

Annual Report 2010

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Issued by LCA Nominees Pty Ltd
ABN 61 008 204 939 AFSL No 240571 as Trustee
of Lutheran Super ABN 93 371 348 387.



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Welcome to Lutheran Super's Annual Report for the year ending 31 December 2010.

The Trustee continues to provide this report online via our website to enable the Fund to play its part in promoting an environmentally conscious approach to saving resources. The Fund also saves in printing and postage costs – and that benefits all members. If you wish to receive a printed copy of this report free of charge, simply call our Helpline on 1800 635 796.

It has been an eventful year in superannuation. Fund members can expect to see major change to the way the superannuation industry operates as a result of the Federal Government's response to the Cooper Review.

The Cooper Review evaluated the industry to find efficiencies which could benefit the retirement prospects of Australians.

The Federal Government has accepted many of the recommendations from this review, which if fully implemented could reduce superannuation fees by up to 40% and lift the retirement savings of a 30-year old on an average full-time wage by \$40,000.

The Cooper Review recommends introducing "My Super" in 2013 – a no-frills, low-cost default superannuation product for those who are not actively involved in their superannuation.

Significant also is the anticipated change in the Superannuation Guarantee (SG) (the compulsory super contributions paid by your employer on your behalf), from 9% to 12%.

The Federal Government intends to legislate for this increase which, if passed into law, would see the SG increase in gradual increments from 2013 to 2019.

The Fund continues to look to provide the benefits and investment returns that you currently enjoy in the most cost-efficient manner possible. So with that in mind, we're currently undertaking reviews of both the structure of our investments and our Death, Permanent Disability and Income Protection Insurance.

The outcomes of these reviews will ensure we continue to provide a superannuation fund that meets member's needs, both now and in retirement.

Please take the time to read the information in this report and to review your super to ensure that you are making the most of what Lutheran Super has to offer. Remember, Lutheran Super is your Fund and as a member, you're valued.



John Grocke
Chairman

Market and economic conditions – December 2010 Year

Global economy recovers in 2010

The 2010 calendar year saw the global economy continue to recover. Despite an “upset” in the June 2010 quarter, the rest of 2010 proved to be mainly positive, with strong growth, though the restored investor confidence was somewhat tempered by lingering concerns and the prospect of further volatility, which carry over into 2011.

Share markets recovered from early losses at the start of 2010 to finish the March 2010 quarter strongly. Bond markets posted small gains, but lagged behind the share markets. The Australian dollar continued to appreciate against other major currencies.

But the momentum of global economic recovery appeared to have peaked early in the second quarter of the 2010 calendar year as financial markets were negatively impacted by escalating European sovereign debt risks and slowing growth in China. By mid-year, a weaker outlook for global growth over the rest of the year and into early 2011 prevailed.

However, the third quarter, ending 30 September 2010, saw a strong recovery in share markets as a range of global developments saw investors' appetite for risk return. Nevertheless, the prospect of medium-term deflation, lingering fears of renewed financial risks and downward pressure on labour costs highlighted, among other things, the fragility of the recovery at that time.

The final quarter of 2010 saw economic conditions regain momentum and investor confidence grow. This growing confidence in the global recovery resulted in share markets and commodities rallying strongly towards the end of 2010. As further evidence emerged to suggest there was little prospect of a “double dip” global recession, investor confidence returned and global share markets rose with the US and German markets both up over 10% in the quarter.

Improved economic conditions saw global and domestic bond yields begin to rise and the Australian dollar continued to appreciate, ultimately moving above parity with the US dollar in December 2010 to a level not seen since July 1982. Global shares and property markets performed better than their local Australian counterparts, in part reflecting the fact that these markets had fallen further in 2009-10.

Yet, the year still ended with lingering concerns and the prospect of further volatility.

Source: Mercer Investments

If you are comparing the Fund's returns to other funds, please make sure that you are comparing returns for the same period. The returns quoted in this report are for the year ending 31 December 2010 where many other super funds may have a 30 June year end and performance can vary significantly. You should also keep in mind that the returns of the Fund may not be the actual returns received by you. This is because your actual returns may be affected by the timing of your contributions, investment switches and withdrawals.

Past performance is not indicative of future performance so care should be taken when reading this information.

Super news

Various Government reviews

Various Government reviews

The “Henry” Review of Australia's taxation system and the “Cooper” Review of the superannuation system were set up by the Government to obtain feedback from the community and the superannuation industry on tax and superannuation issues. Both of these reviews have now been completed and some detail on the outcome is set out below.

Proposed improvements to super following Henry Taxation Review

The Henry Review panel provided its report to Government in December 2009. Despite speculation about adverse changes arising from the Review, the superannuation changes announced by the Government on 2 May 2010 were all positive:

- a gradual increase in the Superannuation Guarantee from 9% to 12%
- Superannuation Guarantee contributions to be required up to age 75
- a new Government superannuation contribution for low income earners
- a permanent higher concessional contribution limit for some members aged 50 or more.

Changes to the Superannuation Guarantee

The Government has announced that it will gradually increase the Superannuation Guarantee from 9% to 12% in small increments from 1 July 2013 to 1 July 2019. This will improve the adequacy of retirement benefits provided to Australians and the sustainability of Australia's retirement income system.

The Government will also raise the Superannuation Guarantee age limit from 70 to 75 with effect from 1 July 2013. This is also a positive change which broadens the range of employees covered by the Superannuation Guarantee.

Superannuation contribution for low income employees

A new contribution of up to \$500 (not indexed) will be provided by the Government for individuals with an adjusted taxable income* of up to \$37,000. This is designed to effectively return the 15% contribution tax on Superannuation Guarantee contributions and will commence in 2012-13 with the first payments being made in 2013-14.

This change will improve the tax effectiveness of superannuation for eligible low income earners, as well as provide a boost to their superannuation savings.

* Your adjusted taxable income includes your assessable income, reportable fringe benefits and, from 1 July 2009, your reportable employer superannuation contributions.

Higher concessional contribution limit for some members aged 50 or over to continue

The current transitional limit of \$50,000 applicable to those aged 50 or over only applies until 30 June 2012. The Government has announced it will continue to provide the higher limit for those aged 50 or more, but only for those with total super balances below \$500,000.

Again, this is a welcome change which will provide greater scope for eligible members to use concessional contributions to top-up their superannuation.

Please note that the above proposed changes have not yet been legislated.

Proposed changes to super following the Cooper Super System Review

The Super System Review, led by Jeremy Cooper, examined the governance, efficiency, structure and operation of Australia's superannuation system.

The Review panel's final report was released early July 2010 and made a total of 177 specific recommendations.

The Labor Government provided its initial response on 1 August 2010 undertaking to:

- work with industry and employers to improve the administration of the super system with the first step being to make Tax File Numbers

(TFNs) the primary identifier of member accounts from 1 July 2011

- introduce a new simple superannuation system called "MySuper", from 1 July 2013. MySuper funds will need to meet a number of new standards and will have no unnecessary fees or charges. They will also be simpler than current arrangements and the Government believes that it will be easier to compare fund performance.
- Enable APRA to monitor and publish MySuper fund investment returns and costs 'to ensure members are getting value for money'.

In December 2010, the Government announced its Stronger Super package as its response to the Cooper Review. This package indicated the Government's support for most of the review panel's recommendations.

Paul Costello, former general manager of the Government's Future Fund, will chair a "Stronger Super Peak Consultative Group", which has been tasked with advising the Government on how to best implement the Stronger Super package. The Group will also be supported by several working groups which will seek input from relevant private and public sector experts to assist in implementation. Interested stakeholders will be able to provide input into the design and implementation of the reforms through the working groups or via the Stronger Super website at strongersuper.treasury.gov.au

Once fully implemented, the changes are expected to generate cost savings for superannuation funds which should eventually result in lower fees being applied to superannuation members. The changes include greater standardisation of forms and back-office practices used by the industry as well as working towards employers providing better data in respect of contributions paid.

Other changes will impose higher standards on trustees and improve the governance and security of superannuation.

These changes have also not yet been legislated.

Co-contributions reduced but still valuable

The Government has decided to make permanent the previously temporary reduction in the rate of its popular superannuation co-contribution. Even though the amount of the co-contribution has now been permanently reduced, it is still a valuable benefit, which may increase your super savings.

The Government will continue to contribute up to \$1 for each \$1 contribution you make from your after-tax income. The maximum co-contribution is \$1,000 a year if your adjusted taxable income* is less than \$31,920 a year. The co-contribution reduces gradually for those earning up to a maximum of \$61,920. These thresholds will remain frozen at these levels for the next two years, after which indexation will recommence.

* Your adjusted taxable income includes your assessable income, reportable fringe benefits and, from 1 July 2009, your reportable employer superannuation contributions.

Family Law changes

Federal Government legislation introduced from 1 March 2009 enabled de-facto couples (including same-sex de facto couples) to split their superannuation on relationship breakdown.

At the time, the new provisions did not apply in South Australia and Western Australia. However, from 1 July 2010, the laws will also apply to South Australian de-facto couples, where their relationship breaks down on or after this date. The laws still do not apply in Western Australia.

Pension tax agreement between Australia and New Zealand

A new double tax agreement between the Australian and New Zealand Governments is now in force. The agreement contains a section on pensions that will assist the movement of retirees between Australia and New Zealand.

Under the new treaty, pensions arising in the other country will not be taxed in the country of residence to the extent that they are not taxed in the source country. For example:

1. For a New Zealand resident receiving a pension from an Australian superannuation fund (other than an untaxed element of a pension paid from a Government sector fund):
 - If the person is over age 60: the pension would not be taxed if the pensioner was in Australia so it will no longer be taxed in New Zealand
 - If the person is under age 60: the pension would generally be taxed if the pensioner was in Australia so it will be subject to New Zealand tax.
2. An Australian resident receiving a pension from a New Zealand pension fund will no longer be subject to Australian tax, as pensions from New Zealand funds are not taxed if paid to a person in New Zealand.

Note that the above changes only relate to pensions. Lump sums will continue to be taxed solely in the country where the benefit originates. However, lump sums paid from an Australian scheme are generally not subject to tax (from age 60) and there is generally no tax on lump sums paid from New Zealand schemes on cessation of employment.

The new treaty does not affect the taxation of Australian Centrelink pensions or New Zealand age pensions (paid by NZ Superannuation).

Need some up to date information? Visit the Lutheran Super Website.

Get under the skin of the website and you'll find a wealth of resources to help you navigate through the technical and sometimes daunting world of super. With the Lutheran Super website, you're able to:

- check the historical performance of investment options
- gain access to your account balances at any time
- check and update your personal details including nominated dependant details
- obtain information about the Fund's benefits
- check your regular employer contributions
- obtain general information about superannuation
- gain general financial and planning information.

Visit www.lutheransuper.com.au and tell us what you think of the site. We'd love to hear from you.

Let's go green, let's go electronic!

Would you like to be part of our electronic community so you can receive timely super and member updates while helping us save the environment by going paperless?

If so, simply follow the following steps:

1. sign into your account at www.lutheransuper.com.au
2. access the 'Personal details' page
3. update your personal details online, remembering to include your email.

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 own personal circumstances and your attitude to investments in certain markets.

You can change your options at anytime. 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.

If you do not make an investment selection you will be allocated to the Trustee Mix, which is a combination of two of the options, 70% Growth and 30% Capital Stable. This option has been structured to provide a reasonable level of exposure to share markets to provide the opportunity for capital growth but also has an exposure to fixed interest and cash investments to provide some protection when share markets are not performing.

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

Lutheran Super's investment performance

The table below shows the investment performance of the various options in the Fund for the year ending 31 December 2010 and over a three and five year period ending 31 December 2010.

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

Investment option	Earning rate for 2010 % p.a.	Three year % p.a.	Five year % p.a.	Since commencement % p.a.**	Commencement date
Accumulation members					
Trustee Mix*	3.25	-3.01	na	-2.31	1 July 2007
Capital Secure	3.54	3.48	4.06	na	na
Capital Stable	4.06	0.54	3.42	na	na
Balanced	1.64	-4.43	2.13	na	na
Growth	2.90	-4.53	1.84	na	na
Growth – Australian Shares	1.42	-5.56	3.01	na	na
Growth – SRI Australian Shares	-2.73	-6.48	na	1.86	1 July 2006
Defined benefit members					
Actual rate of earnings	2.20	-2.26	3.23		
Pension members					
Capital Secure	4.23	na	na	3.80	1 July 2008
Capital Stable	4.78	na	na	2.32	1 July 2008
Balanced	1.95	na	na	-1.67	1 July 2008
Growth	3.43	na	na	0.37	1 July 2008
Growth – Australian Shares	1.68	na	na	-0.66	1 July 2008
Growth – SRI Australian Shares	-3.07	na	na	-2.56	1 July 2008

* The Trustee Mix option commenced 1 July 2007. It is based on the structure of 70% Growth and 30% Capital Stable.

** Where three and five year returns are available, for simplicity only these are shown. Where these three and five year returns are not available, returns since commencement are shown with the option's commencement date.

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 *2010 Member Statement*.

The Trustee is required by law to set investment objectives for the Fund and its underlying investment options. 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.

Investment strategy

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.

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.

Return performance*

The five-year average rate of return for this option for the period ending 31 December 2010 was 4.06% p.a.

The investment return for Pension Members in the Capital Secure Option from 1 January 2010 to 31 December 2010 was 4.23% p.a.

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

Investment manager

The investment manager currently used by the Trustee for the Capital Secure Option is Vanguard Investments Australia Limited in their Cash Reserve Fund.

To choose this option

There is no cost in transferring your money into the Capital Secure Option from another investment option.



Year ended 31 December	Rate % p.a.
2010	3.54
2009	2.62
2008	4.29
2007	4.98
2006	4.80

Capital Stable Option

Objectives

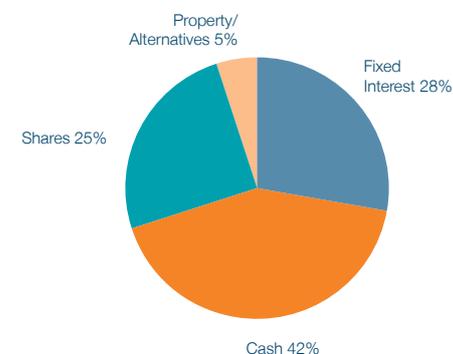
- Broad investment objective will be to limit year-to-year variability in returns while having a greater focus on security of capital than the other investment options.
- More specifically, to achieve returns after tax and fees that exceed CPI increases by at least 2% p.a. over rolling five and seven-year periods.
- To achieve an after tax and fees return in line with the notional return on the Fund's specified benchmark portfolio.
- To earn a rate of return after tax and fees above the median of results for the Mercer Capital Stable Fund Survey over rolling three and five-year periods.
- Over a three-year period, to have a reward to risk ratio higher than the median reward to risk ratio in the Mercer Capital Stable Fund 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.



Return performance*

The investment returns for the Capital Stable Option in recent years are listed in the table below.

The average compound rate of return for the five years to 31 December 2010 was 3.42% p.a.

The investment return for Pension Members in the Capital Stable Option from 1 January 2010 to 31 December 2010 was 4.78% p.a.

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

Investment manager

The investment manager currently used by the Trustee for the Capital Stable Option is Vanguard Investments Australia Limited in their Conservative Index Fund.

To choose this option

The cost of transferring into the Capital Stable Option from another investment option is approximately 0.25% of the money being switched into this option.

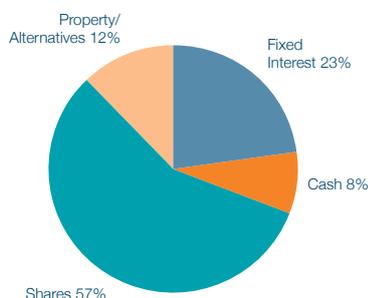
Year ended 31 December	Rate % p.a.
2010	4.06
2009	7.75
2008	-9.36
2007	6.22
2006	9.61

Balanced Option

Objectives

- Broad aim is to maximize long-term investment returns, whilst accepting a significant degree of variability in year to year returns.
- More specifically, to achieve returns after tax and fees that exceed CPI increases by at least 3% p.a. over rolling five and seven-year periods.
- To earn a rate of return after tax and fees above the median of results for the Mercer Pooled Fund Survey over rolling three and five-year periods.
- To achieve an after tax and fees return that exceeds the notional return on the Fund's specified benchmark portfolio.
- Over a three-year period, to have a reward to risk ratio higher than the median reward to risk ratio in the Mercer Pooled Fund 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.

Return performance*

The investment returns for the Balanced Option in recent years are listed in the table below.

The average compound rate of return for the five years to 31 December 2010 was 2.13% p.a.

The investment return for Pension Members in the Balanced Option from 1 January 2010 to 31 December 2010 was 1.95% p.a.

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

Investment manager

The manager used to invest assets for this option is Schroder Investment Management Australia Limited in their Balanced Fund Standard Class.

To choose this option

The cost of moving to this option is approximately 0.44% of the amount switched into this option.

Year ended 31 December	Rate % p.a.
2010	1.64
2009	13.67
2008	-24.45
2007	9.55
2006	16.19

Growth Option

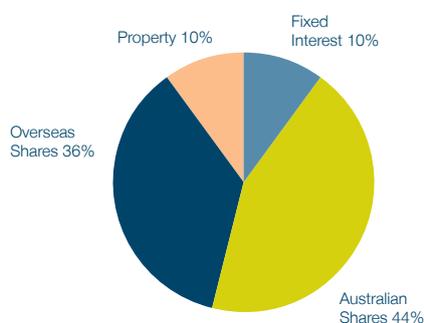
Objectives

- Broad aim is to maximise long-term investment returns whilst accepting a high degree of variability in year to year returns.
- More specifically, to achieve returns after tax and fees that exceed CPI increases by at least 4% p.a. over rolling five and seven-year periods.
- To achieve an after tax and fees return, over rolling three and five-year periods, that exceeds the notional return on the Fund's specified benchmark portfolio.
- To earn a rate of return after tax and fees above the median of an asset-weighted composite of the relevant Mercer Sectors Survey medians included in the Growth Option benchmark.
- Over a three-year period, to achieve a reward to risk ratio higher than the median reward to risk ratio in the Growth Option benchmark.

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.



Return performance*

The investment returns for the Growth Option in recent years are listed in the table below.

The average compound rate of return for the five years to 31 December 2010 was 1.84% p.a.

The investment return for Pension Members in the Growth Option from 1 January 2010 to 31 December 2010 was 3.43% p.a.

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

Investment manager

The investment manager currently used by the Trustee for the Growth Option is Vanguard Investments Australia Limited in their Life Strategy Index Fund PST – High Growth.

To choose this option

The cost of transferring into the Growth Option from another investment option is approximately 0.50% of the money being switched into this option.

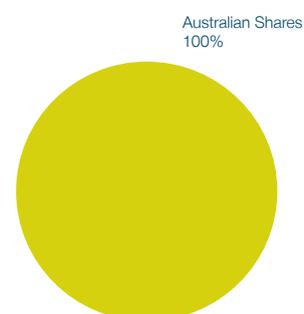
Year ended 31 December	Rate % p.a.
2010	2.90
2009	18.87
2008	-28.87
2007	6.45
2006	18.26

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.



Return performance*

The investment returns for the Growth – 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 2010 was 3.01% p.a.

The investment return for Pension Members in the Growth - Australian Shares Option from 1 January 2010 to 31 December 2010 was 1.68% p.a.

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

Investment manager

The manager used to invest assets for this option is Macquarie Investment Management Ltd in their True Index Australian Equities Option.

To choose this option

The cost of moving to this option is 0.50% of the amount switched into this option.

Year ended 31 December	Rate % p.a.
2010	1.42
2009	36.11
2008	-38.98
2007	12.98
2006	21.91

Growth – SRI Australian Shares

(Commenced 1 July 2006)

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 when developing its investments and will exclude certain organisations on the basis of their activities.

Objectives

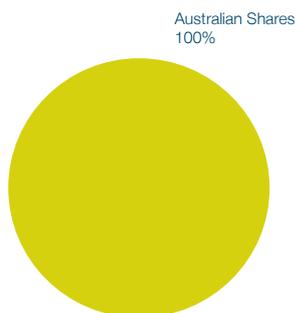
- Broadly to maximise long term investment returns whilst tolerating a high degree of variability in year to year returns.
- More specifically, to earn returns, after fees and taxes, that exceed CPI increases by at least 4% p.a. over rolling five and seven year periods and to match the performance of 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 such as:
 - renewable energy
 - sustainable agribusiness
 - ecotourism.

All money is invested in Australian shares.

Return performance*

As this investment option only commenced in the Fund from 1 July 2006, there is only return information for the years ended 31 December 2007, 2008, 2009 and 2010.

The investment return for Pension Members in the Growth – SRI Australian Shares Option from 1 January 2010 to 31 December 2010 was – 3.07% p.a.

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

Investment manager

The manager used to invest assets for this option is BT Financial Group in their Wholesale Ethical Share Fund

To choose this option

The cost of transferring into this option is 0.50% of the money that is switched into this option.

Year ended 31 December	Rate % p.a.
2010	-2.73
2009	31.34
2008	-35.98
2007	16.48

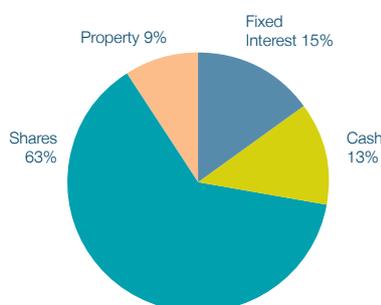
Trustee Mix

Please note that this is not an investment option a member can directly invest in. If a member does not make a selection, they are allocated to a mix of the previous options based on the Trustee's determination as shown in the table below.

Option	Proportion
Capital Stable	30%
Growth	70%

Effective 1 July 2007, the Trustee Mix changed from Capital Stable 25%, Capital Secure 25% and Growth 50%.

Year ended 31 December	Rate % p.a.
2010	3.25
2009	15.53
2008	-23.02
2007	5.60
2006	12.75



Defined benefit information

For defined benefit members, 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 2008) the value of the Fund's assets amounted to 107.3% of the sum of all defined benefits member's 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

Investment choice has been a reality for all defined benefit members 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 defined benefit liabilities of the Fund are supported by Schroder Investment Management Australia Limited in their Balanced Fund Standard Class and Kapstream Capital Pty Limited in their Absolute Return Fund.

The effective rate that was applied to the defined benefit member account for the year ended 31 December 2010 was 2.20% p.a.

Please note that past performance is no indication of future performance.

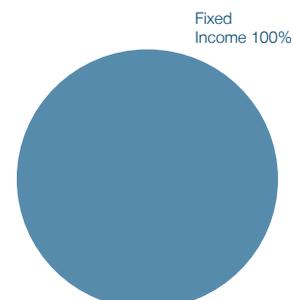
Defined benefits

Objectives

- Broad aim is to maximize long-term investment returns, whilst accepting a reasonable degree of variability in year to year returns.
- More specifically to achieve returns after fees and tax that exceed CPI increases by at least 2.5% p.a. over rolling five and seven-year periods
- To earn a rate of return after tax and fees above the median results for 50% of the Mercer Pooled Fund Survey and 50% of the Mercer Capital Stable Fund Survey over rolling three and five-year periods.
- To achieve an after tax and fees return that exceeds the notional return on the Fund's specified benchmark portfolio.
- Over a three-year period, to have a reward to risk ratio higher than the median reward to risk ratio for 50% of the Mercer Pooled Fund Survey and 50% of the Mercer Capital Stable Fund Survey.

Strategy

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



Return performance*

The investment returns in recent years are listed in the table below.

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

Investment managers

The investment managers currently used by the Trustee for defined benefit assets are Schroder Investment Management Australia Limited in their Fixed Income Fund and Balanced Fund Standard Class and Kapstream Capital Pty Limited in their Absolute Return Fund.

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.

Year ended 31 December	Rate % p.a.
2010	2.20
2009	6.95
2008	-14.58
2007	8.04
2006	16.19

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.

During the year the Trustee;

- terminated its accumulation investment in the AMP Capital Investors Limited Conservative Option and transferred this money to Vanguard Investments Australia Limited in their Conservative Index Fund
- terminated its defined benefit investment in the AMP Capital Investors Limited Conservative Option and transferred this money to Schroder Investment Management Australia Limited in their Fixed Income Fund and Balanced Fund Standard Class and Kapstream Capital Pty Limited in their Absolute Return Fund
- terminated its accumulation investment in the AMP Capital Investors Limited Balanced Growth Option and transferred this money to Schroder Investment Management Australia Limited in their Balanced Fund Standard Class
- transferred its accumulation investment in the Vanguard Investments Australia Limited Life Strategy Index Fund PST - High Growth to the Vanguard Investments Australia Limited to their High Growth Index Fund.

The current managers and facilities used are as follows:

Schroder Investment Management Australia Limited

- Fixed Income Fund
- Balanced Fund Standard Class

Vanguard Investments Australia Limited

- High Growth Index Fund
- Conservative Index Fund
- Cash Reserve Fund

Macquarie Investment Management Ltd

- Macquarie True Index Australian Equities Fund

BT Financial Group

- BT Wholesale Ethical Share Fund

Kapstream Capital Pty Limited

- Absolute Return Fund

Fees and charges

Administration fees

The following table shows the Fund's expenses or fees and charges that might apply to your superannuation benefits.

All expenses are current at the time this annual report was produced and may be revised, increased or added to or adjusted by the Trustee from time to time (for example, due to changes to superannuation law or the Fund trust deed). The Trustee may also introduce new fees.

While it is not anticipated that fees and charges will change, if there is an increase in fees we must notify you 30 days in advance of the change. The Trustee is not able to negotiate the fees detailed below.

No GST is payable by you on any of the fees and charges described below.

You should read this fee information carefully, as it's important that you understand how these fees can affect your benefits in the Fund.

Please note, that the Trustee is not able to provide any discounts to any of the fees outlined below for any individual member.

Table 1 Significant fees

What the fee is for	Amount	How the fee is calculated and paid
Establishment fee This is the fee to set up your account in the Fund.	Nil	na
Contribution fee This is the fee charged for the initial and every subsequent investment you make (including any contributions made to the Fund on your behalf e.g. by your employer).	Nil	na
Withdrawal fee This is the fee charged for each payment paid out from the Fund.	\$50.00 per withdrawal	This fee is deducted from your account at the time a payment is made including payments under portability legislation.
Termination fee This is the fee when you close your account in the Fund.	\$50.00	The fee is deducted from your account at the time your final payment is made.
On-going fees This is the total of all ongoing administration, investment management, expense recovery and other fees charged by the Fund. A breakdown of fees is shown in the 'Breakdown of ongoing fees' table on page 13.	\$1.00 per week plus an asset fee of 0.30% of your account balance (see the Ongoing fees table on page 13). plus an asset based fee depending on your selected investment option (see the Ongoing fees table on page 13).	Deducted from your account balance every month. Deducted in the calculation of the unit price by the Trustee. This fee is deducted by the investment manager prior to the calculation of unit prices.
Switching fee This is the fee charged when you switch between investment options offered by the Fund.	One free switch per calendar year but subsequent switches are \$30 each. In addition, a buy/sell spread applies depending on the investment option (see the Ongoing fees table on page 13).	When the Fund receives contributions or you choose to make a switch between portfolios, the buy unit price is used to buy units and the sell unit price is used to value your investment in the Fund.

Breakdown of ongoing fees

This table contains a breakdown of the ongoing fees shown in the table on page 12. They are not additional to the fees detail in the Table 1 'Significant fees'.

Table 2 Ongoing fees

Ongoing fees	Amount	How and when it is paid
Administration fee This is the fee to cover the general administration of the Fund.	\$1.00 per week plus an asset fee of 0.30% of your account balance.	Deducted monthly from your account. Deducted from the investment earnings in determining the unit price for each option.
Investment management fee This is the fee charged for managing the Fund's assets based on the amount invested in that option.	Capital Secure Option 0.10% p.a. Capital Stable Option 0.16% p.a. Balanced Option 0.52% p.a. Growth Option 0.16% p.a. Growth Australian Shares nil Growth SRI Aust Shares 0.95% p.a.	The fee is deducted by the investment manager prior to the calculation of unit prices.
Issuer fee This is the fee for the product issuer's services in overseeing the Fund's operations and/or providing access to the Fund's investment options.	Nil	na
Expense recoveries This is an estimate of out-of-pocket expenses the Trustee is entitled to recover from the Fund.	Nil	na
Member fee This is a member-keeping fee charged by the Fund.	Nil	na
Buy/sell spreads for each investment option The buy/sell spread is an allowance for the transaction costs incurred when buying or selling investments, for example stamp duty and brokerage. The fee will apply to the amount of money moved into an option or any contribution paid.	The buy/sell spreads outlined below are based on the current benchmark asset allocation and may vary slightly from time to time. Capital Secure Option 0.00% p.a. Capital Stable Option 0.25% p.a. Balanced Option 0.44% p.a. Growth Option 0.50% p.a. Growth Australian Shares 0.50% p.a. Growth SRI Aust Shares 0.50% p.a.	The buy/sell spread is taken into account when calculating the unit prices applicable to that particular investment option.

Family Law fees

For information and for splitting your super

The Trustee charges fees in order to recover its costs associated with the splitting of superannuation benefits for Family Law purposes.

For more information about Family Law and how it may affect you, contact the Helpline on **1800 635 796**.

Table 3 Family Law

Where fees apply	Fee	Who pays the fee
Application for information – in the format specified under the Family Law Act	Nil	na
Splitting a benefit	\$451.00	Shared equally by both parties and will be deducted from each super benefit at the time the benefit is split.
Flagging a benefit	Nil	na

Protection of small account balances

Superannuation legislation protects small superannuation account balances from erosion by administration expenses. Any member with a total account balance in the Fund of \$1,000 or less will be “protected” in this way.

In short, this will mean that the normal expenses deducted from your Accumulation Account in the Fund (detailed on your benefit statement under “Employer Account”) to cover administration expenses will not apply to you if:

- the total of your Accumulation Account is \$1,000 or less at the Fund's review date (31 December) or at the date you leave the Fund, and
- the normal expenses deducted from your Employer Account since the last review date (or the date membership commenced, if later) exceed the investment earnings credited to your Accumulation Account.

In these circumstances, the expenses deducted from your Employer Balance will be limited to the total investment earnings credited to you over the same period.

Insurance costs

As at the year ended 31 December 2010, the fees charged for insurance were as follows:

Death and permanent disablement

- \$0.85 per unit per week
- Ex-QLSSSP accumulation members – \$0.30 cents per unit per week.

Death only benefits

- \$0.51 cents per unit per week
- Ex-QLSSSP accumulation members – \$0.18 cents per unit per week.

Salary continuance benefits

- 0.38% of salary.

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 2010, there were ten directors of the company, five of whom are elected by the members of the Fund and five appointed by the principal employer, Lutheran Super.

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

The Directors as at 31 December 2010 were:

Employer appointed

Mr John Grocke
Chairman
Financial Planner
Johnston Grocke Financial Services

Mr Allen Truslove
Allen L Truslove Actuary & Statistician Pty Ltd

Mr John Nield
Retired Teacher

Mr Anthony Klatt
Financial Planner
Johnston Grocke Financial Services

Mr Jeff Harman
Business Manager
Concordia College
Highgate, SA

Member elected

Mr Graeme Drapper
Business Manager
LCA Queensland District, Schools Dept

Mr Lester Kerber
Business Manager
Luther College
Croydon, VIC

Mr Stephen Wenke
Church Administrator
Good Shepherd Lutheran Congregation
Noosa, QLD

Mr John Findlay
Teacher
St Peters Lutheran College
Indooroopilly, QLD

Mr Brett Clarke
Business Manager
Redeemer Lutheran College
Mount Gravatt, QLD

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 18 for contact details).

The term of office for the member-elected representatives is two and four years. The term of office for the current member-elected representatives ceases in 2011 and 2013.

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 is entitled to use 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 (Australia) Pty Ltd

Investment consulting advice

- CPG Research & Advisory Pty Ltd

Investment managers

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

Audit

- KPMG

Insurance

- ING (death and total and permanent disablement)
- CommInsure (salary continuance)

Legal advice

- Wallmans Lawyers.

If you leave your employer and claiming 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 any other 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 \$2,000 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 since 1 January 2007 is AUSfund, Australia's Unclaimed Super Fund.

About AUSfund

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.

AUSfund investment strategy:

- the Responsible Entity has chosen a diversified investment strategy to provide security to members' monies over the medium term (three – five years)
- the strategy aims to balance the need to deliver returns to members with the need to limit the likelihood of a negative return to one in every ten years
- to provide a competitive return at a moderate level of market risk
- invest in a mix of shares, property, alternative assets, fixed interest and cash, aiming to provide a mix of income and capital growth over the medium term.

AUSfund investment objectives:

- to invest monies to give security to members' monies over the medium term
- the asset mix should be structured to limit the likelihood of a negative return to one in every ten years
- deliver an after tax return of at least inflation plus 2.5% per annum over rolling five-year periods at least 75% of the time
- an investment reserve is managed to assist in the smoothing of returns to members and to lower the possibility of a negative return
- a long term asset mix is selected to take account of the above risk constraints and allow the highest possible return for an agreed level of risk
- the investment process should be cost efficient and the strategy reviewed at least annually
- the short term investment strategy should be controlled by adjusting cash flow between investments as the investment environment dictates, while remaining within the longer term strategies.

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

The following fees and charges apply in AUSfund:

- an administration fee of \$14 per annum. This fee is deducted from your account.
- management costs of 1.68% (\$16.80 per \$1,000 invested) which is deducted from gross returns prior to the setting of the crediting rate.
- Family Law fees of \$100 for the provision of information and \$69 for splitting an account.

AUSfund **will not** accept employer contributions (including salary sacrifice contributions) unless there are exceptional circumstances. You can rollover other monies into AUSfund and make voluntary contributions but AUSfund will not accept any Government co-contributions or spouse contributions and contribution splitting is not allowed.

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 in respect of your benefits that have been transferred.

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

AUSfund

PO Box 2468, Kent Town SA 5071
P: 1300 361 798 F: 1300 366 233
E: admin@ausfund.net.au
W: www.unclaimedsuper.com.au

How we protect your privacy

Your privacy has always been important to your super Fund and the Trustee. With the increasingly rapid expansion of technology and access to information, preserving your privacy is now more important than ever.

In order to provide you with superannuation benefits, including death and disability benefits, and to properly manage the Fund, the Fund holds personal information about you that identifies you as a member. This information typically includes your name, address, date of birth, gender, occupation, salary, tax file number and any other required information.

The Fund generally collects this information either from you or your employer. Your personal information may be disclosed to the Fund's administrator and professional advisers, insurers, government bodies, your employer and other parties as required, including the Trustee of any other fund you may transfer your benefit to. By becoming a member of the Fund, it is assumed that you consent to this handling of your personal information. If you do not provide the Fund with your personal information, the Fund may not be able to provide your superannuation benefits and choices.

You can request access to your personal information held by the Fund. Should any of your personal information be incorrect, you may have the opportunity to correct it. There are, however, some circumstances where you may be denied access to your information. The Fund's Privacy Officer will advise if any of these circumstances apply.

The Fund abides by the National Privacy Principles under the Privacy Act 1988 (Cth) and has adopted a Privacy Policy which sets out in more detail the way in which it handles members' personal information. If you would like a copy of the Fund's Privacy Policy, please contact the Fund's Administrator (contact details for the Fund's Administrator can be found on page 18).

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
Email: enquiries@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 7338
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

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 2010 is shown below. Comparative figures for 2009 are also shown.

Copies of the audited accounts and the auditor's report are available on request from the Executive Officer.

The financial statements confirm that the Fund is in a satisfactory financial position as at 31 December 2010.

The audited financial statements are available by contacting the Fund's Helpline on **1800 635 796**.

Statement of the change in net assets

	31/12/10	31/12/09
Fund assets as at 1 January	\$297,660,804	\$252,660,358
Plus		
Net investment revenue	11,245,428	31,567,514
Employer contributions	31,843,611	30,917,194
Member contributions	2,741,012	3,342,716
Government co-contributions	708,182	1,091,220
Transfers from other funds	3,936,565	2,781,794
Other revenue	1,167,218	901,388
Total revenue	51,642,016	70,601,826
Less		
Benefits paid	21,123,263	18,133,236
General administration expenses	1,481,555	1,337,427
Insurance premiums	1,294,154	1,398,155
Income tax expenses	5,746,939	4,732,562
Total expenses	29,645,911	25,601,380
Fund assets as at 31 December	319,656,909	297,660,804

Net Fund assets

	31/12/10	31/12/09
Investment by facility		
Investments	319,113,186	297,239,797
Cash at Bank	2,664,803	2,585,788
Other assets	428,557	330,604
Receivables	2,876,729	51,151
Total assets	325,083,275	300,207,340
Less		
Liabilities		
Provisions for income tax	2,531,739	1,299,416
Other liabilities	2,894,627	1,247,120
Total liabilities	5,426,366	2,546,536
Net assets as at 31 December	319,656,909	297,660,804

Reserves

The Fund maintains two formal reserves:

- an **Accumulation Reserve**
- an **Investment Reserve**.

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 Fund's Trustee Mix (70% Growth and 30% Capital Stable).

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

Reserve as at 31 December	2010 \$	2009 \$	2008 \$
Accumulation	1,308,422	1,302,414	1,173,051
Investment	1,014,413	1,120,041	1,392,000

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

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

Disclaimers

The information contained in this 2010 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 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. 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. 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.