

2011/12 Annual Report

legalsuper



A black and white photograph showing a man in a dark suit and a woman in a dark dress walking down a wide, curved staircase. The staircase has light-colored steps and railings, and the background is slightly blurred, suggesting motion.

The super fund for
Australia's legal
profession

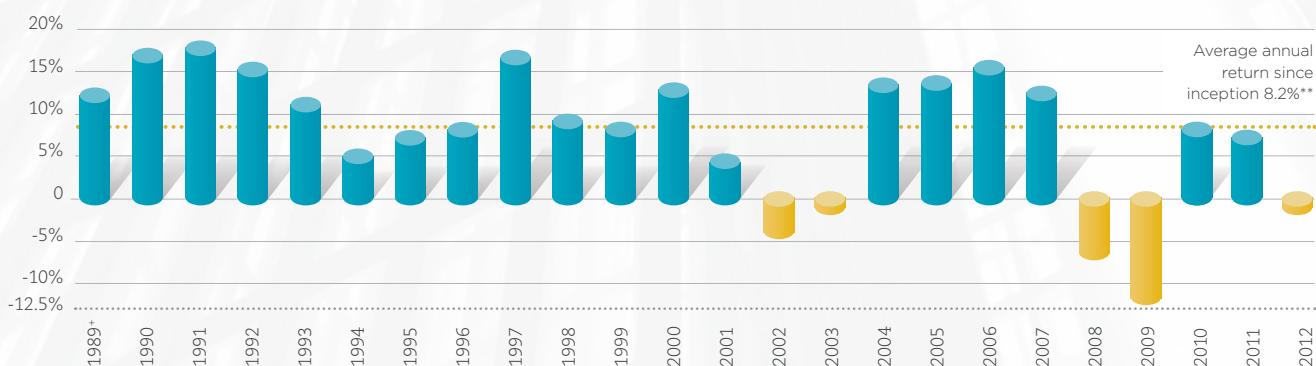
About legalsuper

- Established in 1989 and has served the legal profession for 23 years
- An industry super fund
- Low fees and profits are returned to our members
- The Law Institute of Victoria and Law Society of New South Wales are the shareholders of our Trustee. They receive no dividends
- Our investment strategy is formulated to deliver strong returns. Since our inception in 1989, we have delivered an average annual return of 8.2 per cent for our default investment option – Growth (formerly Moderate)
- Our members include Judges, Barristers, Solicitors and the management and staff of legal practices
- Manages more than \$1.6 billion on behalf of almost 41,000 members
- More than 4,500 businesses pay super into legalsuper

**legalsuper represents
more than 40% of
Australia's legal
industry**

23 years of strong performance

Growth (formerly Moderate)*



* legalsuper's default investment option.

** Net of all fees and taxes.

* legalsuper (at the time of its inception, known as Legal Industry Superannuation Scheme, or LISS) commenced in March 1989. Crediting rates until 28 February 2005 are for LISS. On 1 March 2005, LISS changed its name to legalsuper.
Note: Past performance is not necessarily an indication of future performance.

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Chairman and Chief Executive's message



David A. Miles, AM, Independent Chairman

Welcome to legalsuper's Annual Report for the year ended 30 June 2012.

This report provides you with information about key results and developments during the year, including the performance of all legalsuper investment options.

Super fund returns were affected by weak economic growth and political uncertainty which disrupted world investment markets and created significant unpredictability.

World economic growth in 2011/12 was low at only 3.5%. Almost half of that growth came from just two countries, China (0.92%) and the United States (0.46%). China's strong growth is important for Australia, given it is a key supplier of resources. The Europe debt crisis almost put some European countries (including Greece and Spain) into insolvency.

The experience of our own stock market provides a perspective of the volatility in the market. The ASX200 (an index of the share prices of the 200 top Australian companies) increased 9.4% from January 2012 to May 2012, and then lost all of those gains in just 17 days.

The Board, assisted by its Investment Committee, has closely monitored developments and received expert

investment advice from its asset consultant, JANA Investment Advisers Pty Ltd ('JANA').

Through 2011/12 the Board has, based on that advice, positioned legalsuper's diversified investment options to take advantage of a rebound in economic conditions following the global financial crisis.

Our asset consultant continues to strongly support this strategy. It is predicated on taking a long-term view of investment performance, as the average age of a legalsuper member is 40 years. Given it might be 20 years before they retire, these members are well placed to ride out shorter periods of volatility in investment returns.

However, we recognise that this may not be the strategy for all members, so legalsuper has a range of investment options, including some that are more conservative. We encourage members to review their investment options on a regular basis, to ensure their super is invested in the most appropriate way given their age and circumstances. Members closer to retirement may wish to reduce volatility, and can do so by changing the investment option in which their super is invested.

Appointment of investment specialists

Richard Sanajko joined legalsuper in October 2011 in the role of Investment

Manager. David St. John was appointed Independent Chairman of the Investment Committee in mid-June 2012. These high-profile appointments will enhance our ability to execute a balanced investment strategy for our members.

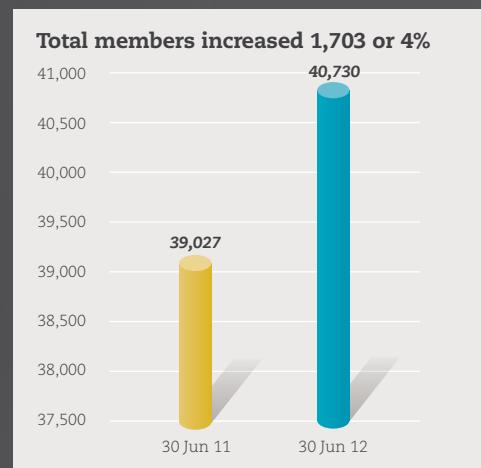
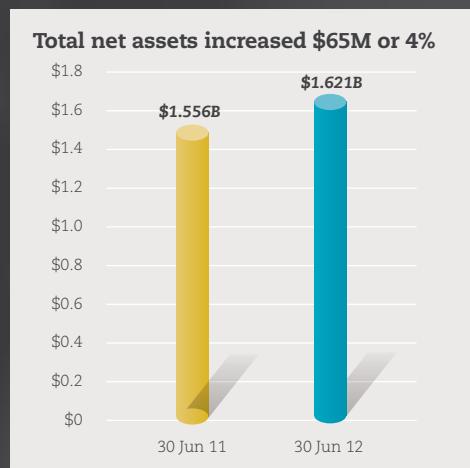
New investment option – Low Fee Index

On 1 November 2011, legalsuper launched a new investment option – the Low Fee Index option. The new investment option is comprised of investments in index funds managed by State Street Global Advisers ('SSgA'), and also an allocation to cash. SSgA is a global provider of financial services, and in the Asia-Pacific region, manages \$AUD1.02 trillion in assets.

Index funds follow an index without the higher costs of active management. They have lower levels of turnover in their portfolio, which can reduce transaction costs and tax.

The Low Fee Index option has a low investment fee of 0.15% (compared to 0.66% for the Growth option). The Low Fee Index option investment fee for a \$50,000 balance is \$75 per annum compared to \$330 for the Growth investment option. The usual administration fees of \$1.30 per week and other management fee of 0.35% also apply.

Key operating indicators:





Andrew Proebstl, Chief Executive

Continuing growth

Through 2011/12 legalsuper has continued to grow. Both net assets and total membership increased by 4 per cent. These trends indicate continued support for legalsuper from the wide range of people engaged in providing legal services.

We are encouraged by the positive feedback from members and employers about the personal service we provide. Super can be complex, and so our staff are available to make it easier to understand and manage.

To book a workplace seminar or one-on-one meeting, please email
tcalleja@legalsuper.com.au

Insurance enhancements

On 1 August 2011, legalsuper launched a package of insurance enhancements. These enhancements were the product of benchmarking insurances across the super industry, as well as feedback from our members on the insurance features that were important to them.

The legalsuper membership has a lower risk profile relative to most other occupational groups. This means better cover and lower premiums for our members and the ability to tailor our insurance benefits to better suit members' particular needs.

We thank you for your support in 2011/12, and look forward to serving you in the year ahead and maximising your retirement savings.

David A. Miles AM
Independent Chairman

Andrew Proebstl
Chief Executive

Total inflows decreased \$5.7M or 3%



6 Key achievements in 2011/12

Total funds under management

Total funds under management climbed to \$1.6 billion, rising 4% since 30 June 2011.

Continued strong inflows

2011/12 inflows were almost constant with the year before and higher than industry trends.

Membership growth

Membership grew higher than industry trends in the year ended 30 June 2012, by 4 per cent to almost 41,000.

Low fees

Prudent cost management continues to result in low fees.

Insurance enhancements

Negotiated insurance enhancements that provide additional units of death and total and permanent disablement insurance for reduced premiums and automatic coverage for new self-employed members.

These enhancements became available from 1 August 2011.

Key appointments

New Board member – Stuart Westgarth

Independent Chairman of the Investment Committee – David St. John

Investment Manager – Richard Sanajko

Client Service Manager (WA) – Mike O'Donnell

Client Service Manager (NSW) – Andrew Sporle

e-communication

Employer online access upgraded

Registration for e-statements now available

Monthly e-super email update on specific issues of particular relevance to members and employers

Launch of Low Fee Index option

For those members seeking a Low Fee Index approach for their investment

3,403 new members

2,381 new employers

Pension membership increased by 20 per cent

Superannuation portal for the legal profession

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legalsuper.com.au

legalsuper's website has up-to-date information about super.

Our website has tools and reference materials that take the hard work out of super and it is regularly updated to keep our members abreast of changes in super.

Visitors to our website have ready access to up-to-date investment performance, forms to consolidate their super as well as regular fact sheets about topical areas of super.

By registering for online access, members can also access their account online at legalsuper.com.au and register for e-statements. With online access members can review their account balance, insurance levels and contributions. They can also transact online, including switching investment option or updating their address. Members can also pay personal contributions using BPAY.

Businesses that pay contributions into legalsuper can also pay contributions electronically (e.g. BPAY) and submit contribution details using the online portal via legalsuper.com.au.

Key statistics

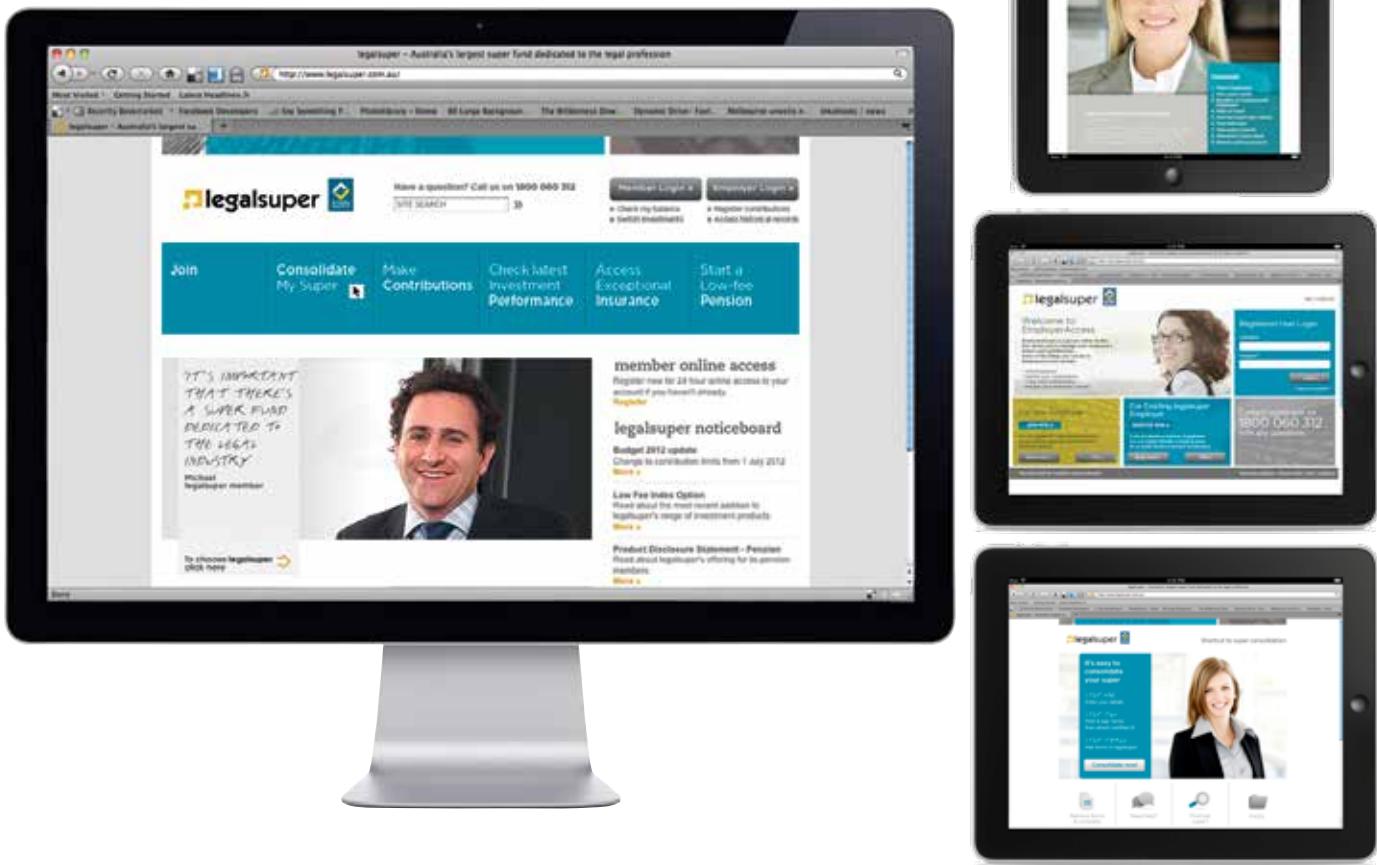
- More than 100,000 hits on our website over the twelve months to 30 June 2012.
- The most visited pages on our website are the home page, member/employer access, investment performance and forms.

It's worth thinking about consolidating super

On average, each working Australian has three super accounts, and members can save fees by consolidating their super into one fund. If members decide to consolidate their super, they should check

whether their other funds charge fees to pay out their super and also whether there are any impacts for any insurance cover they may have.

It can be time consuming to consolidate super, so to help out legalsuper has a dedicated client service consultant. Dusan Petrovic can be contacted at dpetrovic@legalsuper.com.au or **03 9602 0110** to help with queries about the consolidation process. Members can either start the process online or by completing printed forms.



8 Investment update

Changes in investment manager line-up

In 2011/12 the Board has made a number of changes to legalsuper's investment manager line-up to enhance the overall positioning of the portfolio for strong long term performance.

These changes have added allocations to private equity, increased allocations to emerging markets and exited all remaining investments in hedge funds.

The following appointments and terminations of investment managers occurred in 2011/12:

Appointments

- Perennial Cash Trust
- BT Wholesale Australian Sustainable Share Fund
- Goldman Sachs Australian Equities Wholesale Fund
- Industry Funds Management Strategic Australian Equities Fund
- State Street Global Advisers (Australian shares, Overseas shares, property & cash)
- Cooper Asian Tiger Fund
- T. Rowe Asia ex Japan Equity Fund
- Partners' Group Secondary 2011 LP (Private Equity)
- Siguler Guff BRIC Opportunities Fund III (Private Equity)

Terminations

- Macquarie True Index Cash Fund
- AMP Sustainable Future Shares
- Balanced Equity Management Australian Equities
- Holowesko Global Fund
- Pzena Investment Management Overseas Equities
- Fauchier Absolute Return Trust

Performance of the Growth investment option

Almost 60% of total assets invested with legalsuper are invested in the Growth investment option and so the performance of the Growth investment option is relevant for most legalsuper members. If you have not chosen an investment option, the Growth option is likely to be where your super is invested, as it is the default investment option.

The Growth option is comprised mostly of growth assets (e.g. shares and property) and to a lesser extent defensive assets (e.g. cash and fixed interest). The economic and financial market landscape in 2011/12 has not been favourable for growth assets. For this reason the Growth option had a negative return of -0.9% for the year ended 30 June 2012. According to the SuperRatings survey of super funds, 'Balanced' options for the one year ended 30 June 2012 generated returns ranging

from -3.9% to 6.2%. It should be noted that the super funds in this survey had different asset allocations which would have contributed significantly to the differential performance.

Performance of other investment options

legalsuper members are able to choose how their super is invested and can select from twelve investment options. These investment options are either single asset class options (e.g. 100% cash, 100% Australian shares, 100% Overseas shares) or a blend of different asset classes (e.g. Conservative option comprising 13% Australian shares, 11% Overseas shares, 6% property, 36% fixed interest, 18% cash and 16% alternative assets). Information about the asset allocation of all of legalsuper's investment options is available in our Product Disclosure Statement at legalsuper.com.au.

The table below shows the performance of all of legalsuper's investment options (other than the S&P/ASX200 Australian Shares investment option) for both the superannuation and pension products.

Option	SUPERANNUATION			PENSION		
	1 year	3 years	5 years	1 year	3 year	5 years
Cash	+3.9%	+3.7%	n/a	+4.7%	+4.5%	n/a
Enhanced Cash	+3.7%	+5.3%	+4.9%	+4.7%	+6.4%	+5.9%
Conservative	+3.1%	+5.4%	+2.2%	+3.6%	+6.0%	+2.7%
Balanced	+1.2%	+5.7%	n/a	+1.7%	+6.4%	n/a
Growth	-0.9%	+5.1%	-0.9%	-0.7%	+5.6%	-0.8%
Low Fee Index ⁽¹⁾	+3.8%	n/a	n/a	+2.3%	n/a	n/a
Assertive	-2.1%	+5.3%	-2.8%	-1.7%	+5.9%	-2.8%
Aggressive	-3.7%	+5.4%	-4.0%	-0.5%	+7.1%	-3.5%
Australian Shares	-7.1%	+5.5%	-4.4%	-6.1%	+6.4%	-3.7%
Overseas Shares	-3.3%	+5.5%	-5.3%	-1.4%	+6.5%	-5.2%
Socially Responsible	-9.2%	+3.5%	-5.9%	-8.8%	+4.3%	-5.3%

⁽¹⁾The Low Fee Index investment option was launched on 1 November 2011.

In addition to the above investment options, the S&P/ASX200 Australian shares investment option is also available. With this option and subject to some rules limiting the extent of investment in this option, members can choose individual shares in which to invest their super.

Past performance is not necessarily an indication of future performance.

Investment specialist appointments

Chairman of Investment Committee

In 2011/12 the Board resolved to appoint an independent investment expert as Chairman of the Investment Committee. In deciding to make this appointment, the Board formed a view it would enhance investment governance and overall investment decision making.

An executive search firm was engaged and following interviews and other due diligence, David St. John was selected for the role.

David St. John has extensive investment experience including being Chief Investment Officer at UniSuper (the \$28B super fund for Australia's higher education and research sector) and worldwide partner at William M. Mercer (now Mercer).

David St. John is a Senior Fellow of the Financial Services Institute of Australasia (FINSA), a Fellow of the Australian Institute of Company Directors (AICD) and a director of Tasmania's Motor Accidents Insurance Board (MAIB). His qualifications include an MBA from The University of Melbourne.

Investment Manager

In October 2011 Richard Sanajko commenced in the role of Investment Manager, reporting directly to the Chief Executive.

This new appointment is a dedicated role with responsibility for optimising legalsuper's investment performance together with managing all operational and governance aspects of legalsuper's investment portfolio.

Richard Sanajko has more than eight years' experience in the financial services industry in Melbourne, London and Zurich, performing at the most senior levels as an economist, investment manager and consultant. He has a Master of Econometrics and Mathematical Economics from the London School of Economics, London, UK.

Investment Expert

legalsuper appointed Dr Neville Hathaway as an expert investment adviser to our Investment Committee in June 2009. Dr Hathaway attends all investment committee meetings.

With more than 25 years experience in finance and investments, Dr Hathaway brings to legalsuper a unique combination of direct investment management experience and deep financial market insights from academic research.

He has held senior roles with a number of investment managers including Capital Research Group, County Investment Management and Invesco Asset Management. He was also an Associate Professor of Finance at the Melbourne Business School for six years.

New investment option

Low Fee Index

On 1 November 2011, legalsuper launched a new investment option – the Low Fee Index investment option.

The new investment option is comprised investments in index funds managed by State Street Global Advisers ('SSgA') and an allocation to cash. SsgA is a global provider of financial services to institutional investors employing over 2,400 employees around the world. In Australia, SsgA employs more than 700 people and in Asia Pacific manages \$AUD1.02 trillion in assets under custody and administration.

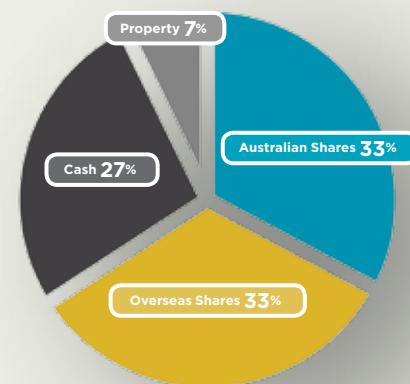
Index funds are managed to track the overall return of the applicable market

index. For example, for Australian shares, an index fund would track the movement in the S&P/ASX300 index.

Index funds are low cost as they follow the index and avoid the higher costs of active management. Index funds also tend to have lower levels of turnover in their portfolio which can reduce transaction costs and tax.

The Low Fee Index option has a low investment fee of 0.15% (compared to 0.66% for the Growth option). The usual administration fees of \$1.30 per week and an other management fee of 0.35% also apply.

Asset allocation – Low Fee Index option



10 Investment option objectives

The Board has set investment objectives for each of legalsuper's investment options. The following table summarises these objectives:

Name of investment option	Overall objective	Net return objective relative to CPI	Objective in terms of a positive return	Objective in terms of out-performance relative to the median of the relevant SuperRatings' survey (or its equivalent)
Cash	To generate a return that closely matches the UBS Australian Bank Bill return (less tax) each year.	n/a	To generate a positive return every year.	n/a
Enhanced Cash	To provide modest investment returns, while limiting short-term volatility and loss of capital.	To achieve a net return above the UBS Australian Bank Bill Index on rolling three to five-year bases adjusted for fees and taxes.	To generate a positive return every year.	To outperform, over rolling five-year periods on a net basis.
Conservative	To maximise long-term investment returns, subject to constraints aimed at limiting the risk of loss of capital.	To achieve net returns that exceed CPI increases by at least 1.5% pa over rolling five-year periods.	To generate a positive return eight out of nine years.	To outperform, over rolling five-year periods on a net basis.
Balanced	To maximise long-term investment returns, while maintaining a balance of risk and return.	To achieve net returns that exceed CPI increases by at least 2.9% pa over rolling five-year periods.	To generate a positive return three out of four years.	To outperform, over rolling five-year periods on a net basis.
Growth	To maximise long-term investment returns, while containing fluctuations in returns over shorter periods.	To achieve net returns that exceed CPI increases by at least 4.2% pa over rolling five-year periods.	To generate a positive return three out of four years.	To outperform, over rolling five-year periods on a net basis.
Assertive	To maximise long-term investment returns, accepting that there may be fluctuations in returns over shorter periods.	To achieve net returns that exceed CPI increases by at least 4.9% pa over rolling five-year periods.	To generate a positive return two out of three years.	To outperform, over rolling five-year periods on a net basis.
Aggressive	To maximise long-term investment returns.	To achieve net returns that exceed CPI increases by at least 5.7% pa over rolling five-year periods.	To generate a positive return two out of three years.	To outperform, over rolling five-year periods on a net basis.
Australian shares	To maximise long-term investment returns.	To achieve net returns that exceed CPI increases by at least 6.0% pa over rolling five-year periods.	To generate a positive return two out of three years.	To outperform the S&P/ASX 300 Accumulation Index (or its equivalent) over rolling three and five-year periods.
Overseas shares	To maximise long-term investment returns.	To achieve net returns that exceed CPI increases by at least 6.0% pa over rolling five-year periods.	To generate a positive return two out of three years.	To outperform the MSCI Global Equity Index (or its equivalent) over rolling three and five-year periods.
Socially responsible	To maximise long-term investment returns.	To achieve net returns that exceed CPI increases by at least 6.0% pa over rolling four-year periods.	To generate a positive return two out of three years.	To outperform the S&P/ASX 200 Accumulation Index over rolling three-year periods on a net basis.
Low Fee Index	To achieve adequate long-term investment returns using simple lower-cost investment strategies.	To on average achieve net returns which exceed CPI increases by at least 4.0% pa over rolling five-year periods.	To generate a positive return three out of four years.	To outperform relevant indices approximating performance for Australian shares, overseas shares and property over five years on a net basis.
S&P/ASX 200 Australian shares	This option lets members buy their own shares. Participation in this option is subject to rules, including value limits for the option.			

Full information about legalsuper's products and services, including investment options, is available in our Product Disclosure Statement (PDS) – including the Additional Information booklet, available at our website legalsuper.com.au or by calling **1800 060 312**.

Investment management process

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legalsuper's investment process draws upon specialist expert investment advice and expertise, the selection of which is the subject of extensive due diligence.

The Board formulates legalsuper's investment strategy and overall investment policy.

The Board is assisted by its Investment Committee, which is advised by both legalsuper's asset consultant (JANA Investment Advisers Pty Ltd - 'JANA') and other advisers, including legalsuper's Investment Expert (Dr Neville Hathaway).

With over \$1.6 billion under management, legalsuper has the scale to negotiate very competitive fees with investment managers in Australia and overseas. This means members benefit from wholesale fees, rather than higher retail fees if they were to invest directly. Indeed, some investment managers are only accessible to a super fund like legalsuper and not on a retail basis.

In selecting investment managers, the Trustee is guided by the advice of its internal investment specialists (David St. John, Chairman of the Investment Committee and Richard Sanajko, member of legalsuper's management team), its asset consultant (JANA) and its Investment Expert (Dr Neville Hathaway). The Trustee also receives presentations directly from investment managers.

JANA is an Australian company, established in 1987 and is now one of the leading investment consultants in Australia. JANA is a wholly owned subsidiary of the National Australia Bank Group of companies and advises 100 institutional clients with total assets of \$194 billion. Those clients include corporate, industry and public sector superannuation funds, as well as charities, foundations and other endowment funds.

legalsuper has appointed a custodian (BNP Paribas) to hold and report upon all investments. This appointment means that there is segregation between the organisation that holds investments (the Custodian) and the organisations that manage investments (the investment managers).

The Custodian will only effect investment transactions on an authorised instruction from the Trustee. These measures protect the retirement savings of our members.

More than thirty Australian and overseas investment managers manage the assets invested with legalsuper (see table at right).

The names of these managers is shown in the table to the right.

The following table lists legalsuper's investment managers at 30 June 2012:

Australian Equity Managers
BT Investment Management
Cooper Investors*
Goldman Sachs Asset Management
Industry Funds Management
Integrity Investment Management Australia
Invesco Australia
Solaris Investment Management*
State Street Global Advisors
International Equity Managers
Baillie Gifford*
Capital International*
Cooper Investors
Genesis Investment Management
Marathon Asset Management*
MFS Investment Management
Platinum Asset Management
State Street Global Advisors
T. Rowe Price
Alternative Asset Managers
Babson Capital
Colonial First State
James Fielding Infrastructure
Partners Group
Retirement Villages Group
Siguler Guff BRIC
Diversified Fixed Interest Managers
PIMCO Australia*
UBS Global Asset Management*
Property Managers
Dexus
Goodman
GPT
Lend Lease
State Street Global Advisors
Cash Managers
Perennial Investment Partners Ltd
State Street Global Advisors
Super Loans Trust
Westpac Banking Corporation

* These holdings are held via an investment platform operated by MLC. Refer to page 12 for further information.

The investment manager line-up will change from time to time.

12 How legalsuper is invested

Overall investment strategy & investment options

The Board formulates legalsuper's overall investment strategy, having regard to expert advice from its asset consultant (JANA Investment Advisers Pty Ltd) and other investment advisers.

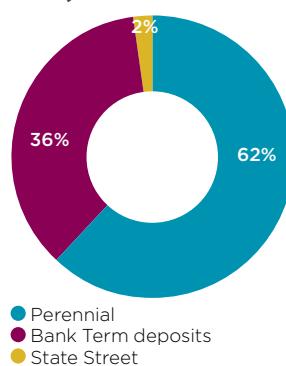
The overall investment strategy is implemented through 12 investment options that are available for members to choose how their super is invested. The majority of members are invested in legalsuper's Growth investment option. Full information about legalsuper's investment options is available in our Product Disclosure Statement (including the Additional Information booklet) which is available from legalsuper.com.au.

Investment managers

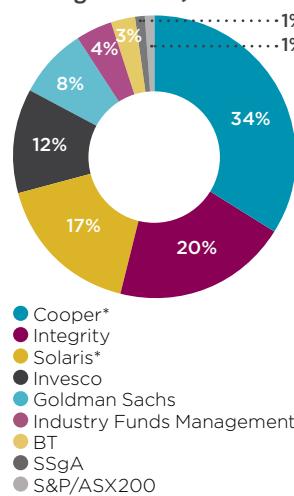
Investment managers are appointed to manage investment mandates. These investment mandates are across a range of different asset classes.

The charts (at right) show, across legalsuper as a whole, the incumbent investment managers at 30 June 2012, by asset class.

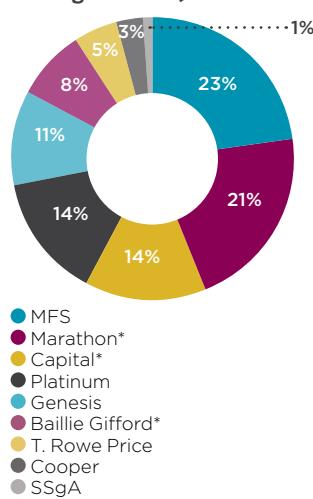
Cash investment managers at 30 June 2012



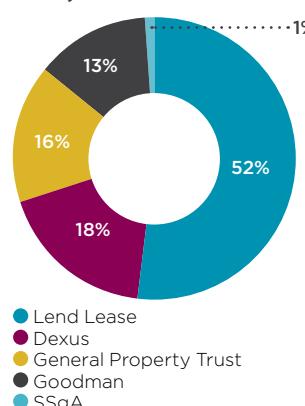
Australian shares investment managers at 30 June 2012



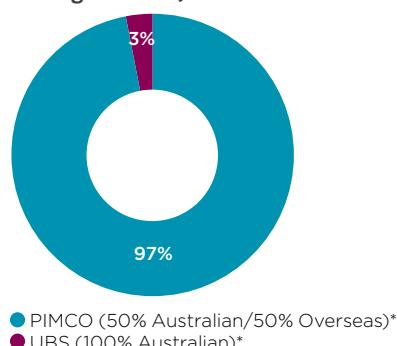
Overseas shares investment managers at 30 June 2012



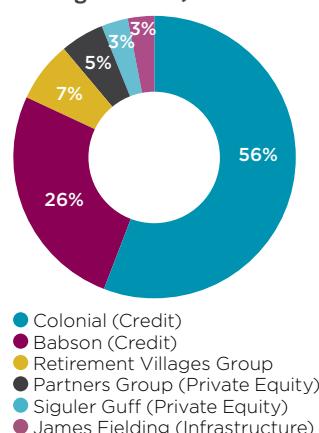
Property investment managers at 30 June 2012



Fixed interest investment managers at 30 June 2012



Alternative asset investment managers at 30 June 2012



* These Managers are accessed via an investment platform operated by MLC under the advice of JANA Investment Advisers Pty Ltd. Assets managed by the underlying investment managers are held in the MLC Limited No. 2 Statutory Fund which pays tax on gains or losses prior to distribution to legalsuper. JANA Investment Advisers is also legalsuper's asset consultant.

Member service and other benefits

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An average of 10 service meetings were undertaken each working day through 2011/12 – workplace seminars and face-to-face member meetings continue to be popular.

During 2011/12 over 173 workplace seminars and 1,565 face-to-face member meetings were held. As well, we visited 1,964 legal firms to assist management with super.

29,186 people contacted our call centre, at an average of 561 per week.

A number of communiqués were distributed to members this year to alert them to key areas of interest. e-super was issued periodically through the year to provide updates about super.

A suite of easy-to-read fact sheets has been developed. They are available from our website to brief members about super changes or other topics of interest. Some of the topics developed this year included a summary of impacts for superannuation from the Federal Government's Budget, and a focus on contribution caps.

Benefits of legalsuper membership

- As an industry super fund, we make profits for our members – no dividends are paid to our shareholders.
- History of solid long-term investment returns.
- Members can choose how their super is invested from any combination of up to 12 investment options, including the S&P/ASX200 Australian shares investment option, whereby members can choose individual shares in which their super is invested.
- Low fees – administration fees are capped for \$350,000+ balances.
- Industry leading insurance – death and total and permanent disablement insurance cover of \$440,000 is available for employed members up to age 45. From 1 August 2011, \$250,000 of death and total and permanent disablement insurance cover has been available for self-employed members.
- 24/7 online access to update or enquire upon member's account. Members can also check their account balance or investment option selections. Members can change

investment options online.

- Customised calculators on our website that help members forecast their balance on retirement.
- No fee for face-to-face or over-the-phone contact with one of legalsuper's Client Service Managers.
- Workplace seminars.
- Bi-annual member statements and member newsletters.
- Competitive banking products via ME Bank (including home loans, savings account or credit cards).
- Health insurance cover at discount premiums – legalsuper members are eligible for an 8% discount off their health insurance premiums with NIB and qualify for other benefits such as waiver of standard waiting periods and immediate claiming for some services.
- Tax-effective pensions – members aged 55+ can set up a transition to retirement pension or retirement pension.
- Income protection – available on application by calling 1800 060 312.



14 legalsuper and the legal profession

The super fund for the legal profession

As the industry fund for the legal profession, legalsuper has close and direct links into the legal profession.

Established 23 years ago, legalsuper now manages the retirement savings of 40 per cent of the national profession. Seven other super funds for the legal sector have merged into legalsuper.

One very formal connection between legalsuper and the legal profession is that the shareholders of our Trustee are the Law Institute of Victoria and the Law Society of New South Wales.

Our staff meet with members of the profession on a daily basis, regularly conducting seminars in the workplace or at legalsuper's offices. It is this close and regular contact with our membership that enables us to keep abreast of the types of questions and issues that our members have about their super.

One of the advantages of us serving the legal profession is that we are able to access industry-leading insurance on behalf of our members. Due to the legal profession being a white collar profession, the level of occupational risk perceived by insurers is lower relative to some other occupational groups that have higher workplace risk. This ends up meaning we can secure higher cover at a lower premium.

legalsuper sponsors the Continuing Professional Development programs of a number of law societies across Australia. These help to further the professional development of members of the profession.

legalsuper Law Revue of the Year launched

As the industry super fund for Australia's legal profession, legalsuper has a long history of supporting the development of the legal profession. It is in this vein that we have established in 2011 the legalsuper Law Revue of the Year, a competition to determine the most popular law revue.



The competition is designed to acknowledge and raise the profile of the participation of law students across the country in law revues, as well as also raise awareness of superannuation among younger members of the legal profession who are often disengaged from their super.

Eight university law faculties joined the legalsuper 2011 Law Revue of the Year, and entered videos of skits from their law revue. The faculty that received the most public votes was awarded a prize provided by legalsuper.

The competition was facilitated at a purpose-designed Facebook page where universities from around the country were invited to submit videos for voting. The response was outstanding, with the University of Queensland taking out the most votes. Law faculties who participated in the inaugural legalsuper Law Revue of the Year included:

- Australian National University
- Macquarie University
- University of Melbourne
- University of New South Wales
- University of Queensland
- University of Sydney
- University of Technology Sydney.

legalsuper's history

1999/2000	2001/2003	2004/2005	2006/2007	2008/2009
<ul style="list-style-type: none"> • Law Institute of Victoria Staff Superannuation Fund merges into LISS • \$254 million funds under management (\$116m LISS + \$138m LIST) 	<ul style="list-style-type: none"> • Victorian Solicitors Superannuation Fund merges into LISS • Legal Employees Superannuation Fund merges into LISS • \$391 million funds under management (\$194m LISS + \$197m LIST) 	<ul style="list-style-type: none"> • LIST and LISS merge to form legalsuper • \$589 million funds under management • 5 investment options 	<ul style="list-style-type: none"> • NSW Barristers Superannuation Fund merges into legalsuper • \$1 billion funds under management • 11 investment options • Finalist in Money Magazine's 'Best Australian super fund insurance' • ASFA communications award for member communication 	<ul style="list-style-type: none"> • \$1.1 billion funds under management • Victorian Bar Superannuation Fund merges into legalsuper • Blake Dawson Partners' Superannuation Fund merges into legalsuper • Hugh Macken, immediate past President of the Law Society of NSW, joins legalsuper Board • Phil Kennon QC joins Board • Emma Maiden, Lawyer, Slater & Gordon joins Board • Dr Neville Hathaway appointed as Investment Expert • Fee capping introduced

Our history

15

Established in March 1989, legalsuper was formed over twenty three years ago.

At the time of its establishment, legalsuper was known as the Legal Industry Superannuation Scheme ('LISS'). LISS was established by the Law Institute of Victoria ('LIV') to provide a superannuation fund for members of the Victorian legal profession.

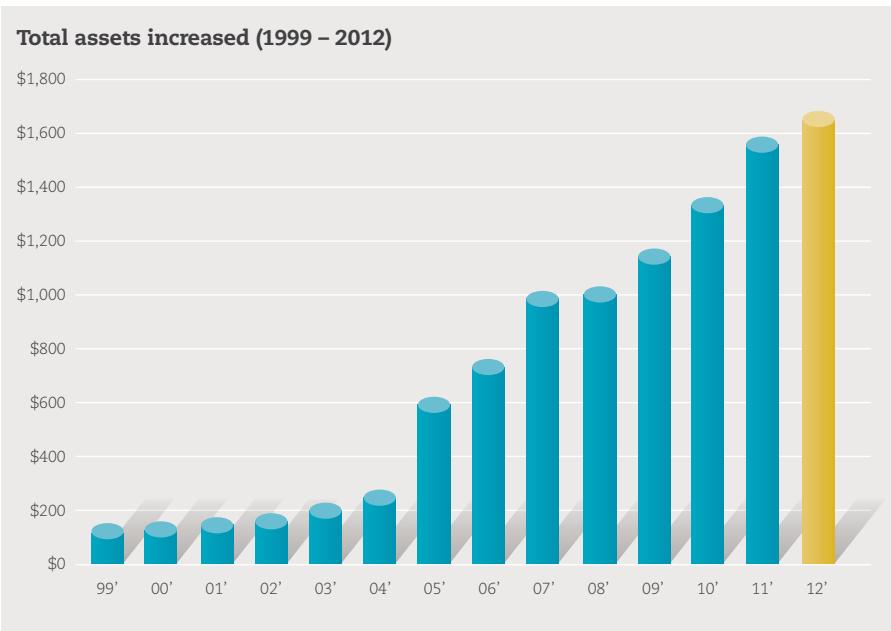
The LIV also operated a superannuation fund for its employees known as the Law Institute of Victoria Staff Superannuation Plan.

Another fund was operated for Victorian self-employed legal practitioners, known as the Victorian Solicitors Superannuation Fund.

In the early 2000s it was decided to consolidate these three funds.

Around the same time, Herbert Geer Rundle decided to merge their corporate superannuation fund into LISS.

LISS's sister fund in New South Wales, known as the Law Industry Superannuation Trust ('LIST') had been established by the Law Society of New South Wales ('LSNSW') in



early 1989. In the early 2000s, LISS and LIST commenced discussions for a possible merger.

On 28 February 2005, LISS and LIST merged and the merged entity was named legalsuper. The LIV and LSNSW became joint shareholders in the trustee of legalsuper, Legal Super Pty Ltd.

In 2009, two further funds merged into legalsuper – the Blake Dawson Partners Superannuation Fund and the Victorian Barristers Superannuation Fund.

At the date of this report, legalsuper manages \$1.6 billion on behalf of nearly 41,000 members of the legal profession.

2009/2010	2010/2011	2011/2012
<ul style="list-style-type: none"> Funds under management over \$1.3 billion More than 37,000 members Membership more than 30 per cent of the legal profession Geoff Hone – a Partner of Blake Dawson – appointed to the Board Unit pricing implemented 	<ul style="list-style-type: none"> \$1.6 billion of funds under management More than 39,000 members, 40 per cent of the legal profession Insurance enhancements negotiated (launched 1 August 2011) Ongoing investment in Continuing Professional Development programs of law societies 	<ul style="list-style-type: none"> Total funds under management \$1.6 billion Continued strong inflows nearly higher than industry trends. 3,403-plus new members 2,381 new employers Pension membership increased by 20 per cent Membership grew in the year ended 30 June 2012 by 4 per cent to nearly 41,000 members Insurance enhancements negotiated that provide additional units of death and total and permanent disablement insurance for reduced premiums and automatic coverage for new self-employed members. David St. John appointed Chair of the Investment Committee Stuart Westgarth appointed to the Board Employer access upgraded Registration for e-statements now available Monthly e-super email update introduced to focus on an issue each month of particular relevance to members and employers Implementation of Low Fee Index option Western Australian field presence established

16 Governance and the Board

The Board of Legal Super Pty Ltd

The Trustee of legalsuper is Legal Super Pty Ltd. The Board of Legal Super Pty Ltd includes individuals nominated by the sponsors of legalsuper.

Board members at 30 June 2012 were:

Independent Chairman

David A Miles AM,
Solicitor and Company Director

Employer representatives

Nominated by the Law Institute of Victoria

John Evans
Geoff Hone

Nominated by the Law Society of New South Wales

Hugh Macken
Stuart Westgarth

Member representatives

Nominated by the New South Wales Local Government, Clerical, Administrative, Energy, Airlines and Utilities Union, trading as the United Services Union.

Chris Joyce
Emma Maiden

Nominated by Australian Municipal, Administrative, Clerical and Services Union, trading as the Australian Services Union (Victorian Private Sector Branch)

Vicki Rogers
Linda White

Nominated by Victorian Bar Inc.

Phil Kennon, QC

The Constitution requires one member and one employer representative director to retire each year on 31 March. The Board appoints the Independent Chairman. The Board has also established a number of Committees that assist the Board.

Changes to the Board

During the year ended 30 June 2012 there were the following changes in Board members:

1. Geoffrey Solomon retired and Stuart Westgarth was appointed in his place.
2. Emma Maiden was reappointed.

During 2011/12 there were no regulatory or statutory breaches of professional conduct by members of the Board or management.



David A. Miles AM

Chairman of the Board
Chairman, Remuneration Committee

6 years, 10 months as Director
(appointment date: 1/8/2005)

Bachelor of Laws
(University of Melbourne)

Other appointments/experience:

Chair, Innovation Australia

Chair, Uniseed Management Pty Ltd

Chair, Australian Motor Sport Appeal Court

Member of the Council of the Australian National University

Director ASC Pty Ltd (2010-2012)

Chair, National Stakeholder Steering Committee, National Smart Metering Program (2008-2011)

Deputy Co-Chair, Committee for Melbourne (2004-2011)

Member of Prime Minister's Science Engineering and Innovation Council (2003-2012)

Partner, Maddock Lonie & Chisholm (1970-1990)

Partner, Corrs Chambers Westgarth (1990-2002)

Chief Executive, Corrs Chambers Westgarth (1991-1997)

President, Law Institute of Victoria (1984-1985)

President, Law Council of Australia (1991-1992)



Linda White

Deputy Chair of the Board

18 years, 10 months as Director
(appointment date: 24/8/1993)

Bachelor of Laws & Bachelor of Commerce (University of Melbourne)

Other appointments/experience:

Assistant National Secretary, Australian Services Union

Board Member, Australian Social Inclusion Board

Vice President, Australian Council of Trade Unions

Director, Royal Botanic Gardens (Victoria)

Board Member and Chairman, 200 Gertrude Street Gallery (1992-1999)

Board Member and Chairman, Footscray Community Legal Centre (1986-2004)

Senior Associate, Maurice Blackburn



John Evans

Chair, Audit & Governance Committee

8 years, 2 months as Director
(appointment date: 4/4/2004)

Bachelor of Laws,
University of Melbourne

Master of Laws,
Monash University

Other appointments/experience:

2006 to date: Partner, Donaldson Trumble Lawyers

2003-2005: Consultant, Donaldson Trumble Lawyers

Chairman, Combined Fund
(18 years - Director for 31 years)

Partner of Gadens and predecessor
firms for over 27 years (Chairman of
the Melbourne Partnership from
1994-2002)

President of Council - Caulfield
Grammar School

Director - Australian Music
Examination Board (Vic) Ltd



Chris Joyce

7 years, 3 months as Director
(appointment date: 28/2/2005)

Bachelor of Financial Administration,
Accounting Major,
University of New England

Bachelor of Law,
University of Technology, Sydney

Diploma in Legal Practice,
College of Law, St. Leonards

Other appointments/experience:

MacArthur Community Legal
Centre, Campbelltown

Director, Law Industry
Superannuation Trust (4.5 years)

Part-time tutor, University of
Western Sydney.



Phil Kennon QC

3 years, 1 month as Director
(appointment date: 9/6/2009)

Bachelor of Laws with Honours,
University of Melbourne

Bachelor of Commerce,
University of Melbourne

Other appointments/experience:

Member, Victorian Bar Council
1979-1980

Member, Chief Justice's Law Reform
Committee 1980-1986

Member, National Young Lawyers
Committee 1981-1984

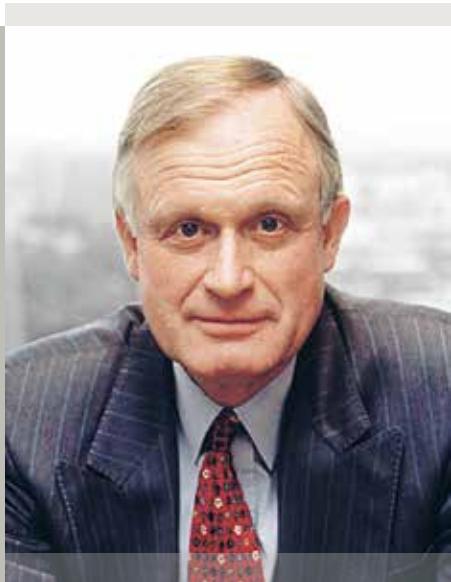
Trustee/Director, Victorian Bar
Superannuation Fund 1992-2009,
Chairman from 2002-2009

Queen's Counsel since 1993

Fellow of the Institute of Arbitrators
and Mediators Australia

Grade 1 Arbitrator, with national
and international experience

Member of Supreme Court of
Victoria Library Fund Investment
Committee (May 2009)



Geoff Hone

2 years, 4 months as Director
(appointment date: 20/1/2010)

Bachelor of Laws with Honours,
University of Melbourne

Other appointments/experience:

Special Counsel, Ashurst (formerly
Blake Dawson)

Chairman, Children First Foundation

Chairman, The Scobie & Claire
Mackinnon Trust

Director, Institute of Public Affairs

Member, The Supreme Court
Library Investment Committee

Trustee/Director, Blake Dawson
Partners Superannuation Fund
(1994-2009), Chairman (1994-2003)

Managing Partner, Blake Dawson
London (2000, 2003-2005)

Member, Blake Dawson National
Executive/Policy Committee
(1989-1995)

Director, Securities Exchanges
Guarantee Corporation Ltd
(1991-2002)

Member of the Legal Committee
assisting the Federal Government's
Companies and Securities Advisory
Committee (1989-2000)



Hugh Macken

3 years, 3 months as Director
(appointment date: 31/3/2009)

Bachelor of Arts,
Macquarie University

Bachelor of Law,
Macquarie University

Master of Law ,
University of Technology Sydney

Other appointments/experience:

Partner, Beston, Macken & McManis

Claims Assessor - Motor Accident
Authority (since 2005)

President of Law Society of New
South Wales (2008)

Solicitor - Government Insurance
Office of New South Wales



Emma Maiden

Chair, Strategy & Marketing Committee

3 years, 9 months as Director
(appointment date: 29/9/2008)

Bachelor of Economics,
University of Sydney

Diploma in Law, Legal Practitioners
Admission Board

Graduate Diploma in Legal Practice,
College of Law

Other appointments/experience:

Deputy Assistant Secretary, Unions
NSW

Marrickville Legal Centre,
Volunteer Solicitor

Lawyer, Employment and Industrial,
Slater & Gordon (2008-2010)

Community and Public Sector
Union, Legal Officer (2007-2008)

Australian Services Union, Advocate
(2002-2007)

WorkCover NSW, Senior Policy
Officer (2001-2002)



Vicki Rogers

9 years, 8 months as Director
(appointment date: 18/10/2002)

Other appointments/experience:

Support Services Manager,
Maurice Blackburn

President, Australian Services Union
(Victorian Branch)

Director, ASU Education & Training
Trust



Stuart Westgarth

3 months as Director
(appointment date: 1/4/2012)

Bachelor of Arts,
University of Sydney

Bachelor of Laws,
University of Sydney

Australian Institute of Company
Directors

Other appointments/experience:

President of the Law Society

Director of the Law Council of
Australia

Solicitor of the Supreme Court of
NSW

Solicitor of the High Court of
Australia

Partner, Corrs Chambers Westgarth
or predecessors (1980–2007)
including Sydney Managing Partner
of Corrs Chambers Westgarth
(1995–1999)

Partner, HWL Ebsworth

20 Reports from the Board's Committees

Overall Committee structure & roles

The Board has established four Committees to assist and advise it, including:

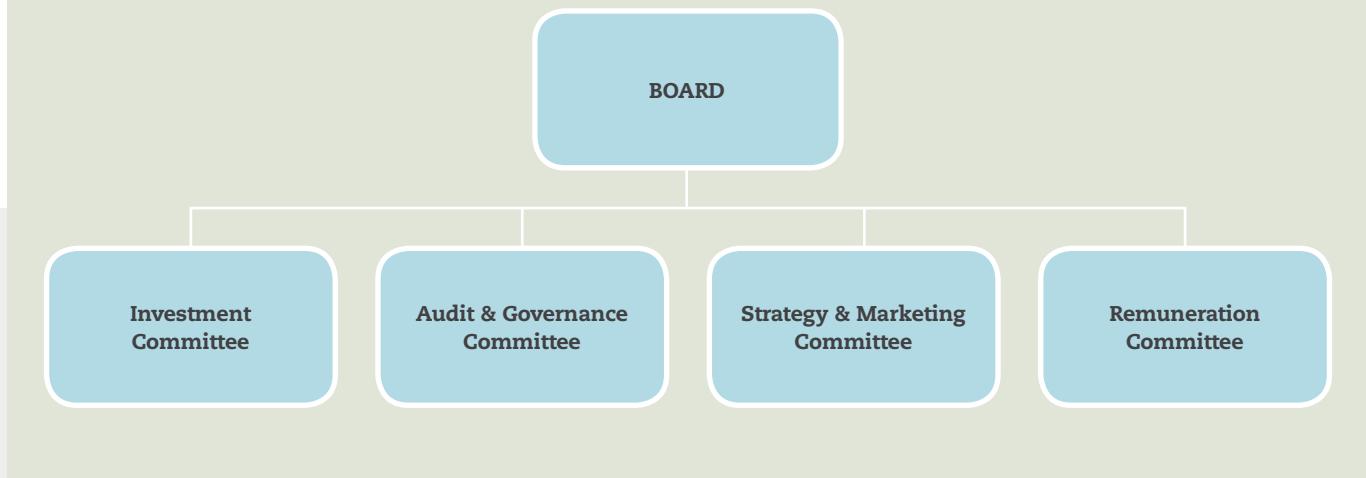
- 1. Investment Committee**
- 2. Audit & Governance Committee**
- 3. Strategy & Marketing Committee**
- 4. Remuneration Committee**

Each Committee has a Charter that sets out its responsibilities and any authorities, including any delegations the Board may provide the Committees.

A summary of the responsibilities of each Committee and the key items considered in the year ended 30 June 2012 follows:

Name of Committee	Responsibilities	Key items considered in 2011/12
Investment Committee	<ul style="list-style-type: none"> • Assists the Board with the formulation of investment strategy and policy. • Monitors the performance of investment managers. 	<ul style="list-style-type: none"> • New investment option – Low Fee Index investment option launched in October 2011. • Due diligence on opportunities to invest in private equity and emerging markets.
Audit & Governance Committee	<ul style="list-style-type: none"> • Assists the Board with all compliance, risk and financial reporting matters. 	<ul style="list-style-type: none"> • Reports from external and internal auditor. • Review of Risk Management Framework and other policies. • Governance implications of Federal Government's reform program for the superannuation industry.
Strategy & Marketing Committee	<ul style="list-style-type: none"> • Assists the Board with the formulation of business strategy and marketing. 	<ul style="list-style-type: none"> • Update of strategic business plan, milestones and key performance indicators. • Operating cost budget.
Remuneration Committee	<ul style="list-style-type: none"> • Assists the Board by making recommendations in respect of the Chief Executive's remuneration. 	<ul style="list-style-type: none"> • Annual remuneration review completed.

Board and Committee structure



Meeting attendance by Directors and Committee members

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2011/12 meeting attendance

The attendance at meetings of the Board and its Committees was as follows:

Board

Director	Meetings held during tenure	Number of meetings attended
David A. Miles AM (Chairman)	8	8
Linda White (Deputy Chair)	8	6
John Evans	8	8
Geoff Hone	8	8
Chris Joyce	8	7
Phil Kennon QC	8	8
Hugh Macken	8	8
Emma Maiden	8	7
Vicki Rogers	8	8
Geoff Solomon	6	6
Stuart Westgarth	3	2

Investment Committee

Director/Committee Member	Meetings held during tenure	Number of meetings attended
Geoffrey Solomon (Chairman until 30 March 2012)	8	8
Linda White (Acting Chair of Investment Committee from 1 April 2012 to 18 June 2012)	10	8
Geoff Hone	10	10
Phil Kennon, QC	10	10
Hugh Macken	10	9
Dr. Neville Hathaway (Independent Investment Expert)	10	10
David St. John (Chairman from 19 June 2012)	1	1

Audit & Governance Committee

Director	Meetings held during tenure	Number of meetings attended
John Evans (Chairman)	4	4
Chris Joyce	4	3
Emma Maiden	4	4
Vicki Rogers	4	3

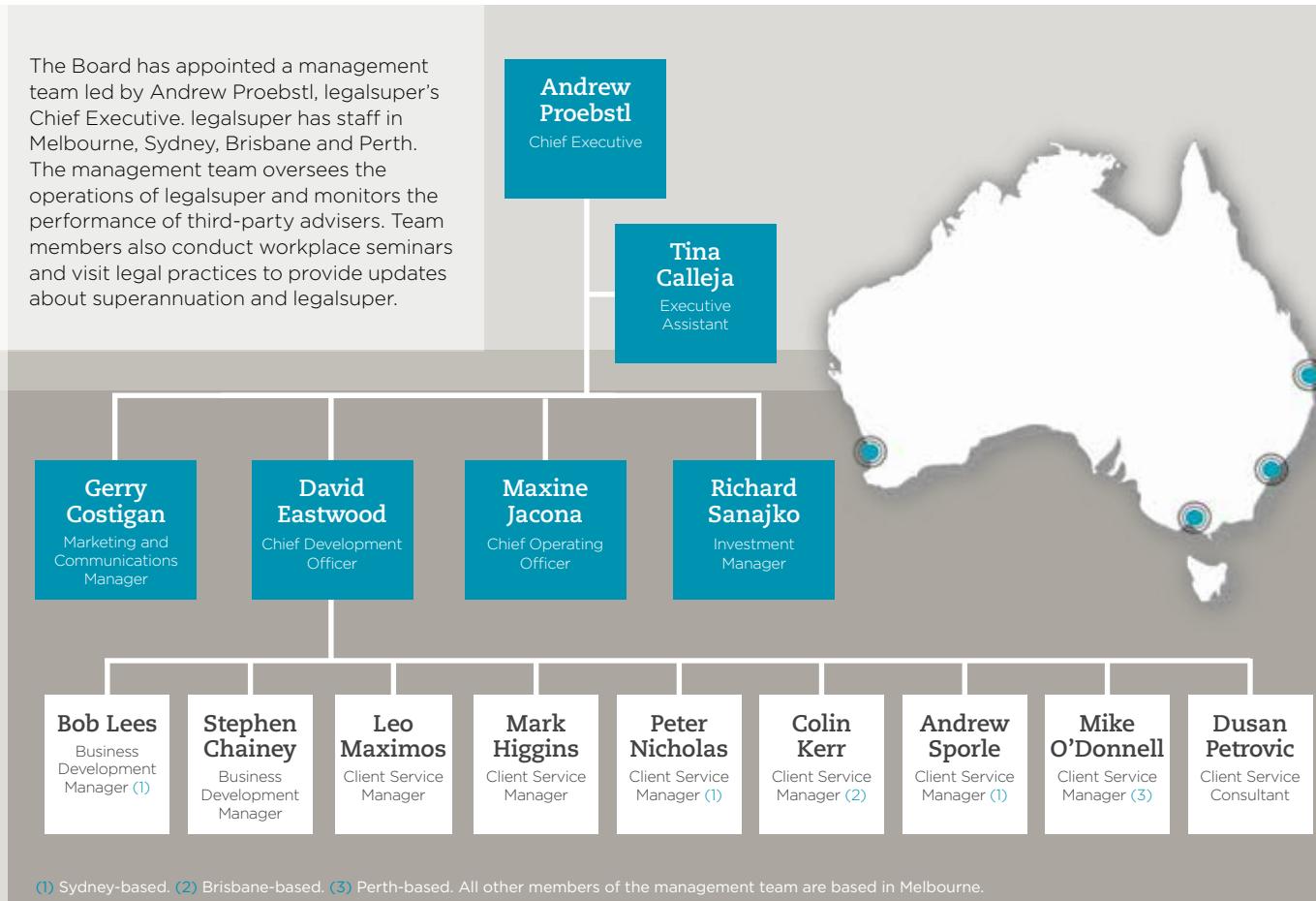
Strategy & Marketing Committee

Director	Meetings held during tenure	Number of meetings attended
Emma Maiden (Chair)	4	4
Chris Joyce	4	3
Hugh Macken	4	3
John Evans	4	4
Vicki Rogers	4	4

Remuneration Committee

Director	Meetings held during tenure	Number of meetings attended
David A. Miles AM (Chairman)	1	1
John Evans	1	1
Chris Joyce	1	1
Geoff Solomon	0	0
Linda White	1	1

22 Management team



Executive management

Andrew Proebstl

Andrew Proebstl has been Chief Executive of legalsuper since January 2003, and has more than 22 years of experience in the superannuation industry.

He was a Director of Ernst & Young (formerly Andersen) and has held positions at Vanguard Investments Australia, Local Authorities Super (now VisionSuper), Jacques Martin Industry (now SuperPartners) and Arthur Anderson.

His qualifications include:

- Bachelor of Commerce – University of Melbourne
- Professional Year – Institute of Chartered Accountants
- Diploma of Superannuation Management – Macquarie University, and
- Financial Proper Authority Course – Institute of Chartered Accountants/ Securities Institute.

He is a member of the Policy Committee of the Australian Institute of Superannuation Trustees and was formerly also a Director. In addition, he is Secretary of the Law Institute of Victoria Superannuation Committee, a member of AIST, ASFA and FEAL, a regular presenter at superannuation industry conferences and a participant in industry round-table forums.

Maxine Jacona

Maxine Jacona joined legalsuper in October 2006, and has more than 16 years of diverse superannuation industry experience, including both internal and outsourced administration. As legalsuper's Chief Operating Officer, Maxine is responsible for overseeing operations and service delivery of outsourced service providers.

Maxine also is responsible for managing and reporting to the Board and its Committees on compliance and regulatory matters.

Her qualifications include:

- Bachelor of Laws and Commerce – University of Melbourne

- Certificate of Superannuation Management – Association of Superannuation Funds of Australia (ASFA)
- Audit of Small Super Funds – ASCPA, and
- Graduate Diploma in Applied Finance and Investment – Securities Institute of Australia

David Eastwood

David joined legalsuper in November 2006, and has worked in financial services for 13 years. As Chief Development Officer, David is responsible for growing legalsuper and increasing awareness of legalsuper in the legal profession as well as managing its field staff.

His qualifications include:

- Diploma of Financial Planning (DFP)
- Certified Financial Planner (CFP), and
- Master of Business Administration (MBA).

Our advisers

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The Board outsources some aspects of the operations of legalsuper. By outsourcing to specialist organisations, we acquire access to the scale of large organisations that have the specialist skills, people and systems that are needed to provide best-practice services and products.

Fund administrator

Australian Administration Services Pty Ltd (AAS)

As fund administrator of legalsuper, AAS administers the day-to-day operations of legalsuper, provides contact centre support, maintains member accounts, and provides accounting support services.

AAS is one of Australia's leading superannuation and pension administration specialists, responsible for 4.5 million super accounts. With 1,000 employees spanning six states, AAS interacts with 400,000 employers.

AAS is owned by Link Market Services, a leading provider of share registry, marketing and other support services to the financial community.

AAS has been the fund administrator of legalsuper since October 2005.

Asset consultant

JANA Investment Advisers Pty Ltd (JANA)

JANA was established in 1987, and is one of the leading asset consultants in Australia. In 2000, JANA was acquired by the National Australia Bank. At 31 March 2012, JANA advised 100 institutional clients with total assets of \$194 billion. JANA has been legalsuper's asset consultant since 2003.

As asset consultant of legalsuper, JANA provides investment advice to the Board and Investment Committee. JANA also undertakes extensive research of investment managers, and monitors and reports to the Board and Investment Committee on the performance of legalsuper's investment managers.

Insurance

OnePath

OnePath Life is one of Australia's leading providers of wealth, insurance and advice solutions. OnePath Life has been helping Australians grow and protect their wealth for over 130 years and operates as part of ANZ's specialist wealth business.

OnePath Life has a comprehensive range of products available making it easier for customers to find the solution that best suits their needs..

External auditor

PricewaterhouseCoopers (PwC)

PwC has 140 years of experience in assurance, tax and advisory services. PwC provides services to 90 of the ASX top 100 listed companies and 704 companies of the IBIS top 1,000 – including many federal and state government agencies. PwC employs over 6,000 people in eight cities around Australia. PwC undertakes the external audit of legalsuper and its Trustee (Legal Super Pty Ltd). The external audit provides audit sign-off in respect of the financial statements of legalsuper and its Trustee, together with regulatory returns and lodgements.

Internal auditor

Ernst & Young (EY)

EY is one of the world's largest professional services firms, employing 141,000 people in 140 countries. EY conducts the internal audit of legalsuper. The internal audit plan is formulated by the Audit & Governance Committee and approved by the Board.

Tax agent

PricewaterhouseCoopers (PwC)

As tax agent of legalsuper, PwC prepares the income tax return for legalsuper and its Trustee. PwC also provides expert tax advice on various taxation matters.

Custodian

BNP Paribas Securities Services

BNP Paribas Securities Services, a wholly-owned subsidiary of the BNP Paribas Group, is a leading global custodian and securities services provider backed by a strong universal bank.

It provides integrated solutions to all participants in the investment cycle. The bank has a local presence in 34 countries across five continents, effecting global coverage of more than 100 markets.

It partners with clients to help overcome complexity, while offering a one-stop shop for all asset classes, both onshore and offshore, around the world.

Other advisers

- Legal advisers:
 - DLA Phillips Fox
 - Holding Redlich
 - Maddocks
- Trustee indemnity insurer:
 - Chubb Insurance Company of Australia
- Printed material & publications:
 - Publicity Works

24 Financial statements

Statement of Financial Position	As at 30 June 2011	As at 30 June 2012
Assets		
Cash	\$169,860,665	\$297,641,351
Investments	\$1,385,329,089	\$1,312,847,751
Deferred tax asset	\$10,334,383	\$17,567,894
Other assets	\$9,364,417	\$9,722,735
Total assets	\$1,574,888,554	\$1,637,779,731
Liabilities		
Income tax	\$9,986,982	\$10,569,464
Other liabilities	\$8,749,149	\$6,479,894
Total liabilities	\$18,736,131	\$17,049,358
Net assets	\$1,556,152,423	\$1,620,730,373
Vested benefits	\$1,552,265,931	\$1,612,017,556
Reserves	\$3,886,492	\$8,712,817
Total liability for accrued benefits	\$1,556,152,423	\$1,620,730,373

Operating Statement	Year ended 30 June 2011	Year ended 30 June 2012
Revenue		
Investment	\$126,390,240	-\$11,511,181
Contributions & transfers in	\$207,725,671	\$201,982,559
Other	\$7,833,482	\$10,742,881
Total revenue	\$341,949,393	\$201,214,259
Expenditure		
Insurance premiums for life and TPD cover	\$11,171,336	\$11,895,818
Operating costs	\$8,953,538	\$8,292,798
Total expenditure	\$20,124,874	\$20,188,616
Net revenue before income tax	\$321,824,519	\$181,025,643
Income tax	\$26,370,448	\$13,194,566
Net revenue after income tax	\$295,454,071	\$167,831,077

legalsuper's audited financial statements and auditor's report are available from legalsuper's website legalsuper.com.au or by calling **1800 060 312** and requesting a copy.

Other regulatory items

Finding lost super

Super funds periodically search the Australian Taxation Office's ('ATO') superannuation databases on behalf of their members for lost super including the Superannuation Holding Accounts Special Account, Lost Member Register, and unredeemed Superannuation Guarantee Vouchers.

legalsuper regularly undertakes such searches, and has reunited many of our members with their lost super. If we have our members' TFN on file, we will give it to the ATO when conducting the search. When matches are identified, we write to our members to check if they want to transfer amounts located into their legalsuper account. Unless our members advise us otherwise in writing, we will assume they have consented to their participation in these searches.

Why we ask for our members' Tax File Number ('TFN')

If legalsuper has our members' TFN on file, it makes it easier for us to help them keep track of their super, and to find them if they have moved and not given us their new address. We will also ask our members for their TFN to calculate tax on payments we make to them, to help find any lost super, or to provide information to the ATO. Our members do not have to give us their TFN. However, they should be aware that if they choose not to, they may be charged a higher rate of tax on certain super contributions (including salary sacrifice contributions their employer pays on their behalf, and other deductible contributions). We may also not be able to accept after-tax contributions that our members wish to make to their legalsuper account, and additional tax may be deducted when they withdraw their super.

To make a complaint

If our members are dissatisfied with the service or information provided by legalsuper, they can call our contact centre on **1800 060 312**. In the event that this does not resolve the dissatisfaction, members can make a formal complaint to legalsuper by writing to:

legalsuper (Complaints Officer)
GPO Box 4952
Melbourne VIC 3001

A member's complaint may also be emailed to mail@legalsuper.com.au.

To discuss the progress of a complaint, please call **1800 060 312** and ask to speak with legalsuper's Complaints Officer. All complaints are required by law to be dealt with within 90 days. If our members remain dissatisfied with action taken by legalsuper to address their complaint, or they have not received a response within 90 days, they may be able to take their complaint to the Superannuation Complaints Tribunal (SCT).

The SCT is an independent tribunal set up to assist members and beneficiaries of super funds resolve their complaints against fund trustees. The SCT can review legalsuper's decision if the complaint is within the SCT's jurisdiction. The SCT can be contacted on 1300 780 808 or at:

**Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001**

Please note that by law members cannot complain to the SCT unless they have first lodged a complaint with legalsuper.

What may happen if we lose contact with you?

If a member's legalsuper account balance is less than \$500 and we lose contact with them, the balance may be transferred to another fund that specialises in managing small balances. These funds are known as Eligible Rollover Funds ('ERFs'). legalsuper has chosen Australia's Unclaimed Super Fund (AUSfund) as its ERF. AUSfund's contact details are:

AUSfund
PO Box 2468
Kent Town SA 5071
telephone: 1300 361 798
email: admin@ausfund.net.au

legalsuper applies a policy whereby our members will be regarded as 'lost' if legalsuper has not received a contribution from them for 15 months or more and there have been two items of mail sent to them which have been returned undelivered.

If our members are transferred to AUSfund, they cease to be members of legalsuper (and all legalsuper entitlements, including any death & TPD insurance, will also cease). They will become a member of AUSfund instead, and be subject to its governing rules.

Soon after they transfer to AUSfund, AUSfund's Product Disclosure Statement (PDS) will be sent to their last known address. AUSfund does not provide insurance to its members.

AUSfund is required to 'member protect' its members' benefit. This means that the administration fees AUSfund deducts from the account cannot exceed the investment earnings applied in a reporting period (see its PDS for details). legalsuper also periodically participates in an active address-matching program facilitated by AUSfund that seeks to reunite any super held by AUSfund with super held by our members.

Trustee indemnity insurance

The Trustee of legalsuper has taken out a trustee indemnity insurance policy for the year ended 30 June 2012. This policy provides protection to the Directors, officers and management and legalsuper in the event of errors, inaccuracies or oversights that might occur in the management of legalsuper.

Protection of small balances

By law, legalsuper is required to protect small balances (i.e. lower than \$1,000) from erosion due to administration fees. Administration fees deducted from small balances are capped at the earnings applied to a member's account. Insurance premiums and taxes are expressly excluded by law, and therefore continue to be deducted as set out in our Product Disclosure Statement and without a cap. The member protection requirements also provide that if the trustee of a super fund declares a 'bad investment period', administration fees of up to \$10 a year may be levied on all member accounts including small balances. A 'bad investment period' includes a period when a super fund returns an overall negative return. The legalsuper Trustee did declare 2011/12 a 'bad investment period'.

Surcharge

The superannuation surcharge tax has been abolished and does not apply to contributions paid after 30 June 2005. However, legalsuper continues to receive assessments for periods prior to 30 June 2005 from the ATO. Surcharge amounts will continue to be deducted from member accounts for these assessments and remitted to the ATO.

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Use of derivatives

legalsuper's investment managers are permitted to use derivative instruments, provided that their use does not increase the overall risk of the portfolio and is consistent with the mandate set by the Trustee of legalsuper.

Currency policy

legalsuper maintains a neutral exposure of 15% to developed market currencies, and hedges all developed market currency exposure above that level. legalsuper implemented this policy with a specialist currency manager (Aberdeen until 15 June 2012, when State Street Global Advisors was appointed), which hedges legalsuper's foreign currency exposure in accordance with the above legalsuper policy.

Reserves

The assets supporting the reserves held by legalsuper are invested in legalsuper's Growth investment option. The value of this reserve over the last three financial years, together with the change in the reserve in each year, is as follows:

Year	Total reserve	Change from prior year	% of net assets
2012	\$8,379,336	+ \$4,992,841	0.54%
2011	\$3,386,495	+ \$1,618,200	0.25%
2010	\$1,768,295	+ \$340,876	0.13%

Temporary residents

Transfer of benefits to the Australian Taxation Office (ATO) and exit statements

If a member has entered Australia on a temporary resident visa and then departs from Australia, that member generally has six months from date of departure to claim their superannuation benefit.

If the member does not make a claim in this period, the ATO may issue the Trustee with a notice to pay the member's superannuation benefit to the ATO. legalsuper is not required to issue the member with an exit statement in this circumstance.

However, on the member's request, legalsuper is required to provide the member with the details of the payment to assist the member in applying to the Tax Office for the member's super benefit.



How net earnings are allocated to member accounts

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Unit prices are generally determined using the available valuation information for assets as at the close of business on each Friday. However, in some instances the Trustee may determine the value on another day, or more or less often than weekly, or apply a different process to value assets.

A provision for tax and expenses is deducted from the valuation of assets and a net asset value calculated for each investment option.

Each net asset value is then divided by the number of units on issue for each investment option (except the S&P/ASX200 investment option). An allowance is made for the cost of acquiring or disposing of the assets in each investment option, to calculate each unit price. The allowance is known as a 'buy spread' and a 'sell spread' and is used to help ensure an equitable treatment between members transacting with legalsuper and those who already hold investments in legalsuper.

legalsuper will ordinarily release unit prices on Wednesday of the following week on its website at legalsuper.com.au

When a contribution is made by you, or on your behalf, you will be allocated a number of units. The number of units you will be allocated will be determined by dividing the contribution amount by the relevant unit price.

Example

David Smith

Contribution for May 2010 = **\$1,100**

Unit price = **\$1.10 per unit**

Number of units allocated = **1,000 units
(\$1,100/\$1.10)**

When a benefit payment or withdrawal (such as for fees, tax or insurance) is deducted from your account, units are deducted from your account using the relevant unit price. In David's example:

Withdrawal = **\$1,100**

Unit price = **\$1.09 per unit**

Number of units sold = **1,009.17 units
(\$1,100/\$1.09)**

Exception for the S&P/ASX200 option

As this is a member-directed investment option specific to each member, the value of each member's S&P/ASX200 holding is determined by multiplying the number of shares held by the applicable share price.

Different prices for Accumulation and Pension members

There are different unit prices for equivalent investment options in the accumulation and pension sections of legalsuper. This is because earnings in the accumulation section of legalsuper are subject to tax and legalsuper needs to accrue for this tax (as well as other expenses) when unit prices are calculated. There is no tax on the investment earnings of pension assets.

How to check the value of your account

You can check the value of your account online by logging into Member Login at legalsuper.com.au using your account login details. You will be able to see the number of units you hold in each of legalsuper's investment options, the current price per unit and the total value of your investment in dollar terms.

Remember that unit prices change regularly and you should periodically check to see if all your recent transactions have been received and processed.

Alternatively, you can call us on **1800 060 312** and we can assist you with a calculation of your account balance.

**To make enquiries about one of the following:**

- legalsuper becoming the default super fund for your workplace;
- conducting a superannuation information seminar at your workplace; or
- to arrange a personal visit from one of our client service managers;

contact **Tina Calleja** on **(03) 9602 0107** or by email at tcalleja@legalsuper.com.au

For account or other membership enquiries:

- website legalsuper.com.au
phone 1800 060 312 (Superannuation members)
1800 623 502 (Pension members)
fax 1800 614 431
email mail@legalsuper.com.au
mail Locked Bag 5081, Parramatta NSW 2124

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