



**LUCRFsuper**

Australia's first industry fund



## Annual report

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# Chairman and CEO foreword

*While the past year has been notably turbulent for global markets, LUCRF Super has remained strongly member focused while providing low-cost quality products.*

We are proud of our achievements, some of which are highlighted below.

## Solid returns

We delivered solid investment figures for our MySuper Balanced default (8.45%) and Pension Balanced default (9.64%) for the 2014/15 financial year. Most of our members are invested in these options.

Pleasingly we have met our investment objective of CPI plus 4 per cent for our Balanced (default) options, ensuring our members can steadily build their retirement savings at a rate well above cost-of-living increases.

It is important to remember that super is a long-term investment, which ultimately succeeds by riding out any market instability. Our default options' mix of investments has been developed to provide our members with the best possible chance of long-term return stability.

We are glad to note that this was recognised via recent Roy Morgan Research that revealed that LUCRF Super has the second most satisfied members in the country regarding investment performance.\*

## Increased financial advice capacity

Every member deserves access to quality financial strategies that have their best interest at heart. We've taken targeted action to deliver on this principle.

Our focused response has seen a significant increase in the take-up of our financial advice services. Members are receiving comprehensive retirement, Transition to Retirement (TTR) and investment advice via our contact centre, business development managers and our Product and Advice team.

Further to the increased number of full-time staff we have employed in Melbourne, expansion will continue with additional advice team members appointed to our Brisbane and Sydney offices. We want our members to have the best possible support as they strive to meet their financial goals.

## Developing member engagement

We continue to extend our engagement efforts, ensuring that our members have direct access to friendly, Australia-based, face-to-face and telephone services. To action this commitment, we have hired new contact centre and business development management staff in Melbourne and Brisbane and introduced new faces to our Sydney office.

## New clearing house service for employers

We've helped employers navigate the complexities of SuperStream by developing our own clearing house. Now that it has received full ATO certification, employers will soon be able to meet their superannuation obligations efficiently and effectively via our online system.

By providing a file containing their employees' data, an employer will be able to make a single online payment to all their staff (regardless of the super fund). LUCRF Super will then distribute the payment to each employee's super fund on the employer's behalf.

Any employer using our Fund as their default will be offered our clearing house service free of charge.

## Reduced fees

We've worked hard to reduce our fees wherever possible. As of 1 December 2015, the indirect costs of our investments and our administration costs will remain at the same level as last year. Our administration fee of \$1.50 has not increased since 2012. In fact, every LUCRF Super fee (excluding Retirement) will remain the same or decrease in 2015/16.

## Looking to the future

Our achievements are testament to the pride we take in delivering quality products and friendly service. Our philosophy of always putting members first acts as a cornerstone to our success and will continue to influence and inform every one of our Fund's decisions.

\*Roy Morgan Research, Roy Morgan Superannuation and Wealth Report. Roy Morgan, 2015.



**John Carlile**  
Chairman



**Charlie Donnelly**  
CEO

# Trustee Board as at 30 June 2015

## Member Representative Directors



**Tim Kennedy**  
*Deputy Chairman*  
National Secretary,  
National Union of Workers



**Caterina Cinanni**  
National Education & Campaign  
Coordinator/National President  
National Union of Workers



**Gary Maas**  
Victorian Branch Secretary,  
National Union of Workers



**Paul Richardson**  
Assistant National Secretary,  
National Union of Workers



**Sam Roberts**  
General Branch Secretary,  
National Union of Workers

## Employer Representative Directors



**John Carlile**  
*Chairman*  
Nominated by Costa Group



**Melissa Blackley**  
Acting Group HR Director,  
GrainCorp Ltd



**Ted Eftimiadis**  
Nominated by Pacific Brands



**Simon Gallagher**  
Chief Financial Officer (CFO),  
Adecco Group



**Kerry Smith**  
Chief Executive Officer (CEO),  
PFD Food Services Pty Ltd

## Independent Directors



**Ann Byrne**  
(Appointed 1 January 2015)



**Judith Smith**  
(Appointed 1 January 2015)

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### End of term

**Tony O'Grady**  
Ceased 31 December 2014

**David O'Sullivan**  
Ceased 31 December 2014

## Appointment to the Board

The Fund's *Trust Deed and Rules* set out the procedure for appointing directors. The general secretary of the National Union of Workers nominates member representatives in writing.

Employer representatives and independent directors are appointed on the recommendation of nominating committees.

## Trust Deed

The way in which the Fund is governed and controlled is established through a legal document called the *Trust Deed and Rules*. To obtain a copy, visit [lucrf.com.au](http://lucrf.com.au), call **1300 130 780** or email [mypartner@lucrf.com.au](mailto:mypartner@lucrf.com.au). There have been changes to the Trust Deed during the year. The main reason for the change was to simplify the language and update the terminology.

## Committees

The trustee board established four committees to advise it. Members of each board committee as at 30 June 2015 are:

### Management and Membership Committee

Caterina Cinanni (Chair)  
Kerry Smith  
Simon Gallagher  
Sam Roberts

### Compliance, Risk and Audit Committee

Ted Eftimiadis (Chair)  
Ann Byrne  
Paul Richardson  
Melissa Blackley

### Investment Committee

Judith Smith (Chair)  
John Carlile  
Tim Kennedy  
Gary Maas

### Remuneration Committee

Tim Kennedy (Chair)  
John Carlile  
Ann Byrne

## Directors' attendance at Board and Committee meetings for year ending 30 June 2015

Board and Committee meetings					
Directors	Board Meetings	Investment	Audit, Risk & Compliance	Management & Membership Services	Remuneration
John Carlile	6/6	10/10	6/6	9/9	5/5
Paul Richardson	5/6	-	6/6	-	-
Tim Kennedy	6/6	10/10	3/3	-	5/5
Gary Maas	5/6	9/10	-	-	-
Caterina Cinanni	6/6	-	-	9/9	-
Ted Eftimiadis	6/6	-	6/6	-	-
Tony O'Grady	3/3	6/6	-	-	-
David O'Sullivan	3/3	-	-	5/6	2/2
Kerry Smith	5/6	-	-	3/3	-
Sam Roberts	6/6	-	-	8/9	-
Simon Gallagher*	2/4	-	-	5/5	-
Melissa Blackley	3/6	-	3/6	-	-
Judith Smith	3/3	4/4	-	-	-
Ann Byrne	3/3	-	2/3	-	3/3

\* Approved leave of absence for four months from 21 August 2014.

# An award-winning fund

In 2015, our super and pension products were recognised for excellence by both Rainmaker and SuperRatings. 2015 also marked the third consecutive year that we received the esteemed 'SuperRatings Infinity Recognition Rating' for our commitment to managing sustainability issues.



## Rainmaker SelectingSuper 'AAA' rating

In its annual *SelectingSuper Fund Quality Assessment*, industry researcher Rainmaker awarded LUCRF Super a 'AAA' rating in recognition of its strong adherence to industry regulations. LUCRF Super also produced outstanding results when benchmarked alongside other superannuation funds and when measured against Rainmaker's superannuation industry standards of excellence.

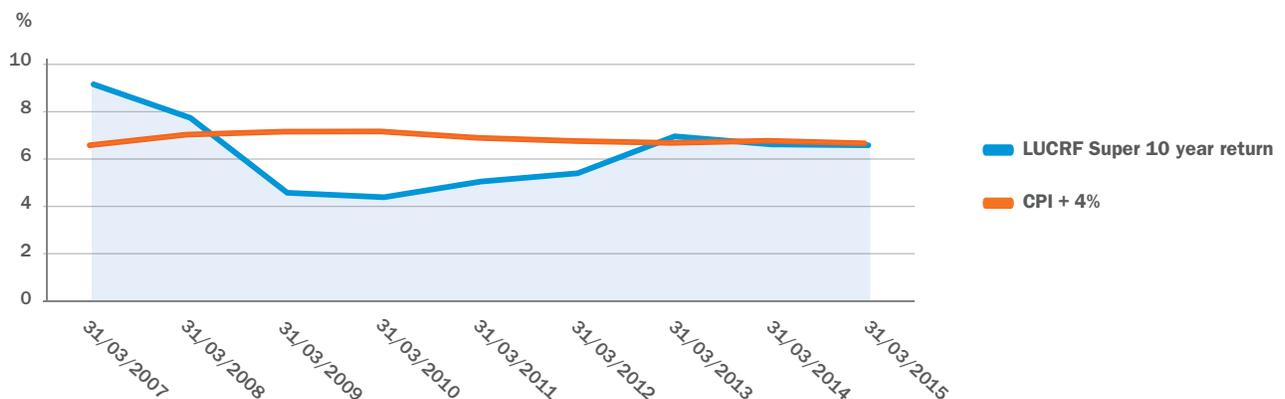
## SuperRatings Platinum Award

The prestigious *SuperRatings Platinum Award* is presented to superannuation funds that represent the best value for money for members. LUCRF Super continues to hold Platinum ratings for both its super and pension products.

Ratings and awards are just one factor to be taken into account when considering a superannuation fund and are subject to change. Prior to making any decision about LUCRF Super, please read the *Super Member Guide (Product Disclosure Statement)* available at [lucrf.com.au](http://lucrf.com.au) or by calling us on **1300 130 780**.

# Investment update

The *Balanced* investment option has consistently reached its objective of CPI plus 4% over a rolling 10-year period.



# 2014/2015 financial year economic commentary

Prepared by

TOWERS WATSON 

*Global economic conditions pointed to a relatively slow recovery for the 2014/2015 financial year with both the IMF and the World Bank downgrading their global growth forecasts during the year. Returns for global equity markets were positive however with the MSCI World ex Australia Index (unhedged to AUD) returning 25.2%, compared to 20.4% and 33.1% for the previous two financial years. The ECB announced its quantitative easing program in January 2015 which will see it inject approximately €1 trillion into the economy by September 2016 via the purchase of government and private sector bonds in an attempt to counter deflationary pressures.*

The recovery story in the US continued over the course of the year, with the unemployment rate falling to a seven year low of 5.3%, an encouraging sign for the US labour market.

After gradually tapering its quantitative easing program, the US Fed ended it in October 2014 and early signs are that it has somewhat steered the economy back on track.

Annualised US GDP growth as at 31 March 2015 came in at 2.4%, slightly lower than the 2.5% predicted however this represented the strongest growth rate since the end of 2011. This was largely supported by increases in consumer spending following improvements in the jobs market (consumer spending accounts for approximately 70% of US GDP).

While the US recovery story was a persistent theme throughout the financial year, it appears the Fed believes that the economy is still operating below capacity and as such continued to keep interest rates low (and unchanged) throughout the year.

The USD also strengthened throughout the year with the strongest performance coming against the Euro (+23%), the \$A (+22%), JPY (+21%), and GBP (+9%).

Economic and business conditions in Europe (in aggregate) improved during the financial year.

The threat of deflation, a main concern early in the financial year subsided throughout the second half assisted by a partial recovery in commodity prices following an unexpectedly sharp drop. Despite this, inflation continues to remain below target levels.

The Eurozone Manufacturing PMI increased to 52.5 in June 2015, from 51.8 at the end of the previous financial year, signalling a modest acceleration in the rate of expansion of the Eurozone manufacturing sector (readings over 50 represents growth in manufacturing).

In January 2015 the ECB launched its quantitative easing program which will see it purchase €60 billion of government and private sector bonds per month until at least September 2016, totalling more than €1 trillion, aimed at revitalising the Eurozone and countering deflationary pressures. The program has already weakened the Euro and lowered bond yields, making the ECB more confident about growth.

The Eurozone unemployment rate improved throughout the year, falling to 11.1% in June 2015 compared to 11.6% in June 2014. Youth unemployment also declined to 22.2% from 23.8% in May 2014 but still remains uncomfortably high.

In June negotiations between Greece and its creditors over the extension of its bailout programme broke down. After weeks of tense talks, newly installed Greek Prime Minister Alexis Tsipras refused the bailout terms offered by the ECB and IMF and called for a referendum on the issue. The surprise referendum announcement shook financial markets as investors considered the implications of Greece's possible exit from the European Union.

'Abenomics' (the three-pronged economic policy package implemented by Japan's Prime Minister Shinzo Abe) continues in Japan, although the jury is still out on whether or not it will ultimately have the desired effect of breaking the country out of its sustained period of deflation. Recent indicators have shown disappointing results with GDP expanding by just 1.5% (annualised) in the fourth quarter of 2014, significantly lower than the 3.8% predicted by economists. The Bank of Japan's 2% inflation target also stalled, with inflation continuing to slow to 0.5% early in 2015.

With the weakening yen softening consumer demand, Japan has limited space for further monetary actions to prevent a return of deflation.

Chinese data pointed to a continuing deceleration of growth over the year, with annual GDP growth coming in at 7% for the first quarter of 2015. In June, the People's Bank of China cut its economic growth forecasts for 2015 from 7.1% to 7.0%. Year-on-year inflation softened in June coming in at 1.4% versus 2.3% for the previous year whilst operating conditions continued to deteriorate with the HSBC China Manufacturing PMI finishing the year at 49.4, down from 50.7 as at June 2014.

Hopes that the Australian economy would transition away from its reliance on mining investment to more broad based sector contributions have wavered recently with annualised GDP growth softening to 2.3% as at 31 March 2015. This was largely driven by higher than expected falls in commodity prices, the high \$A, and the threat of further budget austerity. With mining investment as a contribution to GDP falling rapidly, growth in other parts of the economy assumes greater importance. While there were positive signs of growth from housing and consumer spending, the majority of non-mining investment has been disappointing.

The Reserve Bank of Australia cut the official cash rate twice during the year with the cash rate now at its lowest level ever at 2%. While household demand has picked up, national income continued to fall throughout the year with lower commodity prices and public spending has been subdued. The RBA justified its latest rates cut based on the need to support borrowing and spending and remarked that a further depreciation of the Australian dollar was necessary. The seasonally adjusted unemployment rate finished the year flat versus the previous year at 6%.

The Australian share market saw relatively modest returns for the year with the ASX 300 posting a gain of 5.6%. Returns were higher for the second half of the year assisted by two interest rate cuts by the RBA. The materials sector was the major detractor, returning -20.4%, while healthcare was the standout sector with a return of 29.1%.

The Australian dollar fell gradually throughout the year, assisted by the two interest rate cuts, ending the year at 76.97 US cents, down from 94.20 US cents. The Australian dollar also fell against the currencies of its major trading partners, as measured by the Trade Weighted Index, closing the year at 63.8, down from 72.0 at the beginning of the year.

Fixed interest investments were buoyed by falling government bond yields in most of the major developed economies over the financial year (decreasing bond yields are positive for bond returns), despite yields already being at or near record low levels. Australian cash, as measured by the Bloomberg AusBond Bank Bill Index, returned 2.6% for the year, while Australian fixed interest, as measured by the Bloomberg AusBond Composite Index returned 5.6%. Global fixed interest, as measured by the Barclays Global Aggregate Index (hedged to A\$) returned 5.6%, in line with the Australian fixed interest market.

Note: This investment commentary does not constitute advice. All investment figures quoted relate to before-tax performance of the relevant industry benchmark.

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# Service providers and investments

## Updating your balance

At the end of each financial year we calculate our declared rates which represent the final return on investments for members. This percentage is then applied to your account accordingly.

Once finalised, we send you a statement outlining how your account has performed over the year.

## Derivatives

We primarily use derivatives for currency risk control and as part of the investment strategies to enhance returns in our investment options via external investment managers. Derivatives are not used for gearing purposes and any derivatives are asset-backed by actual holdings in our portfolio.

## Investments

At 30 June 2015 the following investments exceeded 5% of our total assets:

**IFM Investors**  
6.73%

**Northern Trust**  
6.33%

**Karara Capital Ltd**  
6.17%

**Bell Asset Management**  
5.44%

## List of key LUCRF Super service providers as at 30 June 2015

### Auditor

PriceWaterhouseCoopers

### Bankers

Commonwealth Bank

JP Morgan Chase Bank

### Custodian

JP Morgan Chase Bank

### Legal advisers

Holding Redlich

Ryan Carlisle Thomas

### Group insurer

OnePath

### Tax adviser

Ernst & Young

### Asset allocation consultant

Towers Watson

## Investment managers as at 30 June 2015

Adam Smith Asset Management

Acadian Asset Management (Australia) Ltd

AMP Capital

APN Group

Barwon Investment Partners

Bell Asset Management

Brandywine Global Investment Management LLC

Bridgewater Associates Inc.

CBRE Clarion

Colonial First State Asset Management (Australia) Ltd

DFA Australia (Dimensional)

Eureka Funds Management

Folkestone

Franklin Templeton Investments

GMO Australia Limited

GMT Communications Partners

GPT Group

IFM Investors

Industry Super Holdings

ISPT

JCP Investment Partners Ltd

JP Morgan

Karara Capital Ltd

K2/D&S Management Co, LLC

Lazard Asset Management Ltd

Lend Lease Investment Management

Macquarie Global Infrastructure

Macquarie Investment Management Ltd

ME Bank

Montreux Equity Partners

Morgan Stanley Infrastructure Partners

Neuberger Berman Australia Pty Ltd

New Mountain Capital

Northern Trust

Northern Trust Global Investments Ltd

Pacific Road Capital

Palisade Investment Partners

Palomar Ventures Management

QIC Limited

Sankaty Advisors LLC

Schroders Investment Management Australia Ltd

Super Loan Trust

TCW Asset Management

The Sentient Group

Veritas Asset Management (UK) Ltd

Wellington Management

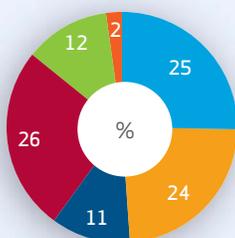
# Investment options

In the 2014/15 financial year LUCRF Super offered 10 investment options for members to select from. These options are classified as either pre-mixed options or asset class options.

## Pre-mixed options

Each pre-mixed option contains a diversified mix of growth and defensive asset classes.

### MySuper Balanced™



	Strategic asset allocation <sup>a</sup> %	Range %
Australian Shares	25	12–38
International Shares	24	15–32
Property	11	4–16
Alternatives	26	12–42
Fixed Interest	12	3–21
Cash	2	0–4

Suggested minimum investment time frame	5 years
Expected frequency of negative annual returns in any 20 year period	3.8
Risk band (1–7)	5
Risk label	Medium to high
Type of investor	Balanced
Investment fee <sup>a</sup>	0.69%

#### Investment objective

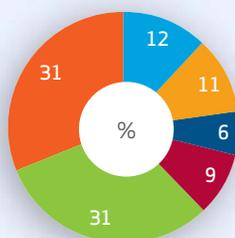
To achieve a return (net of tax, investment expenses and administration cost<sup>a</sup>) that exceeds the increase in the Consumer Price Index (CPI) by at least 4% per year over moving 10 year periods.

<sup>a</sup>Based on \$50,000 member balance.

#### Investment strategy

To invest in a diversified range of strategies with approximately 76% in shares and growth-orientated property and alternative investments, and the remainder in cash, fixed income and income-orientated property and alternative investments.

### Conservative



	Strategic asset allocation <sup>a</sup> %	Range %
Australian Shares	12	8–16
International Shares	11	7–15
Property	6	3–10
Alternatives	9	2–18
Fixed Interest	31	16–41
Cash	31	16–41

Suggested minimum investment time frame	3 years
Expected frequency of negative annual returns in any 20 year period	1.5
Risk band (1–7)	3
Risk label	Low to medium
Type of investor	Conservative
Investment fee <sup>a</sup>	0.48%

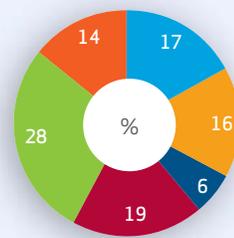
#### Investment objective

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 2% per year over moving 5 year periods.

#### Investment strategy

To invest in a diversified range of strategies with approximately 34% in shares and growth-orientated property and alternative investments, and the remainder in cash, fixed income and income-orientated property and alternative investments.

### Moderate



	Strategic asset allocation <sup>a</sup> %	Range %
Australian Shares	17	8–26
International Shares	16	10–22
Property	6	3–10
Alternatives	19	4–33
Fixed Interest	28	14–41
Cash	14	9–19

Suggested minimum investment time frame	4 years
Expected frequency of negative annual returns in any 20 year period	2.7
Risk band (1–7)	4
Risk label	Medium
Type of investor	Moderate
Investment fee <sup>a</sup>	0.58%

#### Investment objective

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 3% per year over moving 5 year periods.

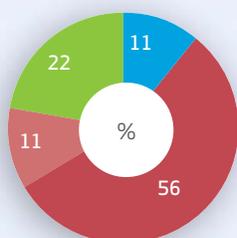
#### Investment strategy

To invest in a diversified range of strategies with approximately 50% in shares and growth-orientated property and alternative investments, and the remainder in cash, fixed income and income-orientated property and alternative investments.

## Pre-mixed options

Each pre-mixed option contains a diversified mix of growth and defensive asset classes.

### Targeted Return



	Strategic asset allocation* %	Range %
Australian Shares	11	0–33
Liquid Alternatives	56	11–78
Infrastructure	11	0–33
Fixed Interest	22	10–60

Suggested minimum investment time frame	4 years
Expected frequency of negative annual returns in any 20 year period	2.2
Risk band (1–7)	4
Risk label	Medium
Type of investor	Targeted Return
Investment fee*	0.77%

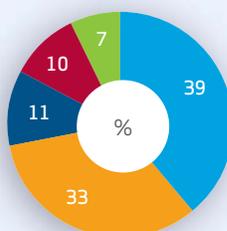
#### Investment objective

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 4% per year over moving 5 year periods.

#### Investment strategy

To invest in a portfolio of highly diversified assets which aim to provide strong above-inflation returns with low levels of volatility.

### High Growth



	Strategic asset allocation* %	Range %
Australian Shares	39	25–48
International Shares	33	25–45
Property	11	7–15
Alternatives	10	2–28
Fixed Interest	7	0–10

Suggested minimum investment time frame	6 years
Expected frequency of negative annual returns in any 20 year period	4.9
Risk band (1–7)	6
Risk label	High
Type of investor	High Growth
Investment fee*	0.75%

#### Investment objective

To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 5% per year over moving 10 year periods.

#### Investment strategy

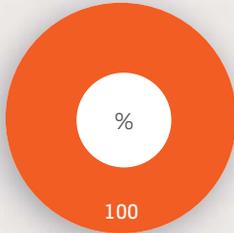
To invest in a diversified range of strategies with approximately 90% in shares and growth-orientated property and alternative investments, and the remainder in cash, fixed income and income-orientated property and alternative investments.

# Investment options

## Asset class options

Each option invests in a single asset class.

### Cash



Strategic asset allocation<sup>^^</sup>  
%

■ Cash	100
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Suggested minimum investment timeframe	N/A
Expected frequency of negative annual returns in any 20 year period	Never
Risk band (1 to 7)	1
Risk label	Very low
Type of investor	Short-term
Investment fee <sup>#</sup>	0.28%

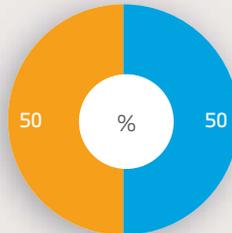
#### Investment objective

To achieve a return (gross of tax and investment expenses) that is equal to the Bloomberg AusBond Bank Bill Index.

#### Investment strategy

To invest in a portfolio consisting primarily of bank deposits but may include other short-term securities.

### Indexed Shares



Strategic asset allocation<sup>^^</sup>  
%

■ Australian Shares	50 <sup>^</sup>	48–52
■ International Shares	50 <sup>^</sup>	48–52

Suggested minimum investment timeframe	7 years
Expected frequency of negative annual returns in any 20 year period	5.4
Risk band (1 to 7)	6
Risk label	High
Type of investor	Aggressive
Investment fee <sup>#</sup>	0.28%

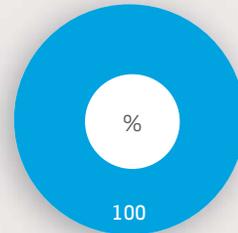
#### Investment objective

To achieve a return (gross of tax and investment expenses) that matches the change in a 50%/50% combination of the S&P/ASX300 Accumulation Index and the MSCI World (ex-Australia) Accumulation Index over moving 3 year periods.

#### Investment strategy

To invest totally in shares on a passive basis with approximately half in Australian Shares and half in International Shares.

### Australian Shares



Strategic asset allocation<sup>^^</sup>  
%

■ Australian Shares	100 <sup>^</sup>
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Suggested minimum investment timeframe	8 years
Expected frequency of negative annual returns in any 20 year period	5.9
Risk band (1 to 7)	7
Risk label	Very High
Type of investor	Aggressive
Investment fee <sup>#</sup>	0.67%

#### Investment objective

To achieve a return (gross of tax and investment expenses) that exceeds the change in the S&P/ASX300 Accumulation Index over moving 3 year periods.

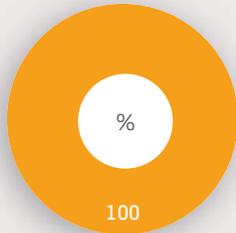
#### Investment strategy

To invest totally in Australian Shares on an actively managed basis.

# Asset class options

Each option invests in a single asset class.

## International Shares



Strategic asset allocation<sup>^^</sup>  
%

■ International Shares 100<sup>^</sup>

Suggested minimum investment timeframe	7 years
Expected frequency of negative annual returns in any 20 year period	5.3
Risk band (1 to 7)	6
Risk label	High
Type of investor	Aggressive
Investment fee*	0.85%

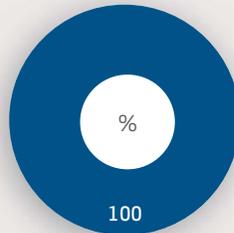
### Investment objective

To achieve a return (gross of tax and investment expenses) that exceeds the MSCI World (ex-Australia) Accumulation Index over moving 3 year periods.

### Investment strategy

To invest totally in International Shares on an actively managed basis.

## Property



Strategic asset allocation<sup>^^</sup>  
%

■ Australian Listed Property Trusts 100<sup>^</sup>

Suggested minimum investment timeframe	8 years
Expected frequency of negative annual returns in any 20 year period	6.5
Risk band (1 to 7)	7
Risk label	Very high
Type of investor	Aggressive
Investment fee <sup>#</sup>	0.28%

### Investment objective

To achieve a return (gross of tax and investment expenses) that equals the change in the S&P/ASX300 Property Trust Index over moving 3 year periods.

### Investment strategy

To invest totally in listed Australian Property Trusts on a passive basis.

<sup>#</sup>Investment manager fees are deducted from investment earnings. Custodian, adviser and other associated costs are deducted directly from your account.

<sup>\*</sup>This fee includes the cost of investment manager, custodian, adviser and other associated costs, which are deducted directly from your account.

<sup>\*\*</sup>MySuper Balanced option is the same as the Balanced (default) investment option available to Pension members.

<sup>^</sup>Pre-mixed options strategic asset allocation as at 30 June 2015 and have not changed from 30 June 2014.

<sup>^</sup>From time to time the investment managers may hold cash.

<sup>^^</sup>Asset class options strategic asset allocation as at 30 June 2015 and have not changed from 30 June 2014.

Note: Strategic asset allocations valid as at 30 June 2015. Please see [lucrf.com.au](http://lucrf.com.au) for the latest allocations.

Risk band is a standard risk measurement where '1' is very low and '7' is very high risk.

# Performance results

Monthly declared rates 2014/15

## Super

	MySuper Balanced %	Conserv. %	Moderate %	Targeted Return %	High Growth %	Cash %	Property %	Index Shares %	Aust. Shares %	Intern'l Shares %
<b>2014</b>										
July	1.07	0.61	0.81	1.06	1.57	0.20	4.22	1.88	3.69	-0.48
August	1.02	0.63	0.80	0.36	1.29	0.19	1.47	1.06	0.62	2.44
September	-0.72	-0.40	-0.54	-0.04	-1.35	0.20	-5.54	-0.89	-4.15	0.99
October	1.21	0.83	0.96	0.35	1.77	0.21	5.46	1.82	3.19	0.94
November	0.46	0.36	0.40	0.35	0.19	0.21	-0.11	0.96	-2.96	3.65
December	1.02	0.74	0.88	0.86	1.12	0.21	3.80	2.05	1.13	1.34
<b>2015</b>										
January	1.68	1.18	1.42	1.25	2.06	0.21	6.31	2.75	2.54	0.87
February	3.34	1.64	2.28	1.45	4.43	0.18	3.23	5.38	6.93	5.58
March	0.62	0.30	0.40	0.70	0.41	0.20	-0.60	0.44	-0.12	0.79
April	-0.26	-0.16	-0.19	-0.09	-0.26	0.17	-0.86	-1.11	-1.06	-0.06
May	1.09	0.48	0.71	0.55	1.24	0.16	2.30	2.38	0.94	2.58
June	-2.28	-1.16	-1.61	-1.63	-2.79	0.14	-3.33	-3.53	-5.05	-2.57

## Pension

	Balanced %	Conserv. %	Moderate %	Targeted Return %	High Growth %	Cash %	Property %	Index Shares %	Aust. Shares %	Intern'l Shares %
<b>2014</b>										
July	1.23	0.71	0.95	1.28	1.79	0.24	5.06	2.16	4.16	-0.53
August	1.16	0.72	0.92	0.42	1.46	0.23	1.64	1.11	0.68	2.76
September	-0.82	-0.45	-0.62	-0.10	-1.52	0.24	-6.45	-1.03	-4.52	1.02
October	1.37	0.93	1.09	0.40	1.95	0.25	6.45	2.08	3.43	1.05
November	0.51	0.42	0.47	0.36	0.22	0.24	-0.13	1.10	-3.25	4.04
December	1.10	0.82	0.97	0.95	1.21	0.25	4.47	2.35	1.24	1.29
<b>2015</b>										
January	1.82	1.32	1.57	1.35	2.24	0.24	7.37	3.15	2.74	0.87
February	3.77	1.84	2.57	1.67	4.95	0.21	3.74	6.15	7.62	6.27
March	0.82	0.61	0.77	1.11	0.88	0.20	-0.69	0.48	0.59	0.79
April	-0.30	-0.17	-0.20	-0.08	-0.27	0.20	-1.02	-1.27	-1.09	-0.11
May	1.20	0.54	0.79	0.67	1.36	0.20	2.69	2.08	1.15	2.56
June	-2.50	-1.27	-1.75	-1.77	-3.03	0.17	-3.85	-3.94	-5.39	-2.78

# Crediting rates

2014/15 and historical

## Super

	2014/15	2013/14	2012/13	2011/12	2010/11	5 Year Average 2011/15
	%	%	%	%	%	%
<b>Pre-Mixed</b>						
<b>MySuper Balanced*</b>	8.45	12.67	13.82	1.18	9.92	9.12
<b>Conservative</b>	5.14	7.24	8.06	4.18	N/A	N/A
<b>Moderate</b>	6.46	9.50	10.65	3.24	N/A	N/A
<b>Targeted Return</b>	5.25	8.64	4.89	N/A	N/A	N/A
<b>High Growth</b>	9.92	14.79	17.30	-0.25	N/A	N/A
<b>Asset Class</b>						
<b>Cash</b>	2.30	2.49	2.95	4.18	4.29	3.24
<b>Indexed Shares</b>	13.69	17.78	24.12	-2.59	6.27	11.46
<b>Australian Shares</b>	5.16	16.71	20.31	-5.55	12.06	9.34
<b>International Shares</b>	17.04	20.86	26.73	-0.10	10.61	14.65
<b>Property</b>	16.83	8.64	20.14	6.55	6.90	11.67

## Pension

	2014/15	2013/14	2012/13	2011/12	2010/11	5 Year Average 2011/15
	%	%	%	%	%	%
<b>Pre-Mixed</b>						
<b>Balanced*</b>	9.64	14.41	16.05	1.62	11.76	10.58
<b>Conservative</b>	6.16	8.31	9.37	5.28	5.77	N/A
<b>Moderate</b>	7.71	10.92	12.21	4.15	6.60	N/A
<b>Targeted Return</b>	6.40	9.86	5.65	N/A	N/A	N/A
<b>High Growth</b>	11.62	16.80	19.95	0.07	8.16	N/A
<b>Asset Class</b>						
<b>Cash</b>	2.69	2.97	3.72	5.00	5.24	3.92
<b>Indexed Shares</b>	15.02	19.36	28.52	-2.96	7.43	12.96
<b>Australian Shares</b>	6.79	18.56	23.20	-6.35	14.36	10.81
<b>International Shares</b>	18.34	23.89	29.70	-0.08	12.57	16.42
<b>Property</b>	19.94	10.85	23.01	9.39	5.41	13.53

\*This is the investment option that most members are in and the option which your superannuation investment automatically defaults to, unless you instruct otherwise.

Note: Indexed Shares and Cash options were introduced on 1 July 2000. International Shares, Australian Shares and Property investment options were introduced on 22 July 2005. Conservative, Moderate and High Growth were introduced on 1 September 2010. Targeted Return was launched on 1 November 2012. Pension accounts were introduced financial year 2007/2008. Past performance is not a reliable indicator of future investment returns.

# Statement of financial position

for the years ended 30 June 2015 and 2014

	2015 \$'000	2014 \$'000
<b>Investments</b>		
Cash - Australian	434,614	412,067
Cash - foreign currency	29,896	24,847
Term deposits	-	27,794
Australian composite fixed interest	190,281	178,184
International fixed interest	191,572	-
Enhanced Cash	41,686	147,799
Australian equities	1,072,874	960,329
Australian micro caps	77,693	48,828
International equities	1,064,024	851,560
Emerging markets equities	160,698	123,745
Inflation plus	126,037	149,643
Australian property	397,588	379,002
Private equity	81,093	75,026
Global infrastructure	166,227	166,977
Specialist credit	301,557	270,152
Diversity	526,771	471,275
<b>Total investments</b>	<b>4,862,611</b>	<b>4,287,228</b>
<b>Other assets</b>		
Cash and Cash equivalents	10,158	9,050
Contributions receivable	25,126	24,804
Accrued income	13,748	13,442
Unsettled trades (Sales)	1,222	1,876
Current tax asset	3,469	5,196
Total other assets	53,723	54,368
<b>Total assets</b>	<b>4,916,334</b>	<b>4,341,596</b>
<b>Liabilities</b>		
Current tax liability	-	-
Benefits payable	(5,258)	(3,281)
Unsettled trades (purchases)	(4,863)	(3,727)
Sundry payable	(2,404)	(5,745)
Deferred tax liability	(57,698)	(41,581)
<b>Total liabilities</b>	<b>(70,223)</b>	<b>(54,334)</b>
<b>Net assets available to pay benefits</b>	<b>4,846,111</b>	<b>4,287,262</b>
Represented by:		
<b>Liability for accrued benefits</b>		
Allocated to Members' Accounts	4,801,816	4,247,319
Operational Risk Reserve	17,616	16,094
Capital Adequacy Reserve	26,679	23,849
<b>Total</b>	<b>4,846,111</b>	<b>4,287,262</b>

## Reconciliation of interest paid to member accounts

for the years ended 30 June 2015, 2014 and 2013

	2015 \$'000	2014 \$'000	2013 \$'000
Investment revenue	411,643	514,655	479,394
Other income	(127)	871	1,602
Tax benefit on administration & investment expenses	10,560	10,091	8,032
Insurance rebate	1,153	949	764
Administration fee collected	14,146	14,518	14,156
	437,375	541,084	503,948
<b>OUTGOINGS</b>			
Administration expenses	(16,396)	(16,653)	(16,792)
Member benefit protection	-	-	(1,234)
Direct investment expenses	(35,000)	(30,326)	(25,113)
Tax credit (payable) out of investment income	(23,258)	(39,810)	(41,389)
Movement from (to) reserves	(5,444)	(6,371)	(5,017)
<b>Total paid as interest to members</b>	<b>357,277</b>	<b>447,924</b>	<b>414,403</b>

# Statement of change in net assets

for the years ended 30 June 2015 and 2014

	2015		2014	
	\$'000	\$'000	\$'000	\$'000
<b>Net assets available to pay benefits at start of year</b>	<b>4,287,262</b>		<b>3,689,330</b>	
Interest income	19,955		16,897	
Dividend income	177,749		136,146	
Net Property income	773		1,166	
Change in market value	205,595		353,412	
Other investment income	7,714	<b>411,786</b>	8,574	<b>516,195</b>
<b>Contribution revenue</b>				
Employer contributions	292,883		275,151	
Salary sacrifice contributions	29,786		22,515	
Member contributions	45,417		32,008	
Government co-contributions	5,612		6,158	
Transfer from other funds	195,996	<b>569,695</b>	124,762	<b>460,594</b>
<b>Other revenue</b>				
Other revenue	1,153		949	
Group Life proceeds	17,912	<b>19,065</b>	11,345	<b>12,294</b>
<b>Opening net assets plus revenue</b>	<b>5,287,808</b>		<b>4,678,413</b>	
<b>Less expenses &amp; outgoings</b>				
Benefits paid and payable	(305,992)		(250,346)	
Group Life premiums	(24,451)		(21,006)	
Superannuation surcharge tax	-		-	
Administration expenses	(16,396)		(16,653)	
Direct investment expenses	(35,000)		(30,326)	
Income tax expenses	(59,859)	<b>(441,697)</b>	(72,820)	<b>(391,151)</b>
<b>Net assets available to pay benefits at end of year</b>	<b>4,846,111</b>		<b>4,287,262</b>	

If you wish to obtain a copy of the auditor's report and the full audited accounts, please contact us.

## Enquiries and complaints

Enquiries and complaints may be made in a variety of ways (i.e. in a letter, by email, by telephone or in person). Any written complaint should be addressed to:

**The complaints officer**  
LUCRF Super  
PO Box 211  
North Melbourne Vic 3051

Or via email  
mypartner@lucrf.com.au

Complaints may be made by a Fund member, a previous member, a non-member spouse (for Family Law split agreements), or by the beneficiary/ies or legal personal representative/s of a deceased member.

### **For complaints related to your super or pension account**

As required by legislation, we will respond within 90 days. If you are not satisfied with our response or the handling of your complaint, you can lodge your complaint with the Superannuation Complaints Tribunal (SCT). This is a free service.

Superannuation Complaints Tribunal  
Locked Bag 3060  
Melbourne VIC 3001

1300 884 114

sct.gov.au

### **For complaints related to our financial planning or investment advice**

As required by legislation, we will respond within 45 days. If you are not satisfied with our response or the handling of your complaint, you can lodge your complaint with the Financial Ombudsman Service (FOS). This is a free service.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

1300 367 287

## Government supervision

LUCRF Pty Ltd is the Trustee of the Labour Union Co-operative Retirement Fund (LUCRF Super) and complies with the requirements of the *Superannuation Industry (Supervision) Act 1993*, the *Corporations Act 2001* and other relevant legislation.

The Australian Prudential Regulation Authority (APRA) approved LUCRF Pty Ltd as the holder of a Registrable Superannuation Entity Licence (L0002981) and LUCRF Super as a Registrable Superannuation Entity (R1067521). LUCRF Super is authorised to offer a MySuper product (unique identifier 26382680883067).

An Australian Financial Services Licence was granted to LUCRF Pty Ltd (AFSL No. 258481) by the Australian Securities Investment Commission (ASIC), which enables personal and general superannuation advice to be provided. The Trustee is also approved to operate a non-cash payment facility (clearing house).

## Identity fraud

Identity fraud happens when someone steals (or tricks you into providing) your personal details to commit financial fraud. While this seems to mainly occur with bank accounts (where certain undesirable people will use your personal details to access your accounts via phone, internet or writing bad cheques), your super could also be a target.

Visit the ASIC MoneySmart website at [moneysmart.gov.au](http://moneysmart.gov.au) for useful superannuation information and scam alerts.

## Reserves policy

The Trustee maintains three reserves. This makes no difference to the fees or charges you pay as a member of LUCRF Super.

### **Trustee reserve**

The difference between fees charged to members and the administration and investment expenses incurred in the management of the Fund, are credited to the Trustee Reserve. This reserve is maintained to supplement funds required to meet future Trustee expenses.

### **Capital adequacy reserve**

The after-tax value of any insurance rebate received, and tax benefit received in the payment of insurance premiums, are both credited to this reserve. Earnings on reserve balances and on assets that support unpaid liabilities and which cannot be directly referable to a member investment choice, are also credited to this reserve. It is maintained to meet additional significant expenses of LUCRF Super and LUCRF Pensions and to fund the operational risk reserve.

### **Operational risk reserve**

This reserve is funded through rounding of the crediting rate process and transfers from the capital adequacy to meet the operational risk financial requirements as stipulated by the regulator. It is maintained to meet unfunded liabilities as they arise during the administration and operation of the Fund. The Fund reserves are invested in the same manner as the Fund's Balanced investment option.

## Contribution arrears – what we do

Legislation requires employers to pay contributions by certain due dates. When an employer fails to do this, the Fund (once aware) will endeavour to resolve these situations within a reasonable period. The Fund identifies and follows up on overdue contributions in writing, by phone and may also perform site visits to advise employers of arrears.

## Indemnity insurance

The Fund has taken out insurance to indemnify the directors and legally responsible officers from loss resulting from any claim or wrongful act by the Trustee or any other party. The directors are not indemnified against penalties or fines imposed by law as a result of negligence or dishonest conduct.

## Unclaimed money

The Trustee of LUCRF Super is required to transfer your entire benefit to the Australian Taxation Office (ATO) as unclaimed money in certain circumstances. This will occur within four months of the end of each half calendar year if:

- You reach the eligibility age of 65 years, your account has been inactive for two years or more, and we have not had contact with you for five years
- You have died and the Trustee is unable (after reasonable endeavour) to locate a beneficiary in order to pay your benefit
- You were in Australia as a temporary resident and you have not claimed your benefit after six months from your visa expiry or cancellation date, or
- If your balance is less than \$2,000\* and you are considered non-contactable (because two pieces of mail we sent to you have been returned undelivered and we have not received any contributions or rollovers for you within the last 12 months and it will not be possible to pay a benefit to you in the future), or you are an inactive member (LUCRF Super has received no rollovers or contributions from you in the last five years), and there has been no positive act from you advising that you wish to stay in the Fund.

Note: The Trustee relies on ASIC relief to the effect that it is not obligated to issue an exit statement to departed former temporary residents when a benefit is transferred to the ATO. However, the information may be obtained upon request.

\*It is proposed this amount be increased to \$4,000 in 2015/16.

Contact us

**1300 130 780**

[lucrf.com.au](http://lucrf.com.au)

[mypartner@lucrf.com.au](mailto:mypartner@lucrf.com.au)

PO Box 211 North Melbourne VIC 3051



**LUCRFsuper**

Australia's first industry fund



This 2015 Annual Report is issued September 2015 by L.U.C.R.F Pty Ltd ABN 18 005 090 AFSL 258481 as Trustee for Labour Union Co-Operative Retirement Fund (LUCRF Super) ABN 26 382 680 883. The information is general only and has been prepared without taking into account your personal financial situation, objectives or needs. You should assess your personal financial situation or obtain financial advice before making a decision about LUCRF Super. To help you decide we recommend you read our current Product Disclosure Statement (PDS), available from our website or by calling us.