

# MySuper

## The Year in Review:

# Being a super fund member during a time of unprecedented financial instability

Investment markets right around the world have fallen dramatically from where they were two years ago. Many commentators have called the 'global financial crisis' the biggest economic downturn since the Great Depression. The impact of this has posed challenges for all super funds.

The 2008/09 financial year passed entirely in the climate of the financial crisis. From start to finish, the fog of the economic situation weighed down investments and prevented any chance of a positive return for LUCRF Super's default Balanced option, which most of our members are in.

The two biggest falls in the financial sector occurred in September–October 2008, when markets fell by around 27%, and January–February this year, when a drop of around 40% of pre-GFC levels was recorded.

The Fund has a long-term view of investing and this strategy has allowed us to minimise the impact on our default Balanced investment option, which returned – 13.37% for the financial year. While no one likes to go backwards, the reality is that we have been able to defy other investment markets that have fallen by over 20%.

**For an outline of how LUCRF Super's Balanced option works and why it is a good long-term performer, see page 4.**

**For an outline of how LUCRF Super will continue to improve our services to members, see page 5.**

## Improving the insurance available to you

The collective power of 180,000 members allowed us to broker a new Income Protection insurance arrangement with ING Life Limited.

It offers far greater insurance cover than ever before, while keeping premiums low. The outcome is an innovative and job-specific insurance package, unlike any other.

Our flexible insurance arrangements make it easy for you to pick and choose the level of cover that is best for you.

A major benefit of obtaining insurance cover through LUCRF Super is that the premium is deducted from your super account – you don't have to budget for it out of your salary.

We have worked hard to improve insurance for members, and to simplify the insurance process. We're proud of what we can now offer you.



Visit our website for more on the insurance cover available to you.



# From the CEO

The extraordinary financial environment of the past 12 months has severely impacted the results of all funds. In the first quarter of the year, markets fell by more than 40% and didn't begin to recover until midway through the third quarter.



These events, at least in our own experience, were unprecedented. Members, whose super accounts had been steadily growing and whose savings are crucial to their future economic wellbeing, were afraid and uncertain about their future.

The Fund's Contact Centre and our Business Development Managers (BDMs) operating in the field all around Australia were inundated by members expressing their concern and seeking advice about what they could do to best protect those savings. These were difficult times.

Part of our response was to make as much accurate information as possible available to members and employers through our newsletters, website, site meetings and seminars, Contact Centre and BDMs. As part of this program, we discussed with members the principles behind our default Balanced option and the long-term nature of superannuation.

Our Investment Oversight team worked closely with our investment managers throughout this period, to ensure that we had accurate information and everything that could be done to protect our members' interests was being done.

The markets began to improve from about February of 2009, through to the end of the financial year. Markets came off their lows of around -40%, to finish the financial year around 25% to 28% down on 2007/08 levels. This improvement provided some relief that the markets had stabilised.

Our result this financial year for the Balanced option (negative 13.37%) should be seen in the context of the global financial environment. This year, we have performed in line with the industry benchmarks. Our 5-year and 7-year earning rates also remain strong.

We understand the impact of these results on members' accounts and we are committed to working with members to provide assistance with their retirement planning and investment options going forward (see report on page 5).

Superannuation is a long-term arrangement and LUCRF Super has a long-term relationship with our members. We look forward to better times and to continuing to build that relationship, with outcomes and services that make a positive difference for you.

If you need our assistance with super, please don't hesitate to make contact.

Greg Sword  
CEO

## How LUCRF Super's investment options performed

	Balanced (default option)	Australian Shares option	International Shares option	Indexed Shares option	Property option	Cash option
LUCRF Super return	-13.37%	-16.80%	-16.19%	-16.78%	-34.40%	3.77%
LUCRF Pensions return*	-14.06%	-17.59%	-18.13%	-17.02%	-37.92%	4.56%

### \* Difference in returns for super and pensions

Superannuation accounts attract a 15% tax on their earnings and profits, whereas super Pension funds are untaxed. Pension accounts operate under a different tax regime, where the investment earnings and profits are not taxed. This makes their returns vary from those of super accounts.

In a situation where a super fund generates an investment gain, pension division members will receive the full benefit of the gain (as their gains are not taxed), whereas standard super members of the fund will receive a reduced net gain, because tax must be paid. On the other hand, where super suffers an investment loss, pension fund members will experience the full loss, while super members will receive a tax credit on the loss and so experience a reduced loss.

# How LUCRF Super compares

The table below shows how LUCRF Super has performed compared to the industry benchmark 'All Funds Median' over 1, 3, 5 and 7 years to 30 June 2009. Please note that whilst LUCRF Super's return figures are finalised crediting rates, the 'All Funds Median' is based on interim figures only – finalised crediting rates for this benchmark are not yet available and could see the results vary, either up or down.

Investment Option benchmarks				
Investment Option	2008/09 financial year	3 year average annual return	5 year average annual return	7 year average annual return
LUCRF Super's Balanced Option (default)*	-13.37%	-2.05%	4.55%	5.11%
All Funds Median**	-12.69%	-1.89%	4.24%	4.97%

\*Past performance does not guarantee future results.

\*\*Source: SuperRatings Fund Crediting Rate Survey, June 2009.

LUCRF Super has performed above the industry benchmark over the past 5 and 7 years. We will continue to work hard to improve our position and performance.

## NOT-FOR-PROFIT FUNDS OFFER GREATEST VALUE TO MEMBERS

**The benefits of being with a not-for-profit 'Industry' super fund like LUCRF Super are much more than just our low fees and the fact that we do not pay commissions.**

Research commissioned by the Australian Institute of Superannuation Trustees (AIST) has highlighted some major differences between profit-driven funds and those that are run only to benefit their members. These fundamental differences in priorities between not-for-profit funds and commercial 'Retail' funds, can have a big impact on your final super benefit and the way your fund works on your behalf.

The two major findings of the AIST research are:

### Better performance

- Statistics showed that, on average, not-for-profit funds outperformed Retail funds, generally by between 1.9% and 2.4% per year.
- The findings also suggest that this out-performance is based on more than just lower fees and charges – Industry funds simply perform better on the whole and offer greater returns to their members.
- A rough estimate of the difference that this out-performance has on a member's final benefit is between 38% and 48% over their working life. That is no small difference and should not be ignored – imagine having around 40% less to live on in retirement?

### Focused on members

- The survey found that those who look after not-for-profit funds do so with member benefits as their motivation and they are much more involved in the real work of their fund than directors of Retail funds.
- Directors of not-for-profit funds are passionate and highly-committed to the interests of members, joining a Board because they believe in the industry and want to make a real contribution. The backgrounds and experience of Industry fund directors in all walks of life (rather than just finance) help their Board to focus on making a difference to the lives of their members.
- Directors of Industry super funds spend almost three times as much time working on behalf of their fund than do directors of Retail funds.

Not-for-profit super funds exist solely to help their members prepare for life after work. With no corporate interests to try and keep happy, a not-for-profit fund works only for you.

As Australia's first Industry super fund, LUCRF Super is run only to benefit our members. We have a proud history of working hard to maximise the retirement savings of everyday Australians and we continue this focus today.

# The 'Balanced' approach: growth for the long term

LUCRF Super's default Balanced option is designed to provide optimum growth for members' funds. Its objective is to exceed the inflation rate by at least 4% over the long term.

This strategy has allowed us to return an average annual crediting rate to members of **10.12% since 1978**.

The Fund works closely with the oldest actuarial company in the world, Watson Wyatt, to put together an investment option that balances different types of assets to maximise growth *and* provide some security. It takes into account a whole series of possible scenarios, mapping out a path that will provide the best opportunity for long-term growth in a variety of market conditions.

## Why we invest in different types of assets

Investment markets experience peaks and troughs – it is normal and expected that values will fluctuate. The Balanced option invests in a combination of growth assets and defensive ones, with the goal of capturing growth during good times while offering a level of protection during a market downturn.

Growth assets are those which are expected to deliver returns significantly above the inflation rate. However, these assets carry a higher level of risk and an increased chance of negative returns in some years.

To provide some protection, the Balanced option also invests in defensive assets. The benefit of this is the measure of safety it offers, which can help to reduce the impact of a negative return. This is demonstrated by looking at the returns of two LUCRF Super investment options for 2008/09:

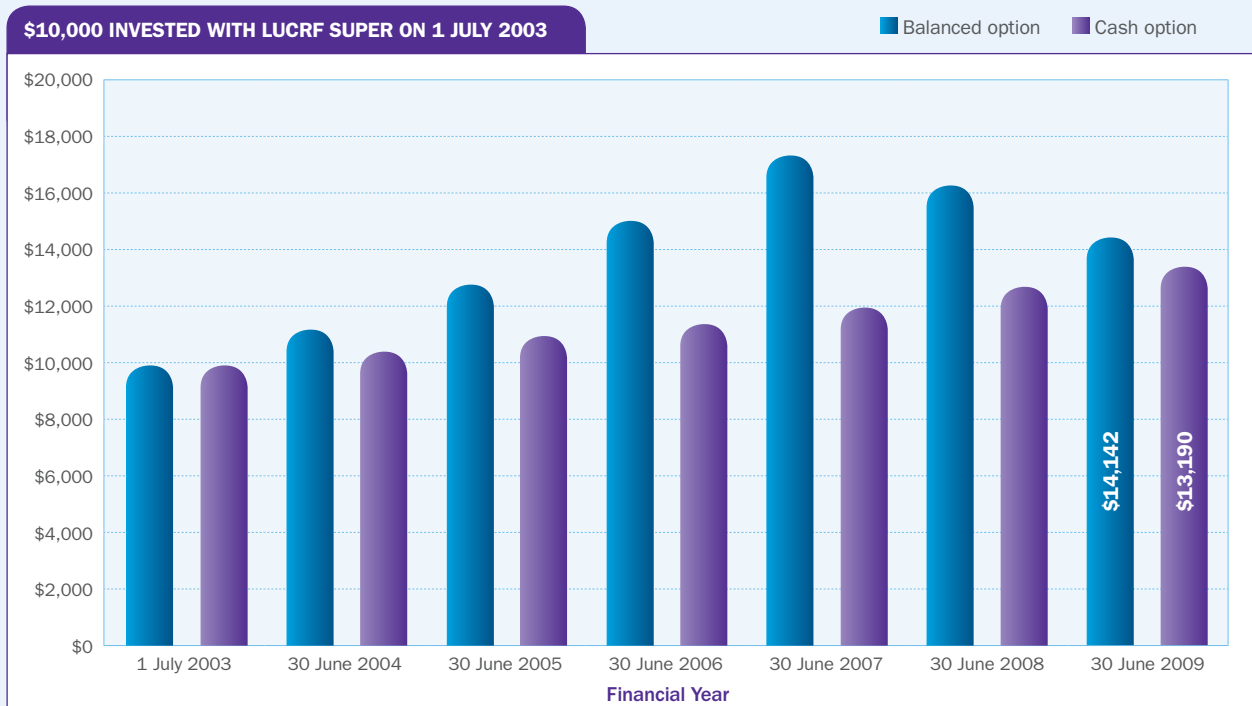
Australian Shares	-16.80%
Balanced option	-13.37%

As you can see, the Balanced option's return was buffered by the defensive assets that form a critical part of its mix.

## COMPARING LUCRF SUPER'S BALANCED AND CASH OPTIONS

Many members might look at the returns of LUCRF Super's default Balanced option and compare it to our Cash option. With super being a long-term investment, it is useful to compare the two options over a number of years.

The graph below shows what would have happened to a balance of \$10,000 in July 2003 in both the Balanced and Cash options (with the same deductions and no contributions). As you can see, the important mix of assets in the Balanced option takes advantage of growth periods and provides some security during a downturn. LUCRF Super offers this mix to help members' account balances grow over the long term.



# Moving forward

## How we are approaching the future

LUCRF Super is continually looking for ways to improve and expand on the services we offer you. Several important things that we are looking at are outlined below.

### Financial advice

A lot of members have been asking us for advice about what investment option is best for them, as well as other ways they can maximise their super to meet their retirement goals. Questions often involve investment choice, as well as whether you should continue making any salary sacrifice and personal contributions and how this might affect your super balance.

Our Fund Licence currently permits us only to offer general advice and provide information to help members reach their own decisions.

We are currently in the process of amending our AFS Licence. This will allow us to offer you personal financial advice, and will form part of our broader service to members. We are working towards having this service in place and available toward the end of 2009.

### More investment options

Many members ask us which investment option best suits them. To provide more choice, we are looking at introducing several extra 'pre-mixed' options, each with a different level of growth or defensive assets to meet a member's personal appetite for risk. Work on creating these options is well underway and we hope to be able to make an announcement in the coming months.

### Reviewing our investment managers and programs

Shifting financial times require us to continue reviewing the ways in which assets are invested. Our Investment Committee and Investment Oversight team are currently looking at the ways in which the Fund invests, as well as which specialists we appoint to manage these Investments on our behalf. We will continue this work to ensure that all investments are exactly as they should be.

### Keeping you updated

As new LUCRF Super services and options become available, we will let you know through our website and future editions of *MySuper*.

### Are you preparing to retire in the near future?

Members who are at or near their planned retirement age may be feeling the current financial instability most. For those in this situation, it is important to know everything you need to about your super, the Age Pension and other government support, as well as other options you might have to provide financial peace of mind.

LUCRF Super's Member Education Manager can meet with you in person at your work, home or any of our offices, to discuss your retirement income needs and provide information that will help you plan for the next phase of your life.

For more information on the options available to you, call us on **1300 130 780** and ask to speak with our Member Education Manager.

Want to know more about the super changes announced in the Federal Budget?

Visit [www.lucrf.com.au](http://www.lucrf.com.au) and read our special Fact Sheet on how it might affect you.





View the Annual Report online by visiting our website, [www.lucrf.com.au](http://www.lucrf.com.au)



## ANNUAL REPORT AVAILABLE ONLINE

Our full 2008/09 Annual Report is now available for easy viewing and download at our website.

The Annual Report has always been one of the most read documents from our website, so in an effort to minimise our carbon footprint and continue to provide high-quality service, we have created the report specifically for online viewing.

A simple navigation menu and informative, concise information help make this year's Annual Report very user-friendly.

You will find the usual reports and information, as well as a broad overview on investment returns and other information about the hard work that we do on your behalf.

## Contact LUCRF Super 1300 130 780

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