

# Annual Report 2017

Lutheran Super's  
investments have  
delivered another  
strong year  
for members.



## Contact us

1800 635 796

The Fund Administrator  
Lutheran Super  
c/- GPO Box 4303  
Melbourne VIC 3001

[www.lutheransuper.com.au](http://www.lutheransuper.com.au)

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## Lutheran Super at a glance (as at 31 December 2017)

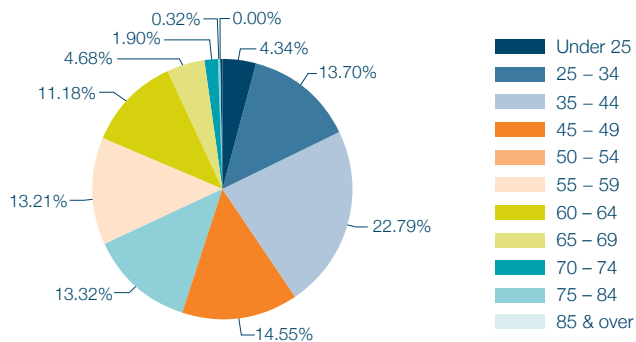
### Accumulation plan - membership profile

Age	Male	Female	Total members	Percentage of total members
Under 35	328	802	1,130	18.04%
35 – 49	577	1,761	2,338	37.34%
50 – 59	462	1,199	1,661	26.53%
60 – 64	277	423	700	11.18%
65 & over	185	247	432	6.9%
<b>Total</b>	<b>1,829</b>	<b>4,432</b>	<b>6,261</b>	<b>100.00%</b>
% of total	29.21%	70.79%	100.00%	
Average age	49.01	46.98	47.57	

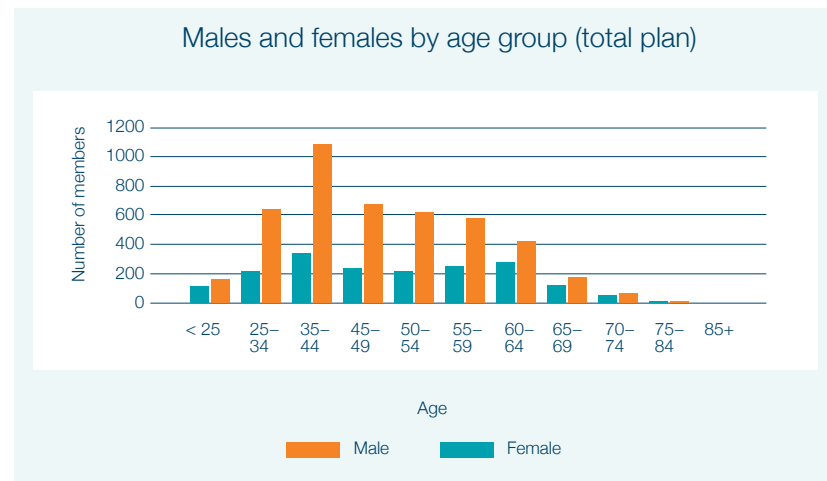
### Retirement plan – membership profile

	Male	Female	Total members	Percentage of total members
Account Based	104	91	195	73.58%
Transition to Retirement	40	30	70	26.42%
<b>Total</b>	<b>144</b>	<b>121</b>	<b>265</b>	<b>100%</b>
% of total	54.34%	45.66%	100%	

### Age profile



### Gender profile



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## Chairman's report

Dear member,

It is my pleasure to bring you the Lutheran Super annual report for the year ending 31 December 2017. This report provides a detailed update on the Fund's investment performance and financial position for the 2017 year, as well as information about the Fund's management.

Our key focus continues to be helping our members achieve financial security, both now and in retirement. We are also dedicated to providing personalised service to members to help them to manage their super.

### Our new independent Trustee directors

Following the retirement of two directors from the Lutheran Super board, after an exhaustive and extensive search, two independent directors have been appointed to fill these vacancies from 22 September 2017. The Trustee welcomes Alison Doecke and Philip Riquier, who bring a wealth of knowledge and experience to these positions.

The Board now comprises three employer appointed directors, three member representative directors and two independent directors.

Our sincere thanks to Allen Truslove and John Findlay for their considerable contributions to the management of the Fund during their time with the Trustee.

### Investment performance

2017 ended on a high note, with continued strong performance in global markets. In line with this movement, Lutheran Super's investment returns for all investment options finished the year in positive territory. The Growth – Socially Responsible Investments Australian Shares option was the strongest performing option, delivering just over 11.5% for the year.

For an overview of investment markets over the year, please read your *2017 Super Update* which accompanied your *2017 Member Statement* or go to the **Documents and forms** on the Lutheran website, [www.lutheransuper.com.au](http://www.lutheransuper.com.au). Compound returns over five years continued to be solid, with both Growth and Growth - Socially Responsible Investment (SRI) Australian Shares options returning between 10% and 12%.

How your money is invested can have significant consequences from a social, environmental and ethical standpoint. Which is why, in addition to the Growth SRI Australian Shares option, you now have choice of the Balanced SRI option, offering a medium to high risk investment profile. If you prefer share market investment, the new International shares option, with a high risk profile offers exposure to share markets around the world, as well as the Growth Australian Shares option providing access to share markets at home.

You can read more about these options in the *Important information about changes to your super* notice sent to you in December 2017 and full details about all of the investment options in the *Member information booklet*. Both documents are available in the **Forms & Publications** section of the Lutheran Super website, [www.lutheransuper.com.au](http://www.lutheransuper.com.au) or by calling the Helpline on **1800 635 796**.

Full details of each of the options' investment performance is provided on pages 9 to 15 in this report.

### 2016 Federal Budget changes take effect

July 2017 saw many of the changes from the 2016 Federal Budget take effect, including:

- annual concessional (pre-tax) contributions caps are now \$25,000
- annual non-concessional (post-tax) contributions caps are now \$100,000
- investment earnings of transition to retirement pension accounts (where the member is under age 65 and not retired) are now taxed up to 15%.
- new \$1.6 million cap on account based pension accounts

The Federal Budget changes mean that planning for your retirement is more important than ever to ensure you can afford the retirement you want. Lower contribution caps also impress the need to take action sooner rather than later. All Lutheran Super members can access general or limited personal financial advice about your super contribution strategy, investment choices or insurance through the Helpline for no extra charge.

### **New online insurance tool for super members, LIFEapp, to help you manage and apply for more insurance cover**

Insurance cover is an important part of the benefits you may receive through Lutheran Super. To make applying for additional insurance cover as easy as possible, AIA Australia Limited, Lutheran Super's insurer, will provide access to a new online insurance tool called the LIFEapp in mid 2018.

If you are eligible for cover, this tool will give you greater control over your cover, allowing you to:

1. Use the insurance needs calculator to help determine the right level of cover for you.
2. Work out the level of cover that may suit your situation.
3. Apply for higher levels of cover online to avoid unnecessary delays in assessment of your application.

### **Using LIFEapp**

When the LIFEapp becomes available, you'll find the link in your online account. Simply log in to your account using your PIN and member number and click the link to go to the LIFEapp site, where you can choose from the menu at the top left. Then follow the prompts and provide the required information for the action you want to take.

For information about your Lutheran Super insurance benefits and the available cover options, please read the **Death and disability insurance** section in the **Member information booklet**, available under the **Forms & publications** section on the website, [www.lutheransuper.com.au](http://www.lutheransuper.com.au) or call the Helpline.

### **Questions?**

Please take the time to read this annual report to understand what has been happening with your super over the last twelve months. If you have any questions about the report or your super, call the Helpline.

Our focus over the year has continued to be delivering the best value-for-money benefits and service. that will help our members achieve their retirement goals.

My sincere thanks to our Trustee board members and the Lutheran Super management team for their ongoing dedication and commitment.

Because you're valued.  
Sincerely,

**John Grocke**  
Chairman



A handwritten signature in black ink that reads "John Grocke". The signature is fluid and cursive, with a large, looping initial "J".

## Your investment options

As a member of Lutheran Super, you are entitled to choose how your money in the Fund is invested. Of course, the option you choose depends on your personal circumstances and your attitude to investments in certain markets.

You can change your options at any time. We suggest that if you are unsure what the best option is for you then you should obtain advice from a professional licensed financial adviser. You can obtain financial advice about your options over the phone at no cost by calling the Lutheran Super Helpline on **1800 635 796**

If you have not made an investment choice, you are considered to be a MySuper member and your contributions are invested in the Lutheran Super Balanced option – MySuper compliant.

The Lutheran Super Balanced option – MySuper compliant has exposure to share markets to provide the opportunity for capital growth over the long term while also being invested in cash and fixed interest investments to provide some protection when share markets are not performing.

The MySuper product dashboard gives investment return information about the Lutheran Super Balanced option – MySuper compliant and can be used to compare other MySuper products. The dashboard is available in the **Forms & Publications** section of the Lutheran Super website.

More details on each option are provided in the Fund’s Product Disclosure Statement which can be obtained by calling the Helpline or by going to the Fund’s website, [www.lutheransuper.com.au](http://www.lutheransuper.com.au).

## Lutheran Super’s investment performance to 31 December 2017

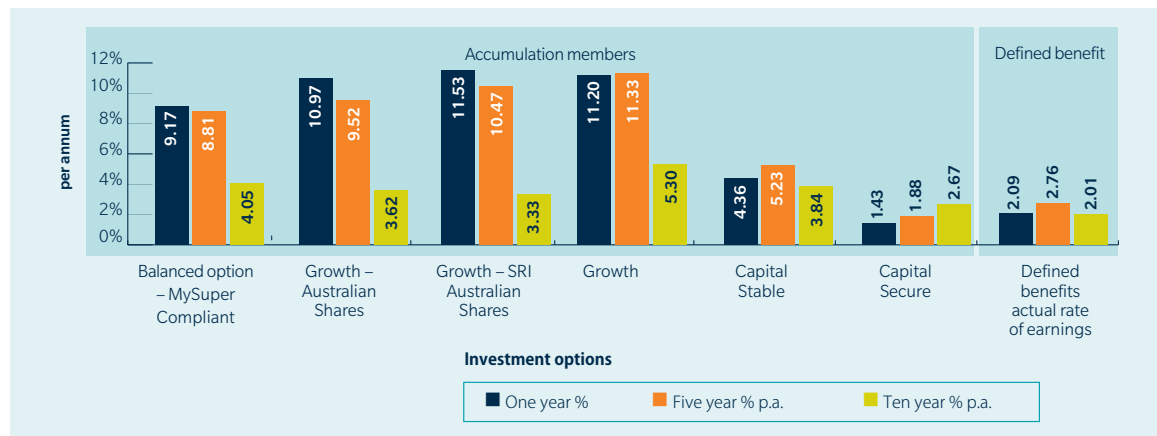
The following graphs show the investment performance, after tax and fees, for all the Lutheran Super investment options for one, five and ten years to 31 December 2017. Graph 1 shows returns for members with superannuation accounts and Graph 2 shows the returns for account-based pensions.

Lutheran Super pension investment options became available from 1 July 2008, so the ten year average returns are not available. The average annual returns for one, five years and since commencement are shown.

Investment returns have been calculated on a simple time weighted basis based on the change in the underlying investment option’s unit price for the relevant period. All rates quoted are net of tax and the standard rate of management fees.

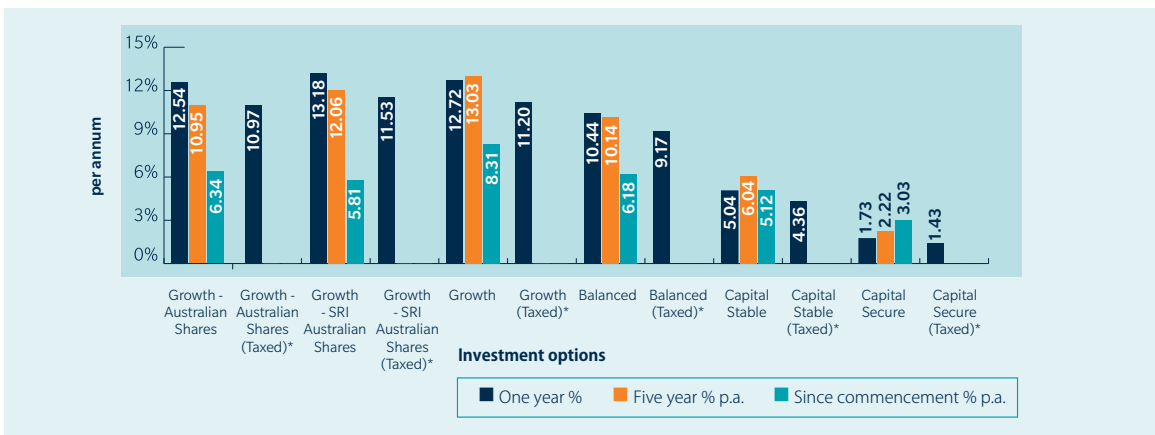
Please note that past performance is not a reliable indication of future performance.

**Graph 1: Lutheran Super investment returns to 31 December 2017 for superannuation members**



From 1 July 2017, investment earnings for transition to retirement pension (TTR) accounts are no longer tax free where a member is under age 65 and has not met a condition of release. As a result, these TTR accounts are now invested in their equivalent taxed investment option. These taxed options are shown in the graph below. Note that the investment returns show the full year returns for a taxed option, however affected members have received tax free earnings up to 30 June 2017.

**Graph 2: Lutheran Super investment returns to 31 December 2017 for pension members**

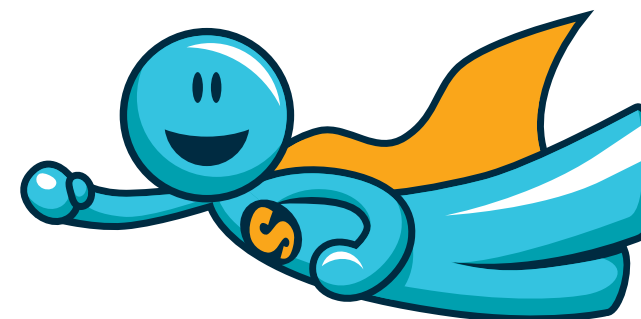


\* From 1 July 2017, investment earnings for transition to retirement accounts are no longer tax exempt for pension members who are under 65 and have not satisfied a condition of release. These figures don't take into account the tax exemptions up until 1 July 2017. Actual investment earnings for these members will vary from these returns due to the impact of removal of the tax exemption on earnings on these accounts from 1 July 2017. The longer term returns for these TTR options has not been shown due to the impact of tax over these periods.

**Effect of taxes, fees and costs**

The investment performance shown is after tax and Lutheran Super's standard rate of investment management fees, but does not include the effects of other fees you might be charged. Other fees will reduce your account balance.

Any fees and costs that may apply to you for the year are shown on your *2017 Member Statement*.



## Your super benefit

For Accumulation Division members, your super benefit is your account balance. For Pension Division members, it is your retirement income stream account balance. Your account is invested (after tax and expenses) according to your choice of investment option(s). So the amount you ultimately receive is directly linked to the investment performance of your selected option or mix of options.

## Your insurance entitlement

Insurance cover is an important part of your Lutheran Super benefits, giving you or your family financial security in case something unexpected happens. Lutheran Super provides eligible members with cover for death (including terminal illness), total and permanent disability (referred to as TPD) and salary continuance cover.

## Your investment purchases units

Your super contributions (after fees and tax) buy 'units' in your chosen investment option(s). The number of units bought depends on the unit price at the relevant time. For example, if your net contribution is \$1,000 and the unit price of your chosen investment option is \$1.00 at that time, then 1,000 units would be bought on your behalf. Alternatively, if the unit price was \$1.25 then 800 units would be bought.

Unit prices are calculated weekly and will go up and down as investment markets shift, affecting the value of your units and consequently the value of your investment. The unit price for each option also takes into account tax, investment-related fees and other expenses. (Investment earnings in the account-based pension investment options are not taxed. From 1 July 2017, investment earnings on transition to retirement pensions will incur up to 15% tax, until the holder meets a condition of release.) The value of your account balance at any time is simply the number of units you have multiplied by their unit price at that time.

Net investment returns on your chosen investment options (which may be positive or negative) will be reflected via changes in unit prices. If the net investment returns for the option are positive, the unit price will increase. If the net investment returns are negative (a loss), the unit price will decrease. Weekly unit prices are posted on Lutheran Super's website.

## Investment objectives and strategy

The Trustee is required by law to set investment objectives for the Fund and its underlying investment options. The Trustee has an investment policy that sets investment strategy and objectives that determine how and where Lutheran Super's assets will be invested. Having a strategy helps ensure the Fund maximises investment returns while maintaining an acceptable level of risk. The investment

policy also covers other related matters, such as appointment of investment managers and guidelines for investments in futures and options.

The Trustee regularly monitors Lutheran Super's performance against its objectives and strategy and changes are made where necessary.

The investment objectives set out in the following pages for each option are not a financial forecast or a guarantee of any future returns from the relevant option.

Before you read the description of the various options, you should be aware that the following strategy will be applied to all of the options to ensure they achieve their objectives:

- invest across all the major asset classes in proportions appropriate to the overall profile of the option
- invest the assets with professional investment managers
- monitor the performance of each portfolio and manager to ensure competitive investment performance
- allow the investment managers to invest in various facilities within overall guidelines to protect or enhance the investment performance.

The Trustee does not invest directly in derivatives, such as futures and options but does allow the Fund's investment managers to use these facilities in managing their portfolios. Derivatives are used by the managers to manage risk and can result in losses as with most other asset classes. The Trustee does not allow the investment managers to gear the portfolio by using derivatives.

## Allocation of earnings

The Trustee calculates a unit price on a weekly basis which takes account of investment earnings whether positive or negative. Net earnings are allocated to member accounts via a weekly unit price calculation process.

### Did you know?

**You only need one super fund – ever.**

Even if you leave your Lutheran employer, you can stay with your super in the Fund you know and trust. Call the Helpline for more information.



## Capital Secure option

### Objectives

- Broad aim is to seek the security of capital and to never achieve a negative return on assets invested.
- Expected to achieve investment returns consistent with bank deposits.

**There is no guarantee that these objectives will be met or that the value of your superannuation will not decrease as a result of negative returns.**

### Strategy

All money is invested in cash investments such as bank bills and term deposits.

### Minimum suggested investment time frame

One or more years.

### Level of risk – very low

Likely never to have a negative return.

### Return performance

The investment returns for the Capital Secure option in recent years are listed in the table at right.

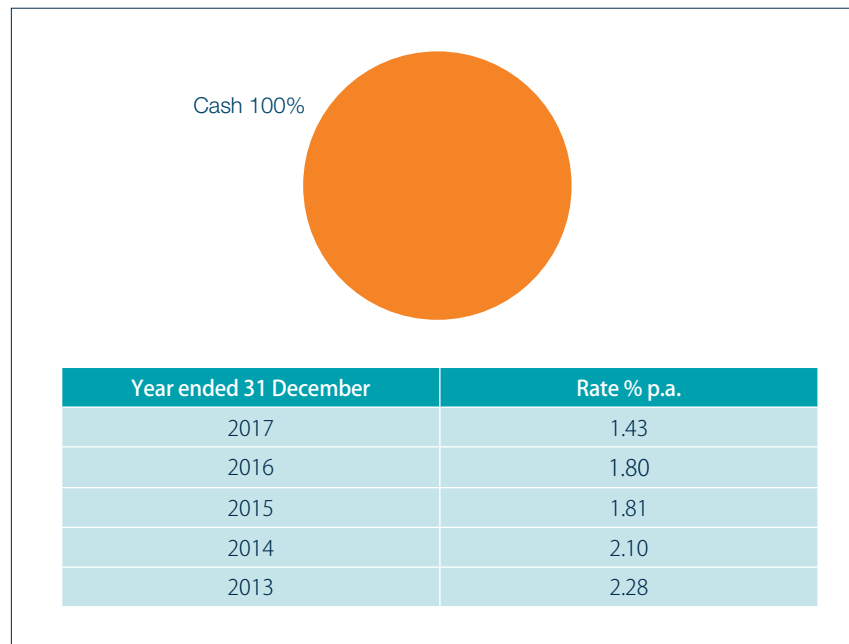
The five-year average rate of return for this option for the period ending 31 December 2017 was 1.88% p.a.

The investment return for Pension Members in the Capital Secure (untaxed) option from 1 January 2017 to 31 December 2017 was 1.73%. The investment return for Transition to retirement (TTR) pension members in the Capital Secure (taxed) option for this period was 1.43%.

Please note that past performance is not an indication of future performance.

### If choosing this option

The buy-sell cost of transferring into the Capital Secure option from another investment option is 0.0%.



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## Capital Stable option

### Objectives

- The broad investment objective will be to limit year-to-year variability in returns while having a greater focus on security of capital than the other investment options.
- More specifically, returns after tax and fees that exceed the Consumer Price Index (CPI) increases by at least 1.5% p.a. over rolling five and seven-year periods will be sought.
- The Trustee will aim to earn a rate of return p.a. after tax and fees above the median fund in the *SuperRatings Crediting Rate Survey – Capital Stable* survey over rolling three and five-year periods.
- Over a three-year period, the Capital Stable option will aim to have a Reward to Risk Ratio higher than the Reward to Risk Ratio of the median fund in the *SuperRatings Crediting Rate Survey – Capital Stable* survey.

**There is no guarantee that these objectives will be met or that the value of your superannuation will not decrease as a result of negative returns.**

### Strategy

This option invests in all the major asset classes but with a relatively low exposure to shares and property.

The pie chart illustrates the expected allocation of assets within the various investment markets over the longer term.

### Minimum suggested investment time frame

Three or more years

### Level of risk – low to medium

Possibility of a negative return in 1.4 out of 20 years.

### Return performance

The investment returns for the Capital Stable option in recent years are listed in the table at right.

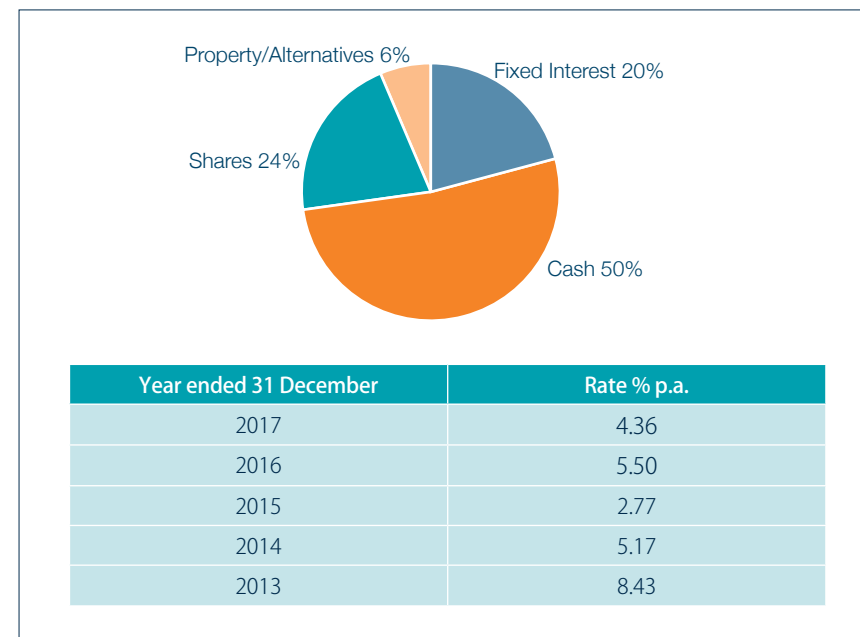
The average compound rate of return for the five years to 31 December 2017 and 5.23% p.a.

The investment return for Pension Members in the Capital Stable (untaxed) option from 1 January 2017 to 31 December 2017 was 5.04% p.a. The investment return for TTR members in the Capital Stable (taxed) option for this period was 4.36%.

Please note that past performance is not an indication of future performance.

### If choosing this option

Up to 31 December 2017, the buy-sell cost of transferring into the Capital Stable option from another investment option is 0.20% of the money being switched into this option. From 1 January 2018, the maximum buy-sell cost for this option is 0.16%.



## Balanced option – MySuper compliant

### Objectives

- The broad investment aim of the Trustee is to maximise the option’s year-to-year long-term investment returns, whilst accepting a significant degree of variability in year-to-year returns.
- More specifically, returns after tax and fees that exceed CPI increases by at least 3% p.a. over rolling five and seven-year periods will be sought.
- The Trustee will aim to earn a rate of return p.a. after tax and fees above the median fund in the *SuperRatings Crediting Rate Survey – Balanced survey* over rolling three and five-year periods.
- Over a three-year period, the Balanced option will aim to have a Reward to Risk Ratio higher than the Reward to Risk Ratio of the median fund in the *SuperRatings Crediting Rate Survey – Balanced survey*.

**There is no guarantee that these objectives will be met or that the value of your superannuation will not decrease as a result of negative returns.**

### Strategy

The pie chart illustrates the expected allocation of assets within the various investment markets over the longer term.

### Minimum suggested investment time frame

Five or more years

### Level of risk – medium to high

Possibility of a negative return in no more than three to four out of 20 years.

### Return performance

The investment returns for the Balanced option in recent years are listed in the table at right.

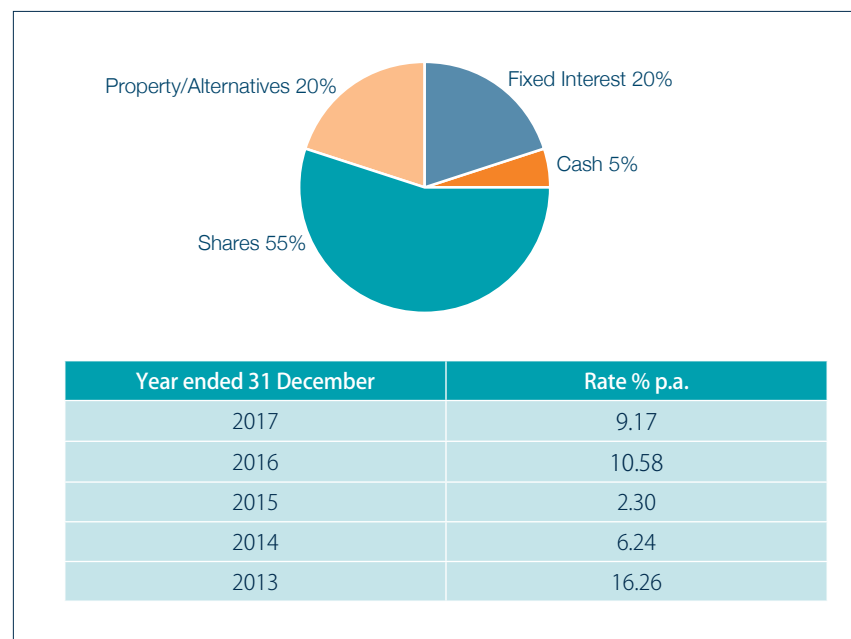
The average compound rate of return for the five years to 31 December 2017 was 8.81% p.a.

The investment return for Pension Members in the Balanced (untaxed) option from 1 January 2017 to 31 December 2017 was 10.44% p.a. The investment return for TTR members in the Balanced (taxed) option for this period was 9.17%.

Please note that past performance is not an indication of future performance.

### If choosing this option

Up to 31 December 2017, the buy-sell cost of moving to this option is 0.44% of the amount switched into this option. From 1 January 2018, the maximum buy-sell cost for this option is 0.31%.



Year ended 31 December	Rate % p.a.
2017	9.17
2016	10.58
2015	2.30
2014	6.24
2013	16.26

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## Growth option

### Objectives

- The broad investment aim is to maximise the option’s long-term investment returns and a high degree of variability in year-to-year returns is to be tolerated.
- More specifically, returns after tax and fees that exceed CPI increases by at least 3.5% p.a. over rolling five and seven-year periods will be sought.
- The Trustee will aim to earn a rate of return after tax and fees above the median fund in the *SuperRatings Crediting Rate Survey – Growth* survey over rolling three and five-year periods. Over a three-year period, the Growth option will aim to have a Reward to Risk Ratio higher than the Reward to Risk Ratio of the median fund in the *SuperRatings Crediting Rate Survey – Growth* survey. The Reward to Risk Ratio is calculated as the annualised return divided by the annualised standard deviation of the return.

**There is no guarantee that these objectives will be met or that the value of your superannuation will not decrease as a result of negative returns.**

### Strategy

The pie chart illustrates the expected allocation of assets within the various investment markets over the longer term.

### Minimum suggested investment time frame

Six or more years

### Level of risk – high

Possibility of a negative return in no more than four to six out of 20 years.

### Return performance

The investment returns for the Growth option in recent years are listed in the table at right.

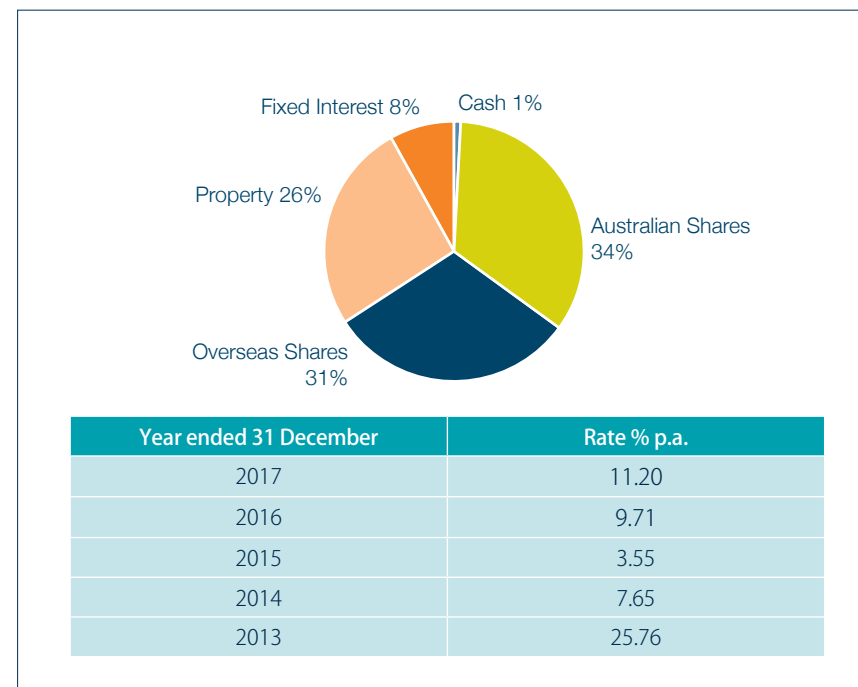
The average compound rate of return for the five years to 31 December 2017 was 11.33% p.a.

The investment return for Pension Members in the Growth (untaxed) option from 1 January 2017 to 31 December 2017 was 12.72% p.a. The investment return for TTR members in the Growth (taxed) option for this period was 11.20%.

Please note that past performance is not an indication of future performance.

### If choosing this option

Up to 31 December 2017, the buy-sell cost of transferring into the Growth option from another investment option is 0.31% of the money being switched into this option. From 1 January 2018, the maximum buy-sell cost for this option is 0.38%.



## Growth – Australian Shares option

### Objectives

- Broadly to maximise long term investment returns whilst tolerating a high degree of variability in year-to-year returns.
- More specifically, to earn returns after tax and fees that exceed CPI increases by at least 4% p.a. over rolling five and seven-year periods and to match the performance of the broad Australian share market over the medium term.
- Over rolling three year periods, to achieve returns that equate to the returns achieved by the Australian share market as measured by the ASX 300.

**There is no guarantee that these objectives will be met or that the value of your superannuation will not decrease as a result of negative returns.**

### Minimum suggested investment time frame

Seven or more years

### Level of risk – high

Possibility of a negative return in no more than four to six out of 20 years.

### Return performance

The investment returns for the Growth – Australian Shares option in recent years are listed in the table at right.

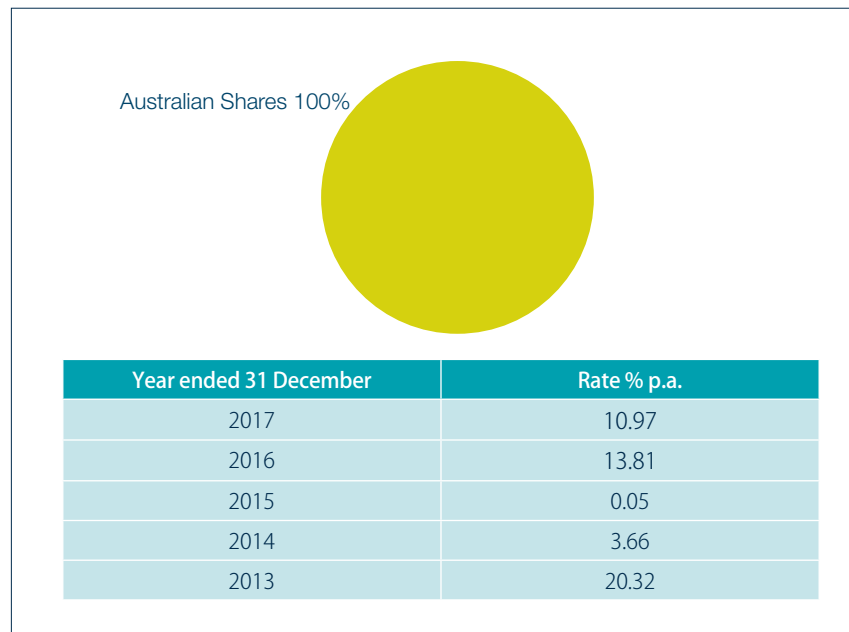
The average compound rate of return for the five years to 31 December 2017 was 9.52% p.a.

The investment return for Pension Members in the Growth – Australian Shares (untaxed) option from 1 January 2017 to 31 December 2017 was 12.54% p.a. The investment return for TTR members in the Growth Australian Shares (taxed) option for this period was 10.97%.

Please note that past performance is not an indication of future performance.

### If choosing this option

Up to 31 December 2017, the buy-sell cost of moving to this option is 0.50% of the amount switched into this option. From 1 January 2018, the maximum buy-sell cost for this option is 0.38%.



## Growth – SRI Australian Shares option

This is the only option where the investment manager appointed by the Trustee takes into account labour standards, social, environmental or ethical issues when determining strategies and developing its investments and will exclude certain organisations on the basis of their activities.

### Objectives

- Broadly to maximise long term investment returns whilst tolerating a high degree of variability in year to year returns.
- More specifically, to earn returns, after fees and taxes, that exceed CPI increases by at least 4% p.a. over rolling five and seven-year periods and to match the performance of the broad Australian share market over the medium term.
- Over rolling three year periods, to produce returns that equate to the returns achieved by the Australian share market as measured by the ASX 300.

**There is no guarantee that these objectives will be met or that the value of your superannuation will not decrease as a result of negative returns.**

### Strategy

This option will not invest in shares in any of the following:

- weapons manufacturing
- alcohol
- tobacco
- gaming
- companies with an environmental and/or a human rights prosecution.

The SRI option also has a positive screening process that seeks companies based on the following criteria:

- provides some form of environmental or social benefits through management and or remediation of environment resources
- demonstrates or enables reduced adverse environmental and social impacts relative to other organisations
- companies that benefit communities in areas such as:
  - renewable energy
  - sustainable agribusiness
  - ecotourism.

All money is invested in Australian shares.

### Minimum suggested investment time frame

Seven or more years

### Level of risk – low to medium

Possibility of a negative return in no more than four to six out of 20 years.

### Return performance

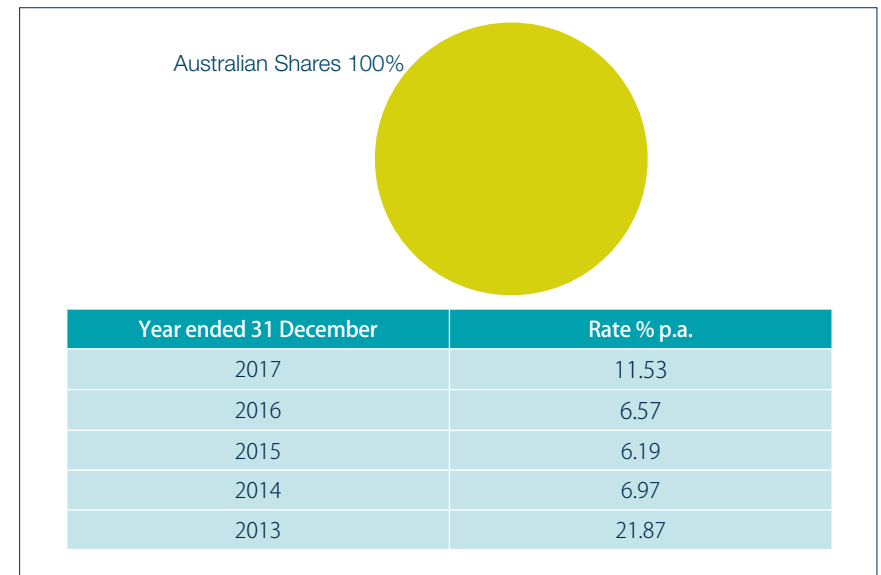
The investment returns for the Growth – SRI Australian Shares option in recent years are listed in the table below. The average compound rate of return for the five years to 31 December 2017 was 10.47% p.a.

The investment return for Pension Members in the Growth – SRI Australian Shares (untaxed) option from 1 January 2017 to 31 December 2017 was 13.18% p.a. The investment return for TTR members in the Growth Australian Shares SRI (taxed) option for this period was 11.53%.

Please note that past performance is not an indication of future performance.

### If choosing this option

Up to 31 December 2017, the buy-sell cost of transferring into this option is 0.50% of the money that is switched into this option. From 1 January 2018, the maximum buy-sell cost for this option is 0.42%.



## Defined benefit information

For Defined Benefit members, some of your benefits may be based on your salary and period of service, and some on your account balances in the Fund. In a defined benefit fund, you pay a fixed member contribution. The remaining money required to provide your benefits comes from your employer's contributions and investment earnings. The amount your employer provides depends on the Fund's investment performance and financial position.

The amount your employer contributes varies depending on the advice of a super expert called an actuary. At least every three years, the Fund's actuary prepares a valuation report that states how much your employer needs to contribute to meet any super payouts now and in the future. The employer has paid contributions in relation to Defined Benefit members at a level not less than that recommended by the actuary during the period. At the time of the last actuarial valuation (31 December 2017) the value of the Fund's assets amounted to 111% of the sum of all Defined Benefits members' super pay-outs assuming all members ceased employment at that date. Therefore, the Fund was considered to be in a satisfactory financial position at that date.

## Crediting rate for EX-QLSSSP Defined Benefit members

Defined Benefit members have had investment choice since 1 July 2006 in respect of their voluntary accumulation accounts in the Fund.

All members were allocated to the Balanced option unless they had made a specific selection of another option.

The crediting rate for the defined benefit component of the benefit is the rate of return on the underlying assets for the Defined Benefit section. The rates are updated monthly once the actual performance of the assets is known. All voluntary accounts receive earnings based on the movement in the unit price for their selected investment option.

The effective rate that was applied to the Defined Benefit member account for the year ended 31 December 2017 was 2.09%.

## Defined benefits

### Objectives

- The broad investment aim of the Trustee is to maximise the assets' long-term investment returns, whilst accepting a reasonable degree of variability in year-to-year returns.
- More specifically, returns after tax and fees that exceed CPI increases by at least 2.5% p.a. over rolling five and seven-year periods will be sought.
- The Trustee will aim to earn a rate of return p.a. after tax and fees above the median fund for 80% of the *SuperRatings Crediting Rate Survey – Diversified Fixed Interest Stable* survey and 20% of the *SuperRatings Crediting Rate Survey – Cash* survey over rolling three and five-year periods.
- Over a three-year period, the Defined Benefit Option will aim to have a Reward to Risk Ratio higher than the Reward to Risk Ratio of the median fund for 80% of the *SuperRatings Crediting Rate Survey – Diversified Fixed Interest Stable* survey and 20% of the *SuperRatings Crediting Rate Survey – Cash* survey.

**There is no guarantee that these objectives will be met or that the value of your voluntary accumulation accounts will not decrease as a result of negative returns.**

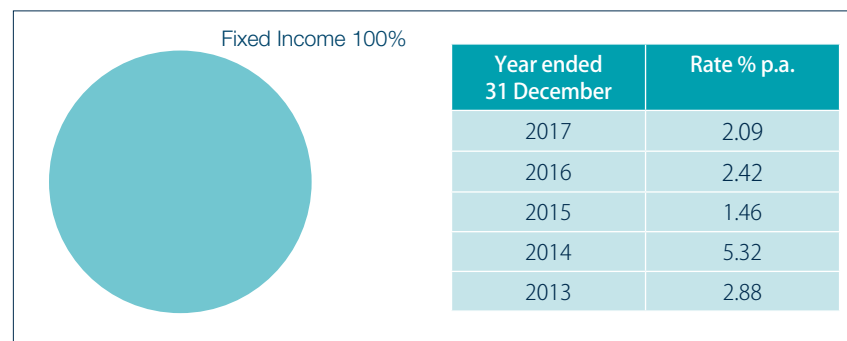
### Strategy

All money is invested in fixed income investments such as fixed interest and cash assets.

### Return performance

The investment returns for defined benefit assets in recent years are listed in the table below.

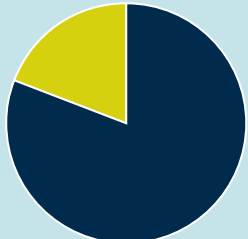

Please note that past performance is not an indication of future performance.



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## Two new investment options from March 2018

The Trustee is delighted to offer members greater choice in how their super benefits are invested. From March 2018, you have the choice of two additional investment options, the Balanced Socially Responsible Investments (SRI) option and the International Shares option. The details for each of these investment options are provided in the table below.

	International Shares option	Balanced SRI option
<b>Investment aim<sup>1</sup></b>	The International Shares option aims to earn returns after tax and fees that exceed CPI increases by at least 4% p.a. over rolling seven years.	The Balanced SRI option aims to earn returns after tax and fees that exceed CPI increases by at least 3% p.a. over rolling ten years
<b>Minimum suggested time frame</b>	Seven or more years	Ten or more years
<b>Summary risk level</b>	High	Medium to high
<b>Investment risk</b>	Members choosing this option should accept the possibility of negative returns in no more than four to six out of 20 years.	Members choosing this option should accept the possibility of negative returns in no more than three to four out of 20 years.
<b>Who this option might suit</b>	Designed for those seeking to earn returns from investments in international shares.	Designed for those seeking long-term wealth accumulation, where short-term volatility is a consideration.
<b>Investment strategy</b>	 <p> <span style="color: yellow;">■</span> Overseas Equities (hedged) 19%  <span style="color: darkblue;">■</span> Overseas Equities (unhedged) 81%                 </p>	 <p> <span style="color: orange;">■</span> Cash 5%  <span style="color: grey;">■</span> Overseas Fixed Interest 11%  <span style="color: teal;">■</span> Australian Fixed Interest 9%  <span style="color: lightblue;">■</span> Australian Equities 24%  <span style="color: yellow;">■</span> Overseas Equities (hedged) 6%  <span style="color: darkblue;">■</span> Overseas Equities (unhedged) 25%                 </p>
<b>Maximum buy/sell spread</b>	0.30% of monies invested in this option	0.33% of monies invested in this option
<b>Investment management fee</b>	0.34% p.a.	0.82% p.a.

<sup>1</sup>The Trustee is required by law to set investment objectives (aims) for the Fund and any underlying investment options. The investment aims set out above are not a forecast or guarantee of any future returns.

## Fund manager allocation

As part of their ongoing responsibilities the Trustee monitors and reviews the Fund's investment managers' performance on a regular basis. The Trustee obtains advice from professional investment consultants to assist it in this process.

The current manager and facility used is:

### Mercer Investments

Mercer Multi-manager funds (Australia) Limited

Over Q1 2017, investments were transitioned from the following investment managers into the Mercer Multi-manager funds:

- Schroder Investment Management Australia Limited
- Vanguard Investments Australia Limited
- Macquarie Investment Management Ltd
- BT Financial Group
- Kapstream Capital Pty Limited
- Henderson Global Investors

### Did you know?

A key benefit of Lutheran Super is no commissions and no establishment fees.



## Getting to know your Fund

### Who is the Trustee?

The Fund's Trustee is a company, LCA Nominees Pty Ltd ABN 61 008 204 939. At 31 December 2017, there were seven directors of the company, two of whom are elected by the members of the Fund and three appointed by the principal employer, the Lutheran Church of Australia and two independent directors appointed by the Board of Directors. One director elected by the members of the Fund was to be appointed in due course.

The directors have responsibility to manage the Fund in the best interest of members in accordance with the Fund's Trust Deed and relevant legislation.

The Directors as at 31 December 2017 were:

#### Employer appointed

Mr John Grocke – Chairman  
Financial Planner  
Johnston Grocke Financial Services

Mr Anthony Klatt  
Financial Planner  
Johnston Grocke Financial Services

Ms Sarah Dixon  
Group Manager Rowland

### Member-representatives

Mr Lester Kerber  
Business Manager  
Luther College  
Croydon, VIC

Ms Bernadette Latimer  
Business Manager  
St John's Lutheran Primary School  
Bundaberg, QLD

### Independent directors

- Alison Doeke
- Philip Riquier

Under the current election rules, member-representative directors will cease to hold office if:

- they cease to be a member
- they resign as a member-representative director
- the Trustee receives a written notice signed by more than 50% of members at the date of receipt of such notice calling for the removal of that member-representative director
- they become ineligible under law.

A summary of the Fund's election rules are available from the Enquiries and Complaints Officer (see page 20 for contact details).

The term of office for the member-representative directors is four years. The terms of office for the current member-representative directors cease in 2019.

### Did you know?

The Trustee Board operates in the best interests of members.

### Trustee indemnity insurance

The Trustee has chosen to take out an indemnity insurance policy as a prudent measure because of legislative requirements placing increased responsibilities on the Trustee.

### Trust Deed

The Fund is governed by a legal document called the Trust Deed. The Trust Deed sets out the rights and obligations of the members, participating employers and the Trustee. During the year there were no Trust Deed amendments.

### Superannuation contributions surcharge

The superannuation contributions surcharge was abolished on 1 July 2005. However, the Fund may still receive a surcharge assessment or an amended surcharge assessment for the financial years 1997 – 2005 from the Australian Taxation Office. Where the Fund receives a surcharge assessment or amended surcharge assessment in respect of your super, the Fund will pay the assessment and deduct the relevant amount from your member account. This will be shown on your member statement. If the Trustee receives an assessment after you have left the Fund, it will generally be forwarded on to the fund or institution to which you have transferred your benefit.

### Service providers to the Trustee

The Trustee uses professional organisations to assist in the operation of the Fund. The organisations used during the year were as follows:

#### Administration and general consulting advice

- Mercer Outsourcing (Australia) Pty Ltd

#### Investment consulting advice

- Mercer Investments (Australia) Limited

#### Investment managers

- Mercer Investments (Australia) Limited

#### Audit

- KPMG

#### Insurance

- AIA Australia Limited

#### Legal advice

- Wallmans Lawyers
- Mercer Legal Pty Ltd

### If you leave your employer and claim your benefit

If you leave your employer, you don't need to leave Lutheran Super: you will automatically become a member of the Retained Benefits section of the Fund. If you start working for another employer, you can ask them to continue to pay your compulsory super contributions to Lutheran Super. Complete a *Standard choice* form (available from the Lutheran Super website or by calling the Helpline) and give this to your new employer.

You can also roll your super over to another super fund with your new employer or roll it over to another superannuation fund. You may also be able to take some or all of your benefit in cash depending on your personal circumstances and superannuation preservation requirements.

If your super account balance in the Retained Benefits section is less than \$6,000 for a period of 12 months and no contributions are received for you during this period, your benefit will be transferred to the Fund's Eligible Rollover Fund (ERF) on your behalf. This benefit will then cease to be payable from the Fund and could only be claimed by you contacting the ERF to which it was paid. An ERF is simply a holding account where your benefit will remain until you notify the administrator of the ERF what action is to be taken.

The ERF used by the Trustee is AUSfund, Australia's Unclaimed Super Fund.

## About AUSfund investment strategy

AUSfund's membership is largely made up of small, lost and inactive members' accounts. The Responsible Entity of AUSfund is responsible for making decisions about how to invest the money held and has adopted a diversified investment strategy which is appropriate for its membership.

ERFs are designed as holding funds. As a result, the level of investment risk taken and therefore the rate of return in the ERF may be lower than in other superannuation funds. They do not provide insurance cover. You can transfer your super out of an ERF to another fund or, subject to preservation rules, have it paid to you. It's recommended you seek financial advice about the arrangements that will suit you.

## AUSfund investment objectives:

- to invest monies to give security to members' monies over the medium term, however you may suffer negative returns and you may be entitled to less money than is transferred.

AUSfund does not provide access to investment choice or provide any level of insurance cover.

It is important to remember that once your super is transferred to Ausfund, you will no longer have any rights under Lutheran Super and you will need to deal directly with Ausfund regarding your benefits that have been transferred.

If you have any questions about AUSfund, please contact them via the details below:

## AUSfund Administration

Locked bag 5132  
Parramatta NSW 2124  
P: 1300 361 798  
F: 1300 366 233  
E: [admin@ausfund.net.au](mailto:admin@ausfund.net.au)  
W: [ausfund.com.au](http://ausfund.com.au)

## How we protect your privacy

Lutheran Super is committed to ensuring the privacy of personal information of members and other individuals with whom we deal.

Lutheran Super is bound by the Australian Privacy Principles (APPs) which are the base line privacy standards under the *Privacy Act 1988 (Cth) (Act)*.

Lutheran Super respects your right to privacy and protecting your personal information. The Lutheran Super *Privacy Policy* is available to view on the Lutheran Super website, [www.lutheransuper.com.au](http://www.lutheransuper.com.au)

The *Privacy Policy* details how Lutheran Super collects, handles uses and discloses personal information. It also outlines how you can seek access to and update your personal information, or complain about a breach of the APPs. More details about the way Lutheran Super manages your personal information can be obtained by contacting Lutheran Super's Privacy Officer.

## Questions about your superannuation?

### Ask your Fund administrator

The Fund administrator  
Lutheran Super  
GPO Box 4303, Melbourne Vic 3001  
Phone: 1800 635 796  
Fax: (03) 9245 5827  
Or contact us online at [www.lutheransuper.com.au](http://www.lutheransuper.com.au)

### Enquiries and complaints

If you have a question about your superannuation or want more information about the Fund, please contact the Fund administrator. Most queries can be sorted out over the phone.

However, if your query is not resolved to your satisfaction, you can contact the Enquiries and Complaints Officer:

*Enquiries and Complaints Officer*  
Lutheran Super  
197 Archer Street,  
North Adelaide SA 5006  
Phone: (08) 8267 7300  
Fax: (08) 8267 7310

The matter will be investigated by the Enquiries and Complaints Officer and, where necessary, the Complaints Committee on behalf of the Trustee. You will be advised of the Trustee's decision as soon as possible and within 90 days, or within 30 days of the Trustee's decision, whichever is earlier. Sometimes further time is required for complicated matters. If we need more time we will let you know. Please remember to include an address to which the response can be mailed.

If you have a complaint and you are not satisfied with the response, or the matter can't be resolved, you may be able to refer the matter to the Superannuation Complaints Tribunal (SCT). The SCT is an independent government body which is set up to help resolve disputes between super funds and their members. Any complaints must be lodged with the Tribunal within certain time limits.

For more information you can contact the SCT on 1300 884 114 or write to:

*Superannuation Complaints Tribunal*  
Locked Bag 3060,  
GPO Melbourne Victoria 3001  
Email: [info@sct.gov.au](mailto:info@sct.gov.au)

### Monitoring enquiries

The Trustee may, at its discretion, monitor or record enquiries or transactions made by telephone. This is done for reasons of accuracy, security and service.

### Extra information available

As a member of Lutheran Super, you should already have a member booklet or Product Disclosure Statement containing detailed information about your benefits and some of the important rules governing the Fund. You also receive an annual benefit statement setting out important personal information about your benefits in the Fund.

Any member of the Fund may request to see certain documents associated with the operation of the Fund. The documents available to members include:

- the Trust Deed that governs the Fund
- the Investment Policy Statement
- the Fund's Privacy Policy
- audited financial statements
- extracts from the latest actuarial review
- current Product Disclosure Statement.

If you would like to see any of these documents or need further information, please contact the Helpline on **1800 635 796**.

## Financial summary

A summary of the Fund's accounts for the year ended 31 December 2017 is shown below. Comparative figures for 2016 are also shown.

Copies of the audited accounts and the auditor's report are available on request from the Chief Executive Officer. The financial statements confirm that the Fund is in a satisfactory financial position as at 31 December 2017. The audited financial statements are available by contacting the Fund's Helpline on **1800 635 796**.

### Statement of the change in net assets

	31/12/2017 \$	31/12/2016 \$
<b>Fund assets</b>	<b>520,153,864</b>	<b>468,496,675</b>
<b>Plus</b>		
Net investment revenue	49,379,360	44,129,392
Employer contributions	36,837,742	37,096,554
Member contributions	7,513,475	4,875,272
Government co-contributions	25,787	88,677
Transfers from other funds	11,930,507	10,157,671
Other revenue	1,371,100	1,024,600
<b>Total revenue</b>	<b>107,057,971</b>	<b>97,372,166</b>
<b>Less</b>		
Benefits paid	37,936,517	32,494,877
General administration expenses	2,531,979	2,161,103
Insurance premiums	5,813,103	6,167,529
Income tax expenses	6,723,923	4,891,468
<b>Total expenses</b>	<b>53,005,522</b>	<b>45,714,977</b>
<b>Fund assets as at 31 December</b>	<b>574,206,310</b>	<b>520,153,864</b>

### Net Fund assets

	31/12/2017 \$	31/12/2016 \$
<b>Investment by facility</b>		
Investments	568,927,283	516,105,128
Cash at bank	3,783,159	5,461,887
Other assets	168,855	199,369
Receivables	4,596,517	1,883,815
<b>Total assets</b>	<b>577,475,814</b>	<b>523,650,199</b>
<b>Less</b>		
Liabilities		
Provisions for income tax	2,439,591	2,086,143
Other liabilities	829,913	1,410,192
<b>Total liabilities</b>	<b>3,269,504</b>	<b>3,496,335</b>
<b>Net assets as at 31 December</b>	<b>574,206,310</b>	<b>520,153,864</b>

## Reserves

The Fund maintains three formal reserves:

- an **Accumulation Reserve**
- an **Investment Reserve**
- an **Operational Risk Financial Reserve (ORFR)**.

Each of the reserves is separately identified to any money or other assets of Lutheran Super, the Trustee or its participating employers.

The Accumulation Reserve helps the Fund manage expenses incurred by the Fund in respect of Accumulation members. The Accumulation Reserve is invested 100% in the Capital Secure investment option.

The Investment Reserve contains any excess of investment returns obtained by the Fund's accumulation-related assets which have not been passed on to member accounts. The Investment Reserve is invested in the Balanced Option – MySuper compliant.

The Operational Risk Financial Reserve (ORFR) was created to meet the requirements of superannuation Prudential Standard guideline SPS 114, which was effective from 1 July 2013, to cover losses resulting from inadequate or failed internal processes, people and systems or from external events. The ORFR is invested 100% in the Capital Secure investment option.

The total amounts in each reserve are shown in this table:

Reserve as at 31 December	2017 \$	2016 \$	2015 \$	2014 \$
<b>Accumulation</b>	2,100,284	2,062,213	1,861,909	749,027
<b>Investment</b>	6,181,370	5,315,932	4,710,222	4,826,604
<b>Operational Risk Financial Reserve (ORFR)</b>	1,550,000	1,215,000	1,215,000	1,085,000

## Lutheran Super

**Freecall Helpline**  
1800 635 796

**Facsimile**  
(03) 9245 5827

**Mail**  
Fund administrator  
Lutheran Super  
GPO Box 4303  
Melbourne, VIC 3001

**Online information**  
[www.lutheransuper.com.au](http://www.lutheransuper.com.au)

### Issued by:

LCA Nominees Pty Ltd, ABN 61 008 204 939, RSE Licence No L0002103, AFS License 240571 as trustee for Lutheran Super, RSE Registration No R1005707 ABN 93 371 348 387  
MySuper authorisation 93371348387621

### Disclaimers

The information contained in this 2017 Annual Report is general information only and does not take into account any person's individual financial objectives, financial situation or needs. Because of this, you should, before acting on the advice, consider the appropriateness of the advice having regard to your individual financial situation and needs. We recommend that you speak to a licensed financial adviser and read the Product Disclosure Statement before you make an investment or insurance decision.

The value of investments in the Fund or any underlying investment options may rise and fall from time to time. LCA Nominees Pty Ltd or the employers do not guarantee the investment performance, earnings or return of capital invested in any of the investment options made available to members set out in this report. The Trustee is not liable for any such statement or omission. If you leave the Fund within a few years of joining, you may get back less than the contributions paid into the Fund due to the effect of taxes, fees and possible negative investment returns.

The information contained in this report is up-to-date at its preparation. However, some of the information can change from time to time, for example, fees or the structure of any of the investment options. If there is a material change, inaccurate statement or omission the Trustee will inform you as required. The Trustee is not liable for any such statement or omission. If there is any inconsistency between the Trust Deed and this report, the Trust Deed will be the final authority.

For other changes and information about any investment option you can call the Lutheran Super Helpline on **1800 635 796** for an update.