	(556)	(23,450)
Adjustment of deferred income tax of previous years	-	-
	(556)	(23,450)
	45,235	40,851

Numerical reconciliation between tax expense and net change for the year before tax

	2015	2014
Benefits accrued before income tax	687,626	1,400,038
At the tax rate of 15%	103,144	210,006
Additional tax on no TFN contributions	7	60
Increase in tax expenses due to:		
Non-deductible benefits paid	74,294	78,038

Notes to the financial statements for the year ended 30 June 2015

11. Income tax expense (continued)

	2015 $000	2014 $000
Decrease in tax expenses due to:		
Non-assessable contributions	(22,277)	(12,194)
Non-assessable rollovers	(20,049)	(21,384)
Death and disability insurance	(355)	(449)
Anti-detriment deduction	(756)	(387)
Non-taxable income/loss from PST	(87,966)	(94,433)
No TFN tax credit	(28)	(10)
Over/under provision in previous year	217	417
Other	(996)	(118,813)
Income tax expense reported in operating statement	45,235	40,851

12. Tax assets and liabilities

The current tax liabilities for the Fund of $45,573,816 (2014: $63,898,616) represents the amount of income taxes payable in respect of current and prior financial years.

13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015 $000	2014 $000
Deferred tax assets		
Accrued audit expense	-	2
Transfer from VSF	-	3
Other	9	-
	9	5
Deferred tax liabilities		
Contributions receivable	942	1,495
	942	1,495
Net deferred tax assets/(liabilities)	(933)	(1,490)

Movement in temporary differences during the year:

2015

	Opening balance $000	Recognised in income $000	Acquisition/ disposal $000	Closing balance $000
Gross deferred tax liabilities:				
Contribution receivable	1,495	(553)	-	942
	1,495	(553)	-	942
Gross deferred tax assets:				
Accrued audit expense	2	7	-	9
Transfer from VSF	3	(3)	-	-
	5	4	-	9
	1,490	(557)	-	933

13. Deferred tax assets and liabilities (continued)

2014

	Opening balance $000	Recognised in income $000	Acquisition/ disposal $000	Closing balance $000
Gross deferred tax liabilities:				
Contribution receivable	24,951	(23,456)	-	1,495
	24,951	(23,456)	-	1,495
Gross deferred tax assets:				
Accrued audit expense	8	(6)	-	2
Transfer from VSF	-	3	-	3
	8	(3)	-	5
	(24,943)	(23,453)	-	1,490

14. Related parties

(a) Trustee and key management personnel

The trustee of the Fund is Vision Super Pty Ltd. The trustee company comprised of nine Directors and four Alternates during the financial year. The persons who were Directors and Alternates of the trustee during the year were:

Member Directors:	Alternates:
Brian Parkinson	Richard Duffy (to 18 November 2014)
Wendy Phillips	Richard Duffy (to 18 November 2014)
Russell Atwood	Richard Duffy(to 18 November 2014)
Harriet Shing (resigned on 19 November 2014)	Richard Duffy (to 18 November 2014)
Richard Duffy (appointed on 19 November 2014)	

Employer Directors:	Alternates:
Peter Wilson	Steve Bird (to 31 December 2014)
Graham Sherry	Leigh Harder (resigned on 19 November 2014)
Rob Spence	Alison Lyon (to 31 December 2014)
Geoff Lake	Alison Lyon (to 31 December 2014)

Independent Director:

Joanne Dawson (appointed on 8 August 2014)

Harriet Shing was replaced as Member Director on 19 November 2014 by Richard Duffy. During the financial year, Brian Parkinson was Chairman of the Board and Geoff Lake was Deputy Chairman.

On 26 September 2014, the Board resolved to replace alternate Directors with a proxy effective 1 January 2015.

Each Director attended the following meetings and Board Committees during the year as a member of the Board or relevant Committee.

Notes to the financial statements for the year ended 30 June 2015

14. Related parties (continued)

(a) Trustee and key management personnel (continued)

Name	Board Meetings Held	Board Meetings Attended
Peter Wilson	11	10
Harriet Shing	4	4
Wendy Phillips	11	9
Brian Parkinson	11	11
Russell Atwood	11	10
Rob Spence	11	10
Graham Sherry	11	9
Geoff Lake	11	11
Richard Duffy (as Director)	6	6
Joanne Dawson	10	9
Richard Duffy (as alternate Director)		2
Leigh Harder (as alternate Director)		2

Board Committees are open to all Directors and were attended by a quorum of Directors on all occasions.

Apart from the Company's Directors, the Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Investment Officer, General Manager Strategy and Growth, General Counsel, Head of Human Resource, General Manager Fund Development (discontinued) and Head of Information Systems (discontinued) are considered to be Key Management Personnel (KMP) for the purpose of these financial statements.

(b) Key management personnel and executives' compensation

The KMPs' compensation is presented in the table below for year 2015. This compensation was paid by the Trustee. Total compensation received, or due and receivable, by key management personnel amounted to $3,179,988 (2014: $2,451,920). The detail is as follows:

	2015 $	2014 $
Short-term employee benefits	**2,931,448**	2,203,182
Other long-term benefits	**-**	-
Post-employment benefits	**248,540**	248,738
	3,179,988	2,451,920

The table below lists the number of Key Management Personnel and executive positions named above whose income falls within the following bands for the financial year ending 30 June:

Amounts falling between...	2015	2014
Up to $39,999	**5**	5
$40,000 - $49,999	**1**	-
$50,000 - $99,999	**6**	8
$100,000 - $149,999	**1**	1
$150,000 - $199,999	**1**	1
$200,000 - $249,999	**2**	2

Notes to the financial statements for the year ended 30 June 2015

14. Related parties (continued)

(b) Key management personnel and executives' compensation (continued)

Amounts falling between...	2015	2014
$250,000 - $299,999	2	3
$300,000 - $349,999	2	-
$350,000 - $399,999	1	-
$400,000 - $449,999	1	1

During the year, there were a number of changes to the Directors on the VSPL's Board. The total remuneration paid during the year was:

	2015	2014
	$	$
Chairman	112,573	108,951
Deputy Chairman	78,826	74,170
Other Directors	394,187	326,351
Alternate Directors (retaining fees)	8,212	2,731
	593,798	512,203

There is no additional remuneration for Directors' attendance at Committee meetings.

Any Director of the Trustee or other key management personnel who is a member of the Fund contributes to the Fund on the same terms and conditions as other members. No retirement benefits were paid to Directors or key management personnel during the year.

The Trustee has not made, guaranteed or secured any loan to any Director or member of staff or to any other related party.

	2015	2014
	$	$
Roll ins from KMP to LASF/VSF	1,501,867	570,734
Benefits paid to KMP	1,295,618	26,000
Vested Benefits of KMP	10,896,463	9,507,321

(c) Related party transactions

(i) Regional Infrastructure Fund

VPST is the sole shareholder in Regional Infrastructure Fund Pty Ltd (RIF).

RIF was established primarily to invest in regional infrastructure projects. The RIF Directors during the reporting year were Graham Sherry, Geoff Lake, Harriet Shing and Richard Duffy. Harriet Shing was replaced by Richard Duffy as RIF Director on 19 November 2014.

The objective for RIF is to invest in infrastructure projects and it currently wholly owns Regional Wind Farms Pty Ltd.

Notes to the financial statements for the year ended 30 June 2015

14. Related parties (continued)

(c) Related party transactions (continued)

(ii) Regional Wind Farms Pty Ltd

Regional Wind Farms Pty Ltd was established by RIF to invest in wind farms. Project development, construction and operations are contracted out to third party providers. The Directors of Regional Wind Farms Pty Ltd during the financial year were Graeme Sherry, Stephen Rowe and Colin Chanter. Colin Chanter resigned as Director on 29 October 2014.

(iii) Vision Super Pty Ltd

As described in Note 1, Vision Super Pty Ltd is the trustee of the Fund.

	2015	2014
	$000	$000
Trustee services fees for the year	**19,693**	25,606
Trustee services fees payable at the end of the year	**2,374**	3,456

(iv) Vision Pooled Superannuation Trust (VPST)

As described in Note 3, the Fund's unit holding in VPST was $7,546,503,515 as at 30 June 2015 (2014: $6,889,587,624) which was 98.6% (2014: 95.6%) of total units issued by VPST.

(v) Pooled Super Pty Ltd (PSPL)

PSPL is the trustee of VPST which the Fund is a significant unit holder. The directors of the Fund's trustee, VSPL, are paid separately for their directorship in PSPL by VSPL.

(vi) Directors

Geoff Lake is also a Director of Hawkesbridge Capital Pty Ltd, a fund manager engaged by the VPST, and excludes himself from any decision making in relation to this manager.

15. Auditor's remuneration

	2015	2014
	$000	$000
Amounts received or due and receivable by Ernst & Young for the audit of the financial statements	**104**	91

16. Insurance

The Fund has a group policy in place with CommInsure to provide both Death & Disability and Income Protection insurance cover for Vision MySuper/Super Saver and Personal plan members. The Fund self-insures Death & Disability insurance cover for Defined Benefits plan members and has a policy in place with CommInsure for Death & Disability insurance cover for the City of Melbourne and Parks Victoria sub-plans.

Notes to the financial statements for the year ended 30 June 2015

17. Investments and derivatives

(a) Classification of financial instruments under the Fair Value Hierarchy

AAS 25 requires investments to be measured using net market value which approximates fair value. The valuation method uses the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

Units in Vision Pooled Superannuation Trust (VPST) are valued at the redemption price at reporting date quoted by the investment managers which are based on the net market value of the underlying investments. The significant inputs to calculate the price are market observable. Therefore, the Fund categorises these investments as Level 2 financial instruments.

2015

	Value at quoted market price (level 1) $000	**Valuation technique - market observable inputs (level 2) $000**	**Valuation technique - non-market observable inputs (level 3) $000**	**Total $000**
Units in VPST	-	**7,546,504**	-	**7,546,504**
Total investment	-	**7,546,504**	-	**7,546,504**

2014

	Value at quoted market price (level 1) $000	Valuation technique - market observable inputs (level 2) $000	Valuation technique - non-market observable inputs (level 3) $000	Total $000
Units in VPST	-	6,889,588	-	6,889,588
Total investment	-	6,889,588	-	6,889,588

Disclosure of the method and assumptions applied in determining the net market value for each class of financial assets and financial liabilities are included in Note 2(e). The net market value for each class of financial assets and financial liabilities equates to fair value.

(b) Transfers between hierarchy levels

There have been no significant transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year.

18. Risk management

(a) Financial risk management objectives, policies and processes

The Fund's principle financial instruments comprised of units in pooled superannuation trusts and cash. The main purpose of these financial instruments was to generate a return on investment.

Units in pooled superannuation trusts are units in Vision Pooled Superannuation Trust (VPST) only. Therefore, the following financial risk analysis is based on the total underlying assets of units in VPST.

The Fund also has various other financial instruments such as sundry receivable and payables, which arise directly from its operations. These are mainly current in nature.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and compliance monitoring. The Fund is exposed to credit risk, liquidity risk and market risk, including interest rate risk, equity price risk and foreign currency risk.

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments. The Trustee reviews and agrees policies for managing each of these risks as summarised below. The Fund also monitors the market price risk arising from all financial instruments.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and reported to the Trustee on a monthly basis.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, VPST monitors its exposure to ensure concentration of risk remain within acceptable levels in accordance with its mandate and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the underlining financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of net assets. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. The risk associated with these contracts is minimised by undertaking transactions with high quality counterparties on recognised exchanges, and ensuring that transactions are undertaken with a number of counterparties.

Notes to the financial statements for the year ended 30 June 2015

18. Risk management (continued)

(b) Credit risk (continued)

Credit risk arising from investments is mitigated by extensive tax and legal due diligence undertaken by VPST prior to the appointment of fund managers to ensure fund managers have appropriate skills and expertise to manage the allocated investments. In addition, VPST conducts annual review of derivative risk statements and internal controls and processes for all appointed fund managers to ensure fund managers maintain those skills and expertise.

The Fund holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired. Credit risk is not considered to be significant to the Fund except in relation to investments in debt securities via VPST.

Credit quality per class of debt instruments

The credit quality of financial assets is managed by the Fund using Standard & Poor's rating categories, in accordance with the investment strategy of the Trustee. The Fund's exposure in each grade is monitored on a monthly basis. This review process allows the Trustee to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of asset for debt instruments.

2015

	AAA to AA- $000	A+ to A- $000	BBB+ to BBB- $000	CCC $000	Short term A-1+ to A2 $000	Not rated or available $000	Total $000
Fixed interest bonds	**456,193**	**55,967**	**28,664**	**-**	**-**	**188,436**	**729,260**
Floating rate notes	**517**	**8,442**	**4,331**	**-**	**-**	**-**	**13,290**
Mortgage Backed Securities	**508**	**2,945**	**-**	**530**	**-**	**-**	**3,983**
Asset backed securities	**-**	**1,146**	**-**	**-**	**-**	**-**	**1,146**
Covered bonds	**2,165**	**1,033**	**-**	**-**	**-**	**2,482**	**5,680**
Loans	**-**	**-**	**-**	**-**	**-**	**1,429**	**1,429**
Discount securities	**106**	**-**	**-**	**-**	**132,084**	**-**	**132,190**
Cash & deposits	**-**	**-**	**-**	**-**	**-**	**1,079,042**	**1,079,042**
Pooled funds*	**-**	**-**	**-**	**-**	**-**	**5,182**	**5,182**
Total	**459,489**	**69,533**	**32,995**	**530**	**132,084**	**1,276,571**	**1,971,202**

2014

	AAA to AA- $000	A+ to A- $000	BBB+ to BBB- $000	CCC $000	Short term A-1+ to A2 $000	Not rated or available $000	Total $000
Fixed interest bonds	437,418	48,564	30,133	-	-	257,156	773,271
Floating rate notes	9,368	4,737	1,531	-	-	-	15,636
Mortgage Backed Securities	525	2,112	-	-	-	-	2,637
Asset backed securities	2,040	-	-	-	-	-	2,040
Loans	-	-	-	-	-	3,487	3,487
Discount securities	107	-	-	-	-	-	107
Cash & deposits	-	-	-	-	-	1,218,749	1,218,749
Pooled funds*	-	-	-	-	-	114,969	114,969
Total	449,458	55,413	31,664	-	-	1,594,361	2,130,896

Notes to the financial statements for the year ended 30 June 2015

18. Risk management (continued)

(b) Credit risk (continued)

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty, by geographical region and by industry sector. The VPST's underlying financial assets can be analysed by the following geographic regions:

	2015 $000	2014 $000
Australia	6,415,784	6,312,502
North America	985,957	707,928
Europe	212,448	83,317
Asia	34,439	(55,594)
Others	71,160	190,575
Total	7,719,788	7,238,728

Significant economic sector exposure exists for the underlying assets as follows:

	2015 $000	2014 $000
Financials	950,593	837,072
Materials	376,919	369,561
Industrials	267,218	260,879
Energy	174,992	196,786
Consumer discretionary	459,055	336,075
Consumer staples	280,183	230,117
Information technology	353,736	282,309
Health care	262,855	226,392
Telecommunication	105,732	106,023
Utilities	47,851	39,025
Total	3,279,134	2,884,239

The above table does not include any underlying investments in unlisted trusts or pooled funds.

Script lending

VPST has entered into scrip lending arrangements under which legal title to certain assets of VPST have been transferred to another entity (National Australia Bank), notwithstanding the fact that the risks and benefits of ownership of the assets remain with VPST.

The assets transferred to the other entity under scrip lending arrangements include Australian and international equities and bonds that are held discretely by VPST's Custodian. The risks and rewards of ownership to which VPST remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of VPST's assets subject to scrip lending at reporting date amounted to $3,864.1 million (2014: n/a). The carrying amount of assets on loan at reporting date was $637.1 million (2014: n/a).

The other party is required to collect collateral in respect of borrowed securities which are lent to third party borrowers. The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by a Securities Lending Agreement that requires the other party to hold the collateral in a segregated account as bare trustee for VPST.

Notes to the financial statements for the year ended 30 June 2015

18. Risk management (continued)

(b) Credit risk (continued)

The collateral held at reporting date as security by NAS in a segregated account - National Nominees Ltd for the benefit of the Trust. It consisted of both cash and non-cash collateral with a fair value of $672.2 million (2014: n/a) at the reporting date. No collateral has been sold or re-pledged during the year.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

(c) Liquidity risk

As at 30 June 2015 -	Less than 1 month ($000)	1 to 3 months ($000)	3 to 12 months ($000)	1 to 5 years ($000)	Over 5 years ($000)	No stated maturity ($000)	Total ($000)
Financial liabilities							
Benefits payable	**42,390**	-	-	-	-	-	**42,390**
Other payables	**2,435**	-	-	-	-	-	**2,435**
Vested benefits	**7,308,944**	-	-	-	-	-	**7,308,944**
Total undiscounted financial liabilities	**7,353,769**	-	-	-	-	-	**7,353,769**

As at 30 June 2014 -	Less than 1 month ($000)	1 to 3 months ($000)	3 to 12 months ($000)	1 to 5 years ($000)	Over 5 years ($000)	No stated maturity ($000)	Total ($000)
Financial liabilities							
Benefits payable	22,260	-	-	-	-	-	22,260
Other payables	3,492	-	-	-	-	-	3,492
Vested benefits	6,700,681	-	-	-	-	-	6,700,681
Total undiscounted financial liabilities	6,726,433	-	-	-	-	-	6,726,433

The Fund undertakes cashflow projection analysis daily to ensure minimal exposure to liquidity risk.

The Fund's significant financial liabilities are benefits payable to members.

In relation to vested superannuation benefits, these would be considered on demand, which payments comprise the entire defined contribution component and the vested portion of the defined benefit component.

The Fund manages its obligation to pay the defined contribution component on an expected maturity basis based on management's estimates and actuarial assumptions of when such funds will be drawn down by members. The Fund considers it is highly unlikely that all defined contribution members will request to roll over their superannuation fund account at the same time. Furthermore, in relation to the vested defined benefit component, the Fund has adequate resources readily convertible to cash to satisfactorily meet these obligations when called upon.

Other financial liabilities of the Fund comprise trade and other payables which are contractually due within 30 days and derivative liabilities comprising futures payable within 12 months.

Notes to the financial statements for the year ended 30 June 2015

18. Risk management (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is diversified through ensuring that all investment activities are undertaken in accordance with established investment policies of the Fund.

The Trustee employs diversification investment strategy to mitigate the market risk in each market segment. Further, the Fund also enters into forward foreign exchange contracts to hedge against adverse foreign exchange movements.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because changes in market interest rates.

In determining the reasonably possible change for interest rate risk, the sensitivity of the "official cash rate" as set by the Reserve Bank of Australia (RBA) from time to time is used.

A 25 basis points movement in interest rates is considered reasonably possible for the 2014/2015 reporting period. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase/decrease of 25 basis points in interest rates at the reporting date would have increased/(decreased) the changes in net assets available to pay benefits by the amounts shown below:

2015

Asset class sector	Change in basis points Increase/decrease	Sensitivity of interest income and changes in net assets Increase/decrease $000
Discount securities	**+/-25**	**(89)/89**
Fixed interest securities	**+/-25**	**(10,794)/10,798**
Floating rate notes	**+/-25**	**(8)/8**
Covered bonds	**+/-25**	**(33)/33**
Mortgage backed securities	**+/-25**	**(2)/2**

2014

Asset class sector	Change in basis points Increase/decrease	Sensitivity of interest income and changes in net assets Increase/decrease $000
Discount securities	+/-25	(1)/1
Fixed interest securities	+/-25	(10,942)/10,945
Floating rate notes	+/-25	(36)/36
Loans	+/-25	(9)/9
Mortgage backed securities	+/-25	(1)/2

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Notes to the financial statements for the year ended 30 June 2015

18. Risk management (continued)

(ii) Currency risk (continued)

The Trustee manages its exposure to foreign currency risk and mitigates effects of its foreign currency translation exposure placing limits on the portion of the assets which can be invested in different currencies and by appointing specialist currency managers to implement a passive hedge over foreign currency exposure. This foreign exchange policy is monitored against actual results on an ongoing basis throughout the year.

The movement of the main currency exchange rates below is considered reasonably possible for the 2014/2015 reporting period.

USD	5%
British Pounds	5%
Euro	5%
Japanese Yen	5%

The percentage strengthening/weakening of the AUD against the following basket of foreign currencies as at 30 June would have increase/(decreased) the changes of the year in net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Currency	2015		2014	
	Change in Currency rate %	Effect on changes in net assets $000	Change in currency rate%	Effect on changes in net assets $000
USD	+/-5	(46,055)/50,903	+/-10	(63,836)/78,021
Euro	+/-5	(4,428)/4,894	+/-5	(2,548)/2,816
Japanese Yen	+/-5	(1,183)/1,308	+/-5	5,402/(5,971)
British pounds	+/-5	(2,173)/2,401	+/-5	(2,667)/2,948

(iii) Equity price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio.

To limit equity price risk the Trustee diversifies its investment portfolio in line with its investment strategy. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable exchanges. The Trustee monitors the Fund's exposure to various asset classes on an ongoing basis throughout the year ensuring its investment strategy is adhered to.

A 5% movement in equity price is considered reasonably possible for the 2014/2015 reporting period. This analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant. The analysis is performed on the same basis for 2014.

The 5% increase/decrease in the equity price against the investments of the Fund at 30 June would have increased/(decreased) the changes for the year in net assets available to pay benefits by the amounts shown below:

Notes to the financial statements for the year ended 30 June 2015

18. Risk management (continued)

(d) Market risk (continued)

(iii) Equity price risk (continued)

Asset class sector	2015		2014	
	Change in equity price %	Effect on changes in net assets $000	Change in equity price %	Effect on changes in net assets $000
Life insurance policies	+/-5	-	+/-10	16,449/(16,449)
Listed equities	+/-5	156,458/(156,458)	+/-10	276,049/(276,049)
Listed investment company	+/-5	1,272/(1,272)	+/-10	2,976/(2,976)
Listed property trusts	+/-5	9,097/(9,097)	+/-10	9,952/(9,952)
Listed units trust	+/-5	21,002/(21,002)	+/-10	16,739/(16,739)
Pooled Development Fund	+/-5	51/(51)	+/-10	134/(134)
Preference shares	+/-5	73/(73)	+/-10	669/(669)
Unlisted equities	+/-5	8,490/(8,490)	+/-10	30,413/(30,413)
Unlisted MIS	+/-5	89,070/(89,070)	+/-10	163,937/(163,937)
Others	+/-5	(7,706)/7,706	+/-10	3,620/(3,620)

19. Contingent liabilities/assets

The Fund has no contingent liabilities/assets as at 30 June 2015.

20. Significant event after balance date

Between 30 June 2015 and the date of approval of this financial report, no matters or circumstances have arisen that have not otherwise been dealt with in the financial period that have significantly affected or may significantly affect the Fund.

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LOCAL AUTHORITIES SUPERANNUATION FUND ABN: 24 496 637 884
REPORT BY THE RSE AUDITOR TO THE TRUSTEE AND MEMBERS

Financial Statements

I have audited the financial statements of Local Authorities Superannuation Fund for the year ended 30 June 2015 comprising the statement of net assets, statement of changes in net assets, summary of significant accounting policies, other explanatory notes and the Trustee statement.

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 Local Authorities Superannuation Fund.

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 Local Authorities Superannuation Fund as at 30 June 2015 and the changes in net assets for the year ended 30 June 2015.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
24 September 2015

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Part 2- Independent Auditor's Reasonable Assurance report on APRA Annual Return and Compliance

(A) APRA Annual Return

Independent Auditor's Reasonable Assurance report approved form for registrable superannuation entity

Independent auditor's reasonable assurance report to the trustee of Local Authorities Superannuation Fund ABN: 24 496 637 884 (the "Fund") on SRF 114.1 Operational Risk Financial Requirement; SRF 320.0 Statement of Financial Position; SRF 330.0 Statement of Financial Performance; SRF 530.0 Investments and SRF 531.0 Investment Flows

Trustee's Responsibility for the APRA Annual Return Forms

The superannuation entity's trustee is responsible for the preparation and lodgement of the APRA Annual Return forms in accordance with the *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards) and for such internal controls as the trustee determines to be necessary to enable the preparation of these forms free from material misstatement, whether due to fraud or error. The APRA Annual Return forms have been prepared for the purposes of fulfilling the trustee's reporting requirements pursuant to the FSCODA Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the APRA Annual Return Forms based on my reasonable assurance engagement. I have conducted a reasonable assurance engagement under FSCODA Reporting Standards, APRA Annual Return forms *SRF 114.1 Operational Risk Financial Requirement*; *SRF 320.0 Statement of Financial Position*; *SRF* 330.0 *Statement of Financial Performance; SRF 530.0 Investments and SRF 531.0 Investment Flows* (collectively known as the 'relevant forms') of Local Authorities Superannuation Fund, which comprise part of the APRA Annual Return, for the year ended 30 June 2015.

I have conducted an independent reasonable assurance engagement on the relevant forms in order to express an opinion on them to the trustee of the Fund.

I have also performed an independent reasonable assurance engagement on the financial statements of the Fund for the year ended 30 June 2015 (only to the extent that they reflect the information required by paragraph 66 of Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans). My auditor's report on the financial statements was signed on 24 September 2015, and was not modified.

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

A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence about the amounts and disclosures in the relevant forms. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the amounts and disclosures in the relevant forms, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and presentation of the amounts and disclosures in the relevant forms in order to design reasonable assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. A reasonable assurance engagement 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 amounts and disclosures in the relevant forms.

For the purpose of ensuring that the relevant forms are materially complete and accurate and are in accordance with the relevant prudential reporting standards, my procedures included testing that the information in the relevant forms is consistent with the financial statements for the year ended 30 June 2015. In addition, and for the same purpose, in regard to other information reported in the relevant forms, I examined on a test basis, evidence supporting the amounts and other disclosures in the relevant forms that were not directly derived from the financial statements.

These procedures have been undertaken to form an opinion whether, in all material respects:

a) the relevant forms are prepared in accordance with the requirements of the FSCODA Reporting Standards, so as to present a view which is consistent with my understanding of the superannuation entity's financial position as at 30 June 2015, its performance, for the year then ended, as reflected in the superannuation entity's financial statements signed on 24 September 2015 or the accounting records of the Fund in regards to other information that was not directly derived from the financial statements; and

b) the trustee has complied with the reporting requirements of the FSCODA Reporting Standards pertaining to the preparation of the relevant forms specified above. My procedures did not include reasonable assurance procedures on the amounts and other disclosures in those APRA Annual Return forms other than the relevant forms specified above.

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

Auditor's Opinion

In my opinion:

a) the relevant forms are prepared in all material respects in accordance with the requirements of the FSCODA Reporting Standards, the financial position of the Fund as at 30 June 2015, its performance, for the year then ended, as reflected in the superannuation entity's financial statements signed on 24 September 2015 or accounting records with regard to other information that was not directly derived from the financial statements; and

b) the trustee of the Fund has complied in all material respects with the reporting requirements of the FSCODA Reporting Standards pertaining to the preparation of the relevant forms.

Basis of preparation of APRA Annual Return Forms and restriction on use

Without modifying my opinion, I draw to readers' attention that the APRA Annual Return forms have been prepared for the purpose of fulfilling the trustee's reporting responsibilities of the FSCODA Reporting Standards. As a result, they may not be suitable for another purpose. This report is intended solely for the trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

(B) Compliance

Independent auditor's report to the trustee of Local Authorities Superannuation Fund

I have performed a reasonable assurance engagement to provide an opinion in relation to the trustee's compliance with applicable provisions under the *Superannuation Industry (Supervision) Act 1993* (SIS Act), *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations), *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards), *Corporations Act 2001* (Corporations Act) and *Corporations Regulations 2001* (Corporations Regulations).

Trustee's Responsibility for Compliance

(a) The superannuation entity's trustee is responsible for complying with the requirements of the SIS Act, SIS Regulations, the Reporting Standards made under s. 13 of the FSCODA Reporting Standards, the *Corporations Act* and *Corporations Regulations*.
(b) The trustee is also responsible, under the following Conditions of the 'Schedule – additional conditions imposed under Section 29EA of the Act' of the RSE Licence issued by APRA for:

(i) Condition C1 -

- Maintaining an identifiable amount of minimum liquid assets of at least $250,000 at all times in the form specified; and
- Ensuring that, at all times, the fund held an identifiable amount of minimum liquid assets of at least an amount, as specified above, in the form specified.
- Maintaining the required level of minimum liquid assets in the form specified and for determining that this has occurred during year ended 30 June 2015.
- Internal control relevant to the maintenance of the form in which the minimum liquid assets is held.

The trustee is responsible, under Prudential Standard SPS 114 Operational Risk Financial Requirement (SPS 114), for maintaining financial resources at the required target amount in accordance with its ORFR strategy. The financial resources held to meet the ORFR target amount must be held either as:

(a) an operational risk reserve within an registrable superannuation entity;
(b) operational risk trustee capital held by the RSE licensee; or
(c) a combination of both an operational risk reserve held within an registrable superannuation entity and operational risk trustee capital held by the RSE licensee.

Auditor's Responsibility

I have conducted a reasonable assurance engagement on the compliance of Local Authorities Superannuation Fund with the requirements set out above for the year ended 30 June 2015.

My responsibility is to express an opinion on the trustee's compliance with the requirements of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporation Regulations based on the reasonable assurance engagement. My reasonable assurance engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements (ASAE 3000 *Assurance Engagements Other than Reasonable assurance engagements or Reviews of Historical Financial Information* and ASAE 3100 *Compliance Engagements)*. These Standards require that I comply with relevant ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the trustee of Local Authorities Superannuation Fund has, in all material respects:

(a) complied with the relevant requirements of the following provisions (to the extent applicable) of the SIS Act and SIS Regulations:

Sections, 29VA, 35A, 65, 66, 67, 95, 97, 98, 99F, 101, 105, 106, 109, 117, 154 and 155(2);

Regulations 3.10, 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 13.14, 13.17, 13.17A; and

(b) complied with the FSCODA Reporting Standards that are subject to reasonable assurance (to the extent applicable); and

(c) complied with the relevant requirements of the following provisions of the Corporations Act and Corporation Regulations (to the extent applicable):

Sections 1012B, 1012F, 1012H(2), 1012I, 1013B, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017BA,1017C(2), 1017C(3) 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9); and

Regulations 7.9.07Q–7.9.07W, 7.9.11K, 7.9.11N, 7.9.11O, 7.9.11P, 7.9.11Q, 7.9.32(3), 7.9.48B, 7.9.48C and 7.9.48D;

(d) complied with the requirement to prepare the respective forms comprising the APRA Annual Return for the year ended 30 June 2015.

My procedures with respect to SIS Regulation 6.17 included testing whether amounts identified by the trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the SIS Regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

My responsibility is also to express an opinion on the trustee's compliance with the respective Conditions of the 'Schedule – additional conditions imposed under Section 29EA of the Act' of the RSE Licence issued by APRA referred to under the heading Trustee's Responsibility for Compliance, above of Local Authorities Superannuation Fund for the year ended 30 June 2015.

My responsibility is also to express an opinion on the trustee's compliance with their ORFR strategy with respect to maintaining an operational risk reserve at the required target amount for the year ended 30 June 2015.

My procedures in relation to SIS Section 155(2) included assessing the trustee's controls in place to monitor compliance with Section 155(2). These procedures did not include testing the trustee's methodology used to calculate the issue or redemption price.

Inherent limitations

Due to the inherent limitations of any evidence gathering procedures and the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non- compliance with the applicable SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations specified above, as the reasonable assurance engagement is not performed continuously throughout the year and the procedures performed in respect of compliance with the applicable SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations specified above are undertaken on a test basis.

The reasonable assurance opinion expressed in this report has been formed on the above basis.

Basis for Preparation and Restricted Distribution

This report has been prepared solely for the trustee in order to meet the APRA reporting requirements of the trustee. This report is intended solely for the trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

Auditor's Opinion

In my opinion the Trustee of Local Authorities Superannuation Fund has complied, in all material respects with:

a) The requirements of the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations specified above for the year ended 30 June 2015.

b) The conditions contained in Conditions C1 of the '*Schedule – additional conditions imposed under Section 29EA of the Act*' of the RSE Licence issued by APRA, specified above.

c) The requirement to maintain an operational risk reserve at the required target amount in accordance with its ORFR strategy.

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Part 3 – Independent Auditor's Limited Assurance report on APRA Annual Return and Compliance

(A) APRA Annual Return

Independent auditor's limited assurance report to the trustee of Local Authorities Superannuation Fund ABN 24 496 637 884 on APRA Annual Return forms: SRF 330.2 Statement of Financial Performance; SRF 533.0 Asset Allocation; SRF 540.0 Fees; SRF 702.0 Investment Performance and SRF 703.0 Fee Disclosed.

Trustee's responsibility for the APRA Annual Return Forms

The superannuation entity's trustee is responsible for the preparation of the APRA Annual Return forms in accordance with the *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards). This responsibility includes establishing and maintaining internal control relevant to the preparation of the APRA Annual Return forms that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express a conclusion, based on my limited assurance engagement, on the APRA Annual Return Forms: SRF 330.2 Statement of Financial Performance; SRF 533.0 Asset Allocation; SRF 540.0 Fees; SRF 702.0 Investment Performance and SRF 703.0 Fees Disclosed (collectively known as the 'relevant forms') of Local Authorities Superannuation Fund, which comprise part of the APRA Annual Return, for the year ended 30 June 2015.

I have conducted my limited assurance engagement, in accordance with ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* (ASRE 2405), pursuant to the FSCODA Reporting Standards, of the APRA Annual Return forms in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the relevant forms are not prepared, in all material respects, in accordance with the FSCODA Reporting Standards.

ASRE 2405 requires me to comply with the relevant professional and ethical requirements of the Standards issued by the Accounting Professional and Ethical Standards Board.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for the relevant forms, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an reasonable assurance engagement conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all material matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express reasonable assurance opinion.

Basis of preparation of APRA Annual Return Forms and restriction on use

Without modifying my conclusion, I draw to readers' attention that the APRA Annual Return forms have been prepared for the purpose of fulfilling the *trustee's* reporting responsibilities of the FSCODA Reporting Standards. As a result, they may not be suitable for another purpose. This report is intended solely for the trustee's and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable), I disclaim any assumption of responsibility for any reliance on this report, or the APRA Annual Return forms which it relates, to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

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Auditor's Conclusion

Based on my limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to my attention that causes me to believe that the APRA annual return forms of Local Authorities Superannuation Fund for the year ended 30 June 2015 are not prepared, in all material respects, in accordance with the FSCODA Reporting Standards.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
24 September 2015

(B) Compliance

Independent auditor's Limited Assurance report to the trustee of Local Authorities Superannuation Fund

I have performed a limited assurance engagement under the reporting requirements specified in Australian Prudential Regulation Authority (APRA) Prudential Standard SPS 310 *Audit and Related Matters* (SPS 310), as described in the *Scope* section, paragraphs *Part A* to *Part D*, of this report.

Trustee's responsibility for compliance

The trustee of the Fund is responsible for:

(a) the trustee's systems, procedures and internal controls that are designed to ensure that the trustee has complied with all applicable prudential requirements, has provided reliable data to APRA as required under the reporting standards prepared under the FSCODA, and has operated effectively throughout the year of income;

(b) the trustee's compliance with its risk management framework; and

(c) the trustee's compliance with its operational risk financial requirement (ORFR) strategy.

Auditor's responsibility

My responsibility is to perform a limited assurance engagement as required by SPS 310, described in *Scope* paragraphs *Part A* to *Part D* of this report, and to express a limited assurance conclusion based on the procedures I have performed and the evidence I have obtained.

My limited assurance engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements (ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3100 *Compliance Engagements)* in order to express a limited assurance conclusion as described in *Scope* paragraphs *Part A* to *Part D* of this report. I have complied the independence and other relevant ethical requirements relating to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures I performed were based on my professional judgement and included enquiries of the *trustee* personnel and observation of material control procedures performed; inspection of documents; walk-throughs of material control procedures and evaluating the effectiveness of material control procedures throughout the year.

My audit of the financial statements and my reasonable and limited assurance engagements of the APRA annual return forms required under SPS 310 are directed towards obtaining sufficient evidence to form an opinion and conclusion under the appropriate prudential requirements. These procedures were not designed to enable me to conclude on other matters required by APRA's Prudential Standards. I have therefore performed assurance procedures in order to meet my responsibilities in relation to the design and operating effectiveness of material controls and compliance with specific requirements under the prudential requirements.

Inherent Limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with Australian Auditing Standards on Assurance Engagements and consequently does not enable me to obtain assurance that I would become aware of all material matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance opinion.

There are inherent limitations in any internal control structure, and fraud, error or non-compliance with laws and regulations may occur and not be detected. As the systems, procedures and controls to ensure compliance with APRA Prudential Requirements are part of the business operations of the trustee, it is possible that either the inherent limitations of the general internal control structure, or weaknesses in it, can impact on the effective operation of the specific control procedures of the trustee

Furthermore, projections of any evaluation of internal control procedures or compliance measures to future periods are subject to the risk that control procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate. Consequently, there are inherent limitations on the level of assurance that can be provided.

Accounting records and data relied on for prudential reporting and compliance are not continuously audited and do not necessarily reflect accounting adjustments necessary for end of reporting period financial report preparation, or events occurring after the end of the reporting period.

The conclusions in this report expressed below are to be read in the context of the foregoing comments.

Basis for Preparation and Restricted Distribution

This report has been prepared solely for the trustee in order to meet the APRA reporting requirements of the trustee.

This report is intended solely for the trustee's and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable), I disclaim any assumption of responsibility for any reliance on this report, or the APRA Annual Return forms which it relates, to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

Scope

Part A - the trustee's systems, procedures and internal controls are designed and operate effectively to ensure that the trustee has complied with all applicable prudential requirements

The procedures I performed during the *period 1 July 2014 to 30 June 2015* as listed below were considered necessary in relation to the trustee's systems, procedures and controls that address compliance with all applicable Prudential Requirements. Prudential Requirements include requirements imposed by the:

(a) APRA Prudential Standards;

(b) APRA Reporting Standards;

(c) APRA conditions on the [trustee's / trustees'] licence or authorisation;

(d) Directions issued by APRA, pursuant to the *SIS Act 1993*; and

(e) Other requirements imposed by APRA in writing (if applicable).

Through enquiries, observation and walk-throughs of material control procedures, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

Part B - the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the reporting standards prepared under the FSCODA

The procedures I performed as listed below were considered necessary in relation to *trustee's* systems, procedures and controls for the *period 1 July 2014 to 30 June 2015* to ensure, in all material respects, reliable data is provided, as required by APRA Reporting Standards made under the *Financial Sector (Collection of Data) Act 2001*.

Through enquiries, observation and walk-throughs of material control procedures, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

Part C – Compliance with the RMF

The procedures I have performed as listed below were considered necessary in relation to the trustee's compliance, in all material respects, with its Risk Management Framework (RMF) *as defined in Prudential Standard SPS 220 Risk Management* (SPS 220) for the *period 1 July 2014 to 30 June 2015*

Through enquiry, observation and inspection of documents, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

Part D – Compliance with the ORFR strategy

The procedures I have performed as listed below were considered necessary in relation to the trustee's compliance, in all material respects, with its Operational Risk Financial Requirement (ORFR) strategy for the *period 1 July 2014 to 30 June 2015*.

Through enquiry, observation and inspection of documents, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

Auditor's Conclusion

Part A - the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements

Based on the procedures I performed and the evidence obtained, nothing has come to my attention that causes me to believe that, in all material respects, the trustee did not have in place suitably designed systems, procedures and controls that operated effectively throughout the year of income and address compliance, with all applicable Prudential Requirements.

Part B - the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the reporting standards prepared under the FSCODA

Based on the procedures I performed and the evidence obtained, nothing has come to my attention that causes me to believe that, in all material respects, the trustee did not have in place suitably designed systems, procedures and controls that operated effectively throughout the year of income and provided reliable data to APRA, as required under the reporting standards prepared under the FSCODA.

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Part C – Compliance with the RMF

Based on the procedures I performed and the evidence obtained nothing has come to my attention that causes me to believe that, for the *period 1 July 2014 to 30 June 2015*, the trustee did not comply, in all material respects, with its RMF.

Part D – Compliance with the ORFR strategy

Based on the procedures I performed and the evidence obtained, nothing has come to my attention that causes me to believe that, for the *period 1 July 2014 to 30 June 2015*, the trustee did not comply, in all material respects, with its ORFR strategy.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
24 September 2015

Russell Investments

SUMMARY OF ACTUARIAL INVESTIGATION AS AT 30 JUNE 2014 FOR THE PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25

LOCAL AUTHORITIES SUPERANNUATION FUND

This summary has been prepared at the request of the Trustee of the Local Authorities Superannuation Fund ("the Fund") and summaries the triennial actuarial investigations completed as at 30 June 2014 of the three defined benefit sub-plans of the Fund, namely the Defined Benefit plan, the City of Melbourne plan ("COM plan") and the Parks Victoria plan ("Parks plan").

The reports meet the requirements of the Actuaries Institute's professional standards.

Defined Benefit Plan – Division C of the Fund

Summary of Actuarial Report

For the purposes of AAS 25, the Defined Benefit plan's "Report on the Actuarial Investigation as at 30 June 2014" ("Actuarial Report") dated 12 November 2014 may be summarised as follows:

Data

The membership data of the Defined Benefit plan as at 30 June 2014 is summarized below:

- 3,983 active members with total salaries of $312.7 million;
- 1,910 deferred beneficiaries with total account balance of $344.9 million; and
- 4,897 pensioners with total annual pensions of $43.5 million.

In addition, we have also been provided with the net market value of assets of the Defined Benefit plan as at 30 June 2014.

The actuary has relied upon the data provided.

Assumptions

The key financial assumptions are summarised as follows:

Discount Rate:	7.50% per annum (active members) 8.25% per annum (pensioners)
Future Salary Increases:	4.25% per annum
CPI Increases:	2.75% per annum

The discount rate of 7.5% per annum is considered to be a reasonable expectation of actual future returns over the average expected term of the benefit liabilities, calculated to be 7.9 years, in light of the Defined Benefit plan's present investment strategy and taxation position. These assumptions have been adopted after consideration of the views of Russell and the Fund's asset consultants, Frontier. There has been no change in the financial assumptions since the previous triennial actuarial investigation as at 31 December 2011, provided in our report dated 25 June 2012.

The following changes were made to the other assumptions:

(a) The rates of early retirement were reduced between ages 55 and 58;

(b) The proportion of members who resign prior to age 55 who are assumed to elect to receive a deferred benefit was increased from 70% to 80% to reflect experience;

(c) The proportion of eligible deferred members assumed to elect a life time pension was increased from 30% to 40%; and

(d) The assumed administration expense rate has been increased from 2.0% to 2.25% of active members' salaries while the expense in respect of pensioners remained unchanged at 2.0% of pensions in payment.

Methodology for Calculating Accrued Benefits

Accrued Benefits are based on the expected future benefit payments (measured using actuarial assumptions and valuations where appropriate) that arise from membership of the Fund up to the measurement date. The method of apportioning active members' benefits to past service for the main Defined Benefit plan is as follows, effectively recognising the portion of future benefits arising due to service to date:

(a) Retirement, disablement and deferred resignation– the past service benefit (based on accrued lump sum multiples and accrued pensions where relevant) at the calculation date, with allowance for future salary growth to the assumed exit date.

(b) Death benefits – the total projected death benefit at the assumed exit date multiplied by the ratio of service to the calculation date divided by service to the retirement date.

(c) Immediate Resignation Benefit – the past service benefit at the calculation date (based on the multiples at the calculation date) with allowance for future salary growth up to the assumed resignation date.

The present value of expected future payments are determined as the benefits payable to defined benefit members, taking into account expected future salary increases, the probability of payment, and the discounting back to present-day dollars.

Accrued Benefits have been calculated in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by the Institute of Actuaries of Australia.

Funding Method and Recommendations

The method of funding benefits adopted is the aggregate funding method. This method aims to provide sufficient funding to meet all the future benefit payments as they fall due. In making the recommendations, we have also considered the requirements of Superannuation Prudential Standard 160 (SPS 160).

Based on the aggregate funding method there was an actuarial surplus as at 30 June 2014. After discussion with the Trustee and considering the requirements of SPS 160 the recommended contributions were not changed. The actuary recommended that each employer should make contributions to the Defined Benefit plan at least equal to:

(a) Contributions equal to 9.5% of salary for employee members, increasing with increases in the Superannuation Guarantee;

(b) An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the minimum of 100% and VBI, multiplied by the benefit), plus contribution tax;

(c) Outstanding contributions in respect of calls made at the previous actuarial investigations;

(d) Additional top up contributions that may be required in the future, if the Defined Benefit plan becomes in an unsatisfactory financial position.

Employers should also contribute the amount of members' salary sacrifice (pre-tax) contributions.

Because there is a surplus based on the aggregate funding method, the actuary suggested that the Trustee consider whether it is appropriate to reduce the investment risk in the investment strategy.

Accrued Benefits

For the disclosure purposes of AAS 25, the Accrued Benefits under the Defined Benefit plan as at 30 June 2014 are determined to be $2,061.9 million comprising of the following components:

ACCRUED BENEFITS AS AT 30 JUNE 2014 ($ million)	
Value of Accrued Benefits for active members	$1,272.5
Value of Accrued Benefits for deferred beneficiaries	$349.0
Value of Accrued Benefits for pensioners	$440.4
Total	**$2,061.9**

Accrued Benefits have not been subjected to a minimum of the Vested Benefits, either on an individual member or plan basis.

Financial Condition

The coverage of various measures of benefit liabilities by assets at 30 June 2014 was as follows:

Total Fund	Assets ($ million)	Liabilities ($ million)	Ratio
Vested Benefits	$2,354.9	$2,277.8	103%
Accrued Benefits	$2,354.9	$2,061.9	114%
Minimum Requisite Benefits	$2,354.9	$1,483.9	159%

- The asset value shown in this table was also used to determine the recommended contribution rates. As at 30 June 2014, in my opinion the assets of the Defined Benefit plan were sufficient to meet the value of the liabilities of the fund in respect of Accrued Benefits. The Defined Benefit plan was not in an unsatisfactory financial position as at 30 June 2014 as defined in SPS 160.
- In addition to the position reported above, the actuary projected the plan's ongoing ability to meet both Accrued and Vested Benefits over the three years following the date of the investigation. This was undertaken on the basis that:

- the actuarial assumptions as to investment returns, salary inflation, rate of pension increase and membership turnover would apply over the next three years;
- no new members would be admitted as defined benefit members; and
- the Authorities will contribute to the Defined Benefit plan over the next three years in accordance with the recommendations outlined in the actuarial report.

- Based on the assumptions in the above projection, it is anticipated that both the Vested Benefits and Accrued Benefits will be covered by Defined Benefit plan assets throughout the three years following the date of the investigation.

Self Insurance

The Defined Benefit plan provides death and disablement benefits that are higher than the resignation/retirement benefits. The Fund self insures this risk. It is reasonable for the Trustee to determine that self-insurance remains appropriate for the Defined Benefit plan in light of its size, experience, present membership and benefit levels. We recommend the Defined Benefit plan hold a self-insurance reserve of $6 million to cover the pending and incurred but not reported claims.

Material Risks

We have also identified the material risks in respect of the funding of the plan:

- Investment risk - the risk that investment returns will not be as high as expected which might result in additional contribution from employers in the future. There is also a risk that a large surplus could arise.
- Salary and price inflation risk – the risk that the salary or price inflation will exceed expectation which may require additional funding from the employers.
- Pensioner longevity risk – the risk that pensioners may live longer than expected which will increase the funding cost for employers.
- Liquidity risk – the risk that the plan will not have sufficient liquid assets to fund the benefit payments due to its exposure to the illiquid investments. We are aware that the Trustee is considering this risk in setting the investment strategy.
- Asset risks – the risk that the accounting value of the asset may not accurately reflect the underlying investment value due to the method used to determine the plan's asset value.

There are also other risks such as legislation risk and operation risk that should be properly managed by the Trustee.

Statement of Financial Condition

In summary, this investigation has revealed that the Defined Benefit plan's assets were sufficient to cover the vested benefit liabilities and accrued benefit liabilities as at 30 June 2014.

Appendix A contains the information required to be included in the actuarial investigation by SPS 160.

City of Melbourne plan – Division D of the Trust Deed

Summary of Actuarial Report

For the purposes of AAS 25, the COM plan's "Report on the Actuarial Investigation as at 30 June 2014" ("COM Actuarial Report") dated 10 December 2014 may be summarised as follows:

Data

The membership data of COM plan as at 30 June 2014 is summarized below:

- 146 active members with total salaries of $13.1 million; and
- 44 retained members with total account balance of $8.6 million.

In addition, we were also provided with the net market value of assets of the COM plan as at 30 June 2014.

The actuary has relied upon the data provided.

Assumptions

The financial assumptions are summarised as follows:

Discount Rate:	7.50% per annum
Future Salary Increases:	4.25% per annum
CPI Increases:	2.75% per annum

The discount rate of 7.5% per annum is considered to be a reasonable expectation of actual future returns over the average expected term of the benefit liabilities, calculated to be 5.4 years, in light of the COM plan's present investment strategy and taxation position. These assumptions have been adopted in consideration of the views of Russell and the Fund's asset consultants, Frontier. There has been no change in the financial assumptions since the previous actuarial investigation as at 31 December 2011.

The following changes were made to the other assumptions:

(a) The rates of early retirement were reduced between ages 55 and 58; and

(b) The rates of death and disablement have been updated to reflect the cost of external insurance; and

(c) The assumed plan expense has been increased from 2.0% to 3.5% of salaries.

Methodology for Calculating Accrued Benefits

Accrued Benefits are based on the expected future benefit payments (measured using actuarial assumptions and valuations where appropriate) that arise from membership of the COM plan up to the measurement date. The method of apportioning active members' benefits to past service for the COM plan is as follows, effectively recognising the portion of future benefits arising due to service to date:

(a) Retirement– the past service benefit (based on accrued lump sum multiples) at the calculation date, with allowance for future salary growth to the assumed exit date.

(b) Death and Disablement benefits – the total projected benefit at the assumed exit date multiplied by the ratio of service to the calculation date divided by service to assumed exit date.

(c) Immediate Resignation Benefit – the past service benefit at the calculation date (based on the multiples at the calculation date) with allowance for future salary growth and vesting up to the assumed resignation date.

The present value of expected future payments are determined as the benefits payable to defined benefit members, taking into account expected future salary increases, the probability of payment, and the discounting back to present-day dollars.

Accrued Benefits have been calculated in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by the Institute of Actuaries of Australia.

Funding Method and Recommendations

The method of funding benefits adopted is the aggregate funding method. This method aims to provide sufficient funding to meet all the future benefit payments as they fall due. In making the recommendations, we have also considered the requirements of Superannuation Prudential Standard (SPS 160) and the views of the City of Melbourne.

Based on the aggregate funding method there was an actuarial surplus as at 30 June 2014. After discussion with the Trustee, City of Melbourne and considering the requirements of SPS 160 the recommended contributions were not changed. The actuary recommended that City of Melbourne should make contributions to the Defined Benefit plan at least equal to:

(a) Contributions equal to 13% of salary for employee members (including 1% of salary to allow for Salary Continuance Cover);

(b) Top-up payments for exiting members equal to the following amount increased for contribution tax:

Benefit Payment less (Vested Benefit x VBI)

Top-up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required for all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. Benefit payments exclude the amount of any insurance proceeds; and

(c) Any additional contributions that may be required in future under SPS 160.

Because there is a material surplus based on the aggregate funding method and it was decided not to reduce contributions, the actuary suggested that the Trustee consider whether it is appropriate to reduce the investment risk in the investment strategy. If the Trustee decided not to reduce the investment risk we recommended further actuarial advice be obtained and reducing contribution rates be considered.

Accrued Benefits

For the disclosure purposes of AAS 25, the Accrued Benefits under the COM plan as at 30 June 2014 are determined to be $48.7 million comprising of the following components:

ACCRUED BENEFITS AS AT 30 JUNE 2014 ($ million)	
Value of Accrued Benefits for active members	$48.6
Value of Additional Accrued Benefits for retained members	$0.2
Total	**$48.7**

** Total may not add up due to rounding*

Accrued Benefits have not been subjected to a minimum of the Vested Benefits, either on an individual member or plan basis.

Financial Condition

The coverage of various measures of benefit liabilities by assets at 30 June 2014 was as follows:

Total Fund	Assets ($ million)	Liabilities ($ million)	Ratio
Vested Benefits	$60.9	$54.4	112%
Accrued Benefits	$60.9	$48.7	125%
Minimum Requisite Benefits	$60.9	$39.6	154%

- The asset value shown in this table was also used to determine the recommended contribution rates. As at 30 June 2014, in my opinion the assets of the COM plan were sufficient to meet the value of the liabilities of the fund in respect of Accrued Benefits. The COM plan was not in an unsatisfactory financial position as at 30 June 2014.

- In addition to the position reported above, the actuary projected the plan's ongoing ability to meet both Accrued and Vested Benefits over the three years following the date of the investigation. This was undertaken on the basis that:
  - the actuarial assumptions as to investment returns, salary inflation and membership turnover would apply over the next three years;
  - no new members would be admitted as defined benefit members; and
  - City of Melbourne will contribute to the COM plan over the next three years in accordance with the recommendations outlined in the actuarial report.
- Based on the assumptions in the above projection, it is anticipated that both the Vested Benefits and Accrued Benefits will be covered by COM plan assets throughout the three years following the date of the investigation.

Self Insurance

As recommended in the previous triennial actuarial investigation, the COM plan is now externally insured in respect of the future service component of death and disability benefits. The actuarial investigation identified some gaps in the insurance policy where the future service component of death and disability benefits is not fully covered but also noted that the impact on the funding is not material.

Material Risks

We have also identified the material risks in respect of the funding of the plan:

- Investment risk - the risk that investment returns will not be as high as expected which might result in additional contributions from City of Melbourne in the future. There is also a risk that a large surplus could arise.
- Salary inflation risk – the risk that the salary inflation will exceed expectation which may require additional funding from City of Melbourne.
- Liquidity risk – the risk that the plan will not have sufficient liquid assets to fund the benefit payments given its current exposure to the illiquid investments. We understand that the COM plan can share its exposure to illiquid assets with the other defined benefit plans to manage this risk.

There are also other risks such as legislation risk and operation risk that should be properly managed by the Trustee.

Statement of Financial Condition

This investigation has revealed that the COM plan's assets were sufficient to cover the vested benefit liabilities and accrued benefit liabilities as at 30 June 2014.

Appendix B contains the information required to be included in the actuarial investigation by SPS 160.

Parks Victoria plan – Divisions E and F of the Trust Deed

Summary of Actuarial Report

For the purposes of AAS 25, the Parks plan's "Report on the Actuarial Investigation as at 30 June 2014" ("Parks Actuarial Report") dated 24 November 2014 may be summarised as follows:

Data

We have been provided with the membership data as at 30 June 2014 for 81 active employees with total salaries of $7.0 million.

In addition, we were also provided with the net market value of assets of the Parks plan as at 30 June 2014

The actuary has relied upon the data provided.

Assumptions

The financial assumptions are summarised as follows:

Discount Rate:	7.50% per annum
Future Salary Increases:	4.25% per annum
CPI Increases:	2.75% per annum

The discount rate of 7.5% per annum is considered to be a reasonable expectation of actual future returns over the average expected term of the benefit liabilities, calculated to be 5.5 years, in light of the Parks plan's present investment strategy and taxation position. These assumptions have been adopted after consideration of the views of Russell and the Fund's asset consultants, Frontier. There has been no change in the financial assumptions since the previous triennial actuarial investigation as at 31 December 2011, provided in our report dated 25 June 2012.

The following changes were made to the other assumptions:

(a) The rates of early retirement were reduced between ages 55 and 58; and
(b) The rates of death and disablement have been updated to reflect the cost of external insurance; and
(c) The assumed plan administration expense has been increased from 3.0% to 5.0% of salaries.

Methodology for Calculating Accrued Benefits

Accrued Benefits are based on the expected future benefit payments (measured using actuarial assumptions and valuations where appropriate) that arise from membership of the Parks Victoria plan up to the measurement date. The method of apportioning active members' benefits to past service for the Parks plan is as follows, effectively recognising the portion of future benefits arising due to service to date:

(a) Retirement– the past service benefit (based on accrued lump sum multiples) at the calculation date, with allowance for future salary growth to the assumed exit date.

(b) Death and Disablement benefits – the total projected benefit at the assumed exit date multiplied by the ratio of service to the calculation date divided by service to the retirement date.

(c) Immediate Resignation Benefit – the past service benefit at the calculation date (based on the multiples at the calculation date) with allowance for future salary growth up to the assumed resignation date.

The present value of expected future payments are determined as the benefits payable to defined benefit members, taking into account expected future salary increases, the probability of payment, and the discounting back to present-day dollars.

Accrued Benefits have been calculated in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by the Institute of Actuaries of Australia.

Funding Method and Recommendations

The method of funding benefits adopted is the aggregate funding method. This method aims to provide sufficient funding to meet all the future benefit payments as they fall due. In making the recommendations, we have also considered the requirements of Superannuation Prudential Standard 160 (SPS 160).

Based on the aggregate funding method there was an actuarial surplus as at 30 June 2014. After discussion with the Trustee, Parks Victoria and considering the requirements of SPS 160 the recommended contributions were not changed. The actuary recommended that Parks Victoria should make contributions to the Defined Benefit plan at least equal to:

(a) Contributions equal to 12% of salary for Division E members and contributions of the accruing cost for Division F members;

(b) Top-up payments for exiting members equal to the following amount increased for contribution tax:

Benefit Payment less (Vested Benefit x VBI)

Top-up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required for all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. Benefit payments exclude the amount of any insurance proceeds; and

(c) Any additional contributions that may be required in future under SPS 160.

Parks Victoria should also contribute the amount of members' salary sacrifice (pre-tax) contributions.

Because there is a surplus based on the aggregate funding method, the actuary suggested that the Trustee consider whether it is appropriate to reduce the investment risk in the investment strategy.

Accrued Benefits

For the disclosure purposes of AAS 25, the Accrued Benefits under the Parks plan as at 30 June 2014 are determined to be $27.9 million.

Accrued Benefits have not been subjected to a minimum of the Vested Benefits, either on an individual member or plan basis.

Financial Condition

The coverage of various measures of benefit liabilities by assets at 30 June 2014 was as follows:

Total Fund	Assets ($ million)	Liabilities ($ million)	Ratio
Vested Benefits	$33.3	$32.7	102%
Accrued Benefits	$33.3	$27.9	119%
Minimum Requisite Benefits	$33.3	$21.0	158%

- The asset value shown in this table was also used to determine the recommended contribution rates. As at 30 June 2014, in my opinion the assets of the Parks plan were sufficient to meet the value of the liabilities of the fund in respect of Accrued Benefits. The Parks plan was not in an unsatisfactory financial position as at 30 June 2014.
- In addition to the position reported above, the actuary projected the plan's ongoing ability to meet both Accrued and Vested Benefits over the three years following the date of the investigation. This was undertaken on the basis that:
  - the actuarial assumptions as to investment returns, salary inflation and membership turnover would apply over the next three years;
  - no new members would be admitted as defined benefit members; and

- Parks Victoria will contribute to the Parks plan over the next three years in accordance with the recommendations outlined in the actuarial report.

- Based on the assumptions in the above projection, it is anticipated that both the Vested Benefits and Accrued Benefits will be covered by Parks plan assets throughout the three years following the date of the investigation.

Self Insurance

As recommended in the previous triennial actuarial investigation, the Parks plan is now externally insured in respect of the future service component of death and disability benefits. The actuarial investigation identified some gaps in the insurance policy where the future service component of death and disability benefits is not fully covered but also noted that the impact on the funding is not material.

Material Risks

We have also identified the material risks in respect of the funding of the plan:

- Investment risk - the risk that investment returns will not be as high as expected which might result in additional contributions from Parks Victoria in the future. There is also a risk that a large surplus could arise.
- Salary inflation risk – the risk that the salary inflation will exceed expectation which may require additional funding from Parks Victoria.
- Liquidity risk – the risk that the plan will not have sufficient liquid assets to fund the benefit payments given its current exposure to the illiquid investments. We understand that the Parks Victoria plan can share its exposure to illiquid assets with the other defined benefit plans to manage this risk.

There are also other risks such as legislation risk and operation risk that should be properly managed by the Trustee.

Statement of Financial Condition

This investigation has revealed that the Parks plan's assets were sufficient to cover the vested benefit liabilities and accrued benefit liabilities as at 30 June 2014.

Appendix C contains the information required to be included in the actuarial investigation by SPS 160.

Matthew Burgess

Matthew Burgess
Fellow of the Institute of Actuaries of Australia

Gabrielle Baron
Fellow of the Institute of Actuaries of Australia

27 April 2015

Russell Employee Benefits (ABN 70 099 865 013, AFSL 220705)
GPO Box 5141, Melbourne VIC 3000 Australia

APPENDIX A - REQUIREMENTS UNDER PRUDENTIAL STANDARD SPS 160 (DIVISION C - DEFINED BENEFIT PLAN)

Defined Benefit Plan – Division C

As the Actuary to the Fund, I hereby confirm that in my opinion:

a) At 30 June 2014, the value of the assets of the Defined Benefit plan, excluding the amount held to meet the Operational Risk Financial Requirement (ORFR), was $2,354.9 million.

b) The projected likely future financial position of the LASF Defined Benefit plan during the three years following the valuation date and based on my best estimate assumptions is as follows.

Date	Assets ($m)	Vested Benefits ($m)	Vested Benefits Index (%)
30 June 2014	$2,355	$2,278	103.4%
30 June 2015	$2,357	$2,254	104.6%
30 June 2016	$2,358	$2,229	105.8%
30 June 2017	$2,357	$2,198	107.2%

The projected financial position is shown only for the defined benefit members of the Defined Benefit plan. The account balances of all accumulation members are fully funded and expected to remain fully funded during the three year projection period. The City of Melbourne and Parks Victoria plans are not included.

c) In my opinion, the value of the assets of the Defined Benefit plan at 30 June 2014, excluding the amount held to meet the ORFR, was adequate to meet the liabilities in respect of the accrued benefits of members of the sub-fund (measured as the actuarial value of members' accrued entitlements using the valuation assumptions). I consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liability.

d) At 30 June 2014 the Defined Benefit plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the financial position is likely to have remained in a satisfactory financial position at the date of signing this report. In my opinion the Defined Benefit plan does not need to be treated as being in an unsatisfactory financial position. The shortfall limit does not need to be reviewed.

e) At 30 June 2014 the value of the liabilities of the Defined Benefit plan in respect of minimum benefits of the members of the sub-fund is $1,483.9 million. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

f) Funding and Solvency Certificates for the Fund covering the period from 30 June 2013 to 30 June 2014 have been obtained. The Fund was solvent, as defined in the Superannuation Industry (Supervision) Regulations, at 30 June 2014. In my opinion, I expect that the solvency of the Fund will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2017.

g) It is recommended that the Employer makes contributions at the rates set out below for the period to 30 June 2017:

    (i) Any outstanding unfunded liability from the 30 June 1997, 31 December 2002, 31 December 2008 and 31 December 2011 actuarial investigations; plus

    (ii) An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the minimum of (100% and VBI) multiplied by the vested benefit), plus contribution tax; plus

    (iii) 9.5% of members' salaries, increasing with increases in the Superannuation Guarantee Charge; plus

    (iv) Additional top up contributions that may be recommended in the future, if the Defined Benefit plan becomes in an unsatisfactory financial position.

h) In my opinion, as at 30 June 2014 there is a high degree of probability that the Defined Benefit plan will be able to pay the defined benefit pensions as required under the sub-fund's governing rules.

APPENDIX B - REQUIREMENTS UNDER PRUDENTIAL STANDARD SPS 160 (DIVISION D – CITY OF MELBOURNE PLAN)

City of Melbourne Plan – Division D (COM Plan)

As the Actuary to the Fund, I hereby confirm that in my opinion:

a) At 30 June 2014, the value of the assets of the COM plan, excluding the amount held to meet the Operational Risk Financial Requirement (ORFR), was $60.9 million.

b) The projected likely future financial position of the COM plan during the three years following the valuation date and based on my best estimate assumptions is as follows.

Date	Assets ($m)	Vested Benefits ($m)	Vested Benefits Index (%)
30 June 2014	60.9	54.4	112.1
30 June 2015	60.6	53.9	112.4
30 June 2016	60.3	52.4	115.1
30 June 2017	58.2	49.0	118.8

The projected financial position is shown only for the defined benefit members of the City of Melbourne plan.

c) In my opinion, the value of the assets of the City of Melbourne plan at 30 June 2014, excluding the amount held to meet the ORFR, was adequate to meet the liabilities in respect of the accrued benefits of members of the sub-fund (measured as the value of members' accrued entitlements using the valuation assumptions). I consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liability.

d) At 30 June 2014 the COM plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the COM plan does not need to be treated as being in an unsatisfactory financial position. The shortfall limit does not need to be reviewed.

e) At 30 June 2014 the value of the liabilities of the COM plan in respect of minimum benefits of the members of the sub-fund is $39.6 million. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

f) Funding and Solvency Certificates for the Fund covering the period from 30 June 2013 to 30 June 2014 have been obtained. The Fund was solvent, as defined in the Superannuation Industry

(Supervision) Regulations, at 30 June 2014. In my opinion, I expect that the solvency of the Fund will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2017.

g) It is recommended that the Employers make contributions on the basis set out below for the period to 30 June 2017.

- Contributions equal to 13% of salary for employee members; plus
- Funding the top-up payments for exiting members equal to the following amount increased for contribution tax:

  Benefit Payment less (Vested Benefit x VBI)

  Top-up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required for all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. Benefit payments exclude the amount of insurance proceeds.
- Any salary sacrifice contributions should be made in respect of members in accordance with the Trust Deed.

APPENDIX C - REQUIREMENTS UNDER PRUDENTIAL STANDARD SPS 160 (DIVISION E – PARKS VICTORIA PLAN)

Parks Victoria – Division E & F (Parks Plan)

As the Actuary to the Fund, I hereby confirm that in my opinion:

a) At 30 June 2014, the value of the assets of the Parks plan, excluding the amount held to meet the Operational Risk Financial Requirement (ORFR), was $33.3 million.

b) The projected likely future financial position of the Parks plan during the three years following the valuation date and based on my best estimate assumptions is as follows.

Date	Assets ($m)	Vested Benefits ($m)	Vested Benefits Index (%)
30 June 2014	$33.3	$32.7	101.8%
30 June 2015	$32.4	$31.4	103.3%
30 June 2016	$31.7	$30.2	105.0%
30 June 2017	$30.8	$28.7	107.4%

** Numbers provided above are subject to rounding.*

c) In my opinion, the value of the assets of the Parks plan at 30 June 2014, excluding the amount held to meet the ORFR, was adequate to meet the liabilities in respect of the accrued benefits of members of the sub-fund (measured as the present value of members' accrued entitlements using the valuation assumptions). I consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liability.

d) At 30 June 2014 the Parks plan was not in an unsatisfactory financial position, as defined in SPS 160. The shortfall limit does not need to be reviewed.

e) At 30 June 2014 the value of the liabilities of the Parks plan in respect of minimum benefits of the members of the sub-fund is $21.0 million. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

f) Funding and Solvency Certificates for the Fund covering the period from 30 June 2013 to 30 June 2014 have been obtained. The Fund was solvent, as defined in the Superannuation Industry

(Supervision) Regulations, at 30 June 2014. In my opinion, the solvency of the Fund will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2017.

g) For the three years from 30 June 2014, the employers should make contributions to the Parks plan as follows:

- 12% of salaries for Division E members and the following contribution rates for Division F members as follows:

Former fund	Current Member Contribution Rate % of salaries	Employer Accruing Cost Contribution Rates % of salaries
Transport Scheme	0.0	9.5
	2.5	9.5
	5.0	13.5
	7.5	18.0
Revised Scheme	N/A	17.0

- Fund the top-up payments for exiting members equal to the following amount increased for contribution tax:

  Benefit Payment less (Vested Benefit x VBI)

  Top-up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required for all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. Benefit payments exclude the amount of any insurance proceeds; plus

- Any salary sacrifice contributions should be made in respect of members in accordance with the Trust Deed