

The background of the entire page is a low-angle photograph of several skyscrapers with glass facades, reaching towards a bright sky. A large teal-colored rectangular area is overlaid on the bottom left and bottom center of the page, partially obscuring the building images.

## 2008/09 Annual Report

The industry super fund  
for the legal profession

# 2

## About legalsuper

legalsuper is the industry super fund for Australia's legal profession.

As an industry super fund, we have low fees, return all profits to our members, and generate strong investment returns.

The trustee of legalsuper is Legal Super Pty Ltd. Its shareholders, in equal proportions, are the Law Institute of Victoria and Law Society of New South Wales.

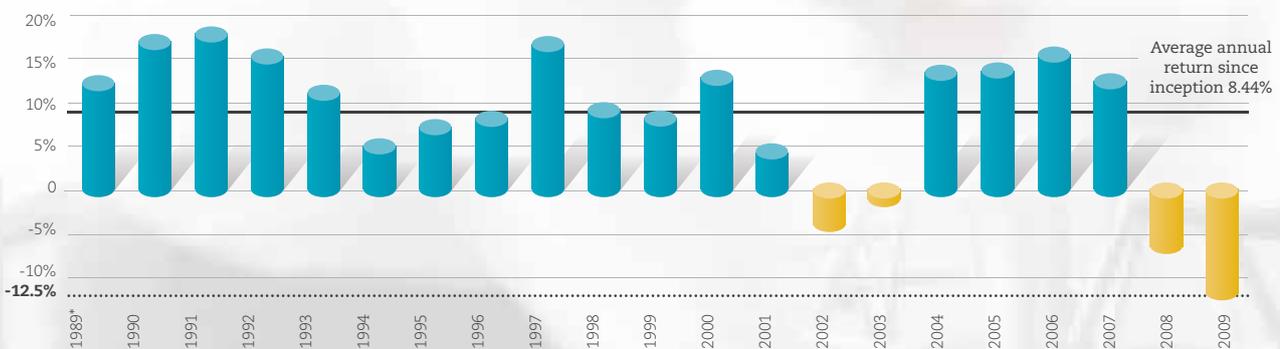
The Board of Legal Super Pty Ltd is comprised of individuals nominated by the stakeholders of legalsuper.

In 2009, legalsuper entered its 21st year of operation. legalsuper manages assets worth more than \$1.1 billion on behalf of 36,000 members, more than 30 per cent of people working in the national legal profession.

Over the 20 years since our inception, legalsuper has delivered an average annual return of 8.4 per cent for legalsuper's Moderate option, where most assets are invested. The return for each year is shown below:

In 2009, legalsuper entered its 21st year of operation. It now manages assets worth more than \$1.1 billion on behalf of 36,000 members, more than 30 per cent of people working in the national legal profession.

**20 years of legalsuper superannuation returns (Moderate option)**



\* legalsuper (at the time of its inception known as Legal Industry Superannuation Scheme) commenced in March 1989.

Crediting rates until February 2005 are for the Legal Industry Superannuation Scheme (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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# 4 The year in review

## Chairman's message

The legalsuper Annual Report for the year ended 30 June 2009 provides a comprehensive overview of activities and investment outcomes. The year presented many challenges – particularly in the early months, as the unfavourable investment climate continued and the major economies of the world were threatened with meltdown.

Fortunately, decisive action by governments and central banks led to signs of recovery as the year came to a close.

### Key initiatives

Throughout the year, when financial markets were particularly stressed, legalsuper carefully monitored its long-term investment strategy to ensure that when markets turned, as they always do, the Fund would be well-placed to deliver above-average returns in future years.

The Board is confident that, having reviewed its strategy and the managers engaged to implement it, it remains appropriate for our members to accumulate wealth for retirement over the long term.

This report sets out our strategic plan and the investment objectives for each of

legalsuper's investment options. It is important for members to understand these objectives and the rationale behind them, in order to make an informed choice about your retirement savings.

Notwithstanding the downturn in financial markets, legalsuper continued to grow and expand its products and services.

Two recent mergers – with the Blake Dawson Partners Superfund and the Victorian Bar Superannuation Fund – combined with increased contributions from members and employers, have seen legalsuper's net assets continue to grow at a time when many other funds have seen a decline. This growth provides us with an opportunity to take better advantage of economies of scale, review manager engagement, and reduce member fees. At legalsuper, we are determined to lead the way in meeting the Government's objective of lower fees for fund members, whilst at the same time increasing the services available.

A particularly important initiative this year was the appointment of Dr Neville Hathaway as an expert investment adviser to the Investment Committee and the Board. Dr Hathaway's high-level investment skills and experience will provide legalsuper with a further source of expert advice to complement Jana Investment Advisers.

Risk management was a key area of focus during the financial downturn. The Board commissioned a comprehensive review of our risk-management framework, and our internal audit program also targeted areas of perceived increased risk. Minimising risk,

particularly in difficult times, maximises the growth potential for member funds when investment markets turn around.

### Board changes

There were three changes to legalsuper's Board during 2008/09. Emma Maiden joined the Board on 27 September 2008, replacing Ken Cross who had retired on 30 June last year. Robert Laurie retired from the Board on 31 March 2009, and was replaced by Hugh Macken, who joined the Board on 17 April. And as a consequence of the Victorian Bar Superannuation Fund merging into legalsuper, Phil Kennon QC joined the Board on 9 June 2009.

I express my appreciation of the contributions made by Ken Cross and Robert Laurie to the affairs of legalsuper over many years of service.

At the time of writing this message, there appear to be some encouraging signs in investment markets. The Board, through its Investment Committee, is closely monitoring developments to ensure that legalsuper is in the best position to take advantage of investment opportunities and grow the retirement wealth of its members.

It is very important that you understand your investment with legalsuper – hence the new style of Annual Report. If you have any questions, please do not hesitate to contact us.

**David A Miles AM**  
Independent Chairman

## legalsuper's history

### 1988/1989

- Legal Industry Superannuation Scheme (LISS) established (industry super fund for the Victorian legal profession)
- Law Industry Superannuation Trust (LIST) established (industry super fund for the New South Wales legal profession)

### 1999/2000

- Law Institute of Victoria Staff Superannuation Fund merges into LISS
- \$254 million funds under management (\$116m LISS + \$138m LIST)

### 2001/2002

- Victorian Solicitors Superannuation Fund merges into LISS
- \$329 million funds under management (\$153m LISS + \$176m LIST)

### 2002/2003

- Legal Employees Superannuation Fund merges into LISS
- \$391 million funds under management (\$194m LISS + \$197m LIST)



## Chief Executive's message

The global financial crisis cast a pall over the last financial year, with most Australians experiencing a second consecutive year of negative returns on their super.

Across the world, investment markets were down around 20 per cent in Australia, and almost 30 per cent overseas. The downturn created widespread investor uncertainty and pressures on liquidity.

Notwithstanding the global downturn, there was also some good news.

### Members riding out the downturn

Research by legalsuper indicates that most members did not believe that the downturn would have a long-term impact upon their retirement savings. Nor, in the main, did many of our members actually change how their super was invested during the year.

Despite the downturn, legalsuper's net assets increased 15 per cent in the year ended 30 June 2009, continuing a very strong trend over recent years (see the chart to the right). A major contributing factor this year was the merger of two funds (Victorian Bar Superannuation Fund and Blake Dawson Partners' Superannuation Fund) into legalsuper. These mergers added a combined \$182 million to legalsuper's net assets.

legalsuper's net assets – 1999 to 2009



Contributions from legalsuper employers and members increased 7 per cent and 5 per cent respectively. An increase in member contributions was particularly noteworthy, given reports of declines of more than 30 per cent across the superannuation industry. Conversely, benefit payouts by legalsuper were 27 per cent lower.

### More information for our members about their super

We have continued to invest in initiatives that better inform our members about their super, which we felt was particularly important during the downturn. Throughout the year, our staff have visited more than 2,100 legal firms, conducted more than 210 workplace seminars, and met face-to-face with 630 members. Ultimately, we believe that

more detailed knowledge will lead to our members engaging more with their super, so that they are better placed to meet their particular retirement goals.

During the year, the number of members who registered to access their account online increased by more than 30 per cent. Online access allows our members to check their account balance, review transactions processed through their account, and change account details. I encourage members to sign up.

I thank our members for their continued support.

**Andrew Proebstl**  
Chief Executive

## 2004/2005

- LIST and LISS merge to form legalsuper
- \$589 million funds under management
- 5 investment options
- Awarded Gold rating by SuperRatings



## 2006/2007

- 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
- Awarded Platinum rating by SuperRatings and SuperRatings Rising Star finalist



## 2008/2009

- \$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 legalsuper Board
- Emma Maiden, Lawyer, Slater & Gordon joins legalsuper Board
- Dr Neville Hathaway appointed as Investment Expert
- Fee capping introduced
- Platinum rating retained



# 6 Key achievements in 2008/09

## Two more legal sector funds join legalsuper

In 2008/09, two more legal sector funds joined legalsuper (the Blake Dawson Partners Superannuation Fund and Victorian Bar Superannuation Fund). These two mergers added a total of \$182 million to legalsuper's assets.

## Despite the financial downturn, gross annual inflows continued to climb

Inflows to legalsuper have grown quite strongly over the last ten financial years. In the year ended 30 June 2009, this trend was sustained with a 15 per cent increase in legalsuper's total net assets.

The strength of these inflows protected legalsuper from the liquidity pressures experienced by some other funds during 2008/09.

The chart (top right) shows the growth trend for gross inflows.

## The return of legalsuper's Moderate option was higher than the median return of many other funds

Our strategy is predicated on delivering an above-median return, ideally in the mid to upper second quartile.

For the year ended 30 June 2009, legalsuper's return of negative 12.5 per cent ranked 46th out of the 113 funds included in the SuperRatings' survey.

In the medium term, over the five years ended 30 June 2009, legalsuper's return of positive 4.2 per cent ranked slightly higher (37th in the 101 funds surveyed by SuperRatings).

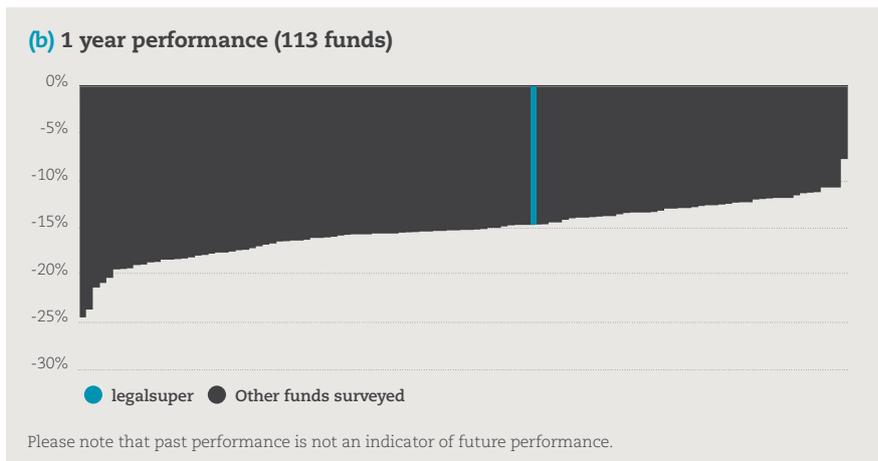
The chart (lower right) shows how legalsuper's 2008/09 return compared to the SuperRatings universe of 113 funds.

## Enhancing and building governance and risk management

Governance is the cornerstone of good decision-making and the foundation of a high-performance organisation.

In August 2008, the Australian Institute of Superannuation Trustees (AIST), reviewed legalsuper's governance. Overall, AIST's conclusions were positive. Some opportunities for refinement were identified, and after considering the AIST report, the legalsuper Board has charged our Audit & Governance Committee with making recommendations as to these matters.

The global financial crisis changed the operating environment of all businesses,



and legalsuper was no exception. The Board completed a comprehensive review of our risk management framework to ensure that it was appropriate for the changed environment. Some of the key elements of this review included:

- i. examining the overall risk management framework, to ensure that all risks were dealt with;
- ii. refreshing the charter of the Board and each of its Committees;
- iii. reviewing and updating other policies and procedures of the Trustee, covering the following areas:
  - investment;
  - succession;
  - breach register;
  - compliance;
  - conflicts of interest;
- iv. conducting two investment strategy days during 2008/09, which focused on the new investment risks that were presented during the global financial crisis;
- v. formulating an internal audit program for 2008/09 to target areas that had higher risk.
  - propriety;
  - training, experience and employment;
  - enquiries and complaints resolution;
  - out-sourcing;
  - Anti-Money Laundering/Counter Terrorism Financing (Part A); and
  - adequacy of resources.

# legalsuper's strategic plan

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## Client service

Throughout the year, our field staff continued to meet with legal firms and their staff. This face-to-face contact continues to be well-received by our members and the management of legal firms. Through the financial downturn, there has been an increase in this service.

In fact, in 2008/09 our field staff visited more than 2,100 legal firms, conducted more than 210 workplace seminars and met face to face with more than 630 members.

## SuperRatings' platinum rating retained for superannuation and pension products

In 2008/09, legalsuper retained, for the third year running, a SuperRatings' platinum rating. A platinum rating places legalsuper in the top 15 per cent of over 210 super funds monitored by SuperRatings.

## Other initiatives

- A quarterly newsletter emailed to members to inform them about changes at legalsuper and in superannuation generally.
- legalsuper continues to focus on advocacy and media activity. In addition to seeking to represent the views of our members on superannuation matters, increasing our media activity is a very effective way to increase awareness of legalsuper.
- Administration fees are now capped at \$1,000 for balances of \$350,000 and higher.
- Investment fees for several investment options have been reduced following rationalisation of legalsuper's investment manager line-up.

## Our vision

The Board's vision for legalsuper is for it to be the preferred super fund of the Australian legal profession.

To this end, legalsuper will:

- deliver products and services that are tailored for the particular needs of the legal profession;
- provide personal service commensurate with that which the legal profession provides to its clients; and
- increase awareness of legalsuper in the national profession.

The Board of legalsuper has adopted a long-term strategic plan, and regularly monitors targets and outcomes.

The long-term targets and outcomes of legalsuper's strategic plan include:

- being the dominant superannuation fund for the legal profession;
- increasing membership in specific sectors of the legal profession;
- increasing membership in States other than Victoria and New South Wales, to become a national fund for the legal profession;
- consistently delivering strong (above median) investment performance;
- being respected by the legal profession as a valued superannuation expert;
- offering a full suite of competitive products and services; and
- delivering best-practice financial advice and member education services and support.

## Our products and services

legalsuper's products and services are tailored to help members of the legal profession accumulate wealth for their life in retirement.

Our products and services include:

- 11 investment options, so that members can choose how their super is invested;
- an S&P/ASX200 share option, so that members can invest up to 50 per cent of their balance in the largest 200 companies and trusts listed on the Australian Stock Exchange;
- low fees;
- strong performance – on average, 8.44 per cent per annum since our inception in 1989\*;
- online access to enquire about or update your personal legalsuper account;
- industry-leading insurance, including life, TPD and income protection cover;
- workplace seminars about superannuation;
- personal meetings with a legalsuper representative;
- bi-annual member newsletters and statements;
- access to financial planning advice – no charge for an initial consultation;
- access to competitive banking products (including credit cards, home loans and business and personal loans);
- access to health insurance via NIB at an 8 per cent discount off premiums; and
- pension options.

\* Past performance is not an indication of future performance.

Full information about legalsuper's products and services is available in our Product Disclosure Statement, accessible at our website [legalsuper.com.au](http://legalsuper.com.au) or on request by calling 1800 060 312.

## legalsuper slam investment managers for charging exorbitant fees

**Lisa Macnamara**  
Superannuation

**DESPITE** record losses across superannuation funds, investment managers are still reaping huge financial rewards from super members regardless of negative returns. The Australian legal sector's largest super fund, legalsuper, has hit out at investment managers, saying many are charging huge fees and a percentage of assets under management.

"Investment manager fees are more than half the costs we charge our members - 58 per cent of our total fees," legalsuper chief executive Andrew Proebstl said.

The comments come at a time when super funds have reported huge losses, following heavy losses across domestic and global share markets and a slump in asset values. But legalsuper argues fund managers are taking high fees regardless of performance, estimating up to 0.7 per cent of the assets under

investment are taken up by fees.

The fund has jumped on suggestions by Superannuation minister Nick Sherry for debate on fees and super funds, highlighting their consistent underperformance of late.

"The minister has also come out and said superannuation funds in Australia cost too much and costs need to be reduced," Mr Proebstl said.

"But the reality is that more than 50 per cent of the cost of

superannuation funds are costs that are levied by investment managers.

"You take the rate you're given and I wonder to what extent is it in the interests of the super fund trustees to do that?"

Mr Proebstl said government inquiry into the cost of super funds was required.

It should include the role of investment managers.

The fee approach were even more inequitable when considering that investment managers provided

the same or very similar products to multiple super funds, while charging each fund a fee he said. "One of the supporting points of our message is the opportunity for economies of scale.

"For instance, say if one of our funds had \$100 million placed with one manager and then it places another \$100 million, should the fee double for the double the time taken to research and manage the investment?" he said.

"I think that's the sort of question that needs to be answered."

# 8 Investment report

## Investment strategy and policy

In formulating its investment strategy, the Board has regard to the overall circumstances of legalsuper and the particular circumstances of each of legalsuper's member investment choice options, and complies with all applicable legislative requirements.

Investment risk is managed by diversification, both within and between asset classes.

No more than 5 per cent of legalsuper's assets may be invested directly in any one stock or issue without the specific consideration and approval of the Board of the Trustee.

Over the long term, not more than 15 per cent of legalsuper's assets will be invested with any one manager.

The Trustee does not hold reserves to smooth investment returns. The Trustee does, however, hold a modest reserve to cover any unanticipated expenditure or minor adjustments to crediting rates. Further information about this reserve is set out on page 22.

Each of legalsuper's eleven investment options has its own investment objectives and asset allocation ranges within which the Board manages the underlying investments.

Further information about legalsuper's investment strategy and policy is set out in an Investment Policy Statement. A copy of this Statement is available to members on request.

## Investment performance

legalsuper applies net earnings to the superannuation accounts of its members by way of a crediting rate. This crediting rate reflects a net return after fees and tax have been deducted. There is a crediting rate for each of legalsuper's investment options.

Most of the assets of our members (around 65 per cent) are invested in the 'Moderate' option. The table (top right) compares the performance of this option to the median return for funds surveyed by SuperRatings\*. (Note: Past performance is not an indicator of future performance.)

period	legalsuper	SuperRatings	+/-
1 year	-12.5%	-13.2%	+0.7%
5 years	+4.2%	+3.8%	+0.4%

\*SuperRatings surveyed 113 funds for the year to 30 June 2009, and 101 funds for the five years to that date.

The crediting rates for all legalsuper investment options for superannuation and pension balances for the five years ended 30 June 2009 are shown in the table below. (Note: Past performance is not an indicator of future performance.)

	Pension <sup>(1)</sup>			Superannuation					
	2009	2008	2007	2009	2008	2007	2006	2005	5 yr ave
Cash	5.6%	n/a	n/a	5.2%	n/a	n/a	n/a	n/a	n/a
Enhanced cash	5.2%	5.2%	6.2%	4.5%	4.00%	5.1%	4.8%	4.4%	4.5%
Conservative	-3.9%	0.0%	10.2%	-4.2%	-0.40%	8.5%	8.2%	10.6%	4.4%
Balanced	-10.1%	n/a	n/a	-9.8%	n/a	n/a	n/a	n/a	n/a
Moderate	-12.7%	-6.2%	17.8%	-12.5%	-6.15%	15.0%	15.1%	13.2%	4.2%
Assertive	-19.4%	-9.4%	19.7%	-18.3%	-9.00%	16.6%	16.3%	14.6%	2.9%
Aggressive	-22.8%	-11.9%	22.3%	-21.4%	-11.60%	19.1%	18.6%	16.9%	2.8%
Australian shares	-18.5%	-15.5%	29.4%	-19.4%	-15.50%	25.3%	10.6% <sup>(2)</sup>	n/a	n/a
Overseas shares	-25.9%	-14.5%	17.6%	-25.2%	-13.20%	15.1%	11.6% <sup>(2)</sup>	n/a	n/a
Socially Responsible	-20.4%	-15.5%	30.4%	-21.1%	-15.50%	26.1%	13.8% <sup>(2)</sup>	n/a	n/a
S&P/ASX200 shares	This option is not available to pension members			Earnings in this option vary, depending on the S&P/ASX200 shares that are selected by the member.					

<sup>(1)</sup> legalsuper's pension commenced on 1 July 2006.

<sup>(2)</sup> These crediting rates are for a part year only, being 1 October 2005 (inception date of the option) to 30 June 2006.

## 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 relevant SuperRatings' survey (or its equivalent)
Cash	To generate a return that closely matches the Australian Bank Bill return (less tax) each year.	Match Cash rate adjusted for tax and expenses.	Match Cash rate adjusted for tax and expenses.	To achieve a Cash rate adjusted for tax and expenses.
Enhanced Cash	To maximise long-term investment returns, while limiting short-term volatility and loss of capital.	To achieve a net return above the UBSWA Bank Bills Index on rolling three to five-year bases.	To generate a positive return every year.	To outperform, over rolling three and 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 three-year periods.	To generate a positive return eight out of nine years.	To outperform, over rolling three and five-year periods on a net basis.
Balanced	To maximise long-term investment returns, while maintaining a balance of risk and return, by investing in approximately equal proportions of growth and defensive assets.	To achieve net returns that exceed CPI increases by at least 2.5% pa over rolling three-year periods.	To generate a positive return three out of four years.	To outperform, over rolling three and five-year periods on a net basis.
Moderate	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 3.5% pa over rolling five-year periods.	To generate a positive return three out of four years.	To outperform, over rolling three and 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 4.0% pa over rolling five-year periods.	To generate a positive return three out of four years.	To outperform, over rolling three and 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 5.0% pa over rolling five-year periods.	To generate a positive return two out of three years.	To outperform, over rolling three and 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, over rolling three and five-year periods on a net basis.
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, over rolling three and five-year periods on a net basis.
Socially responsible	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, over rolling three and five-year periods 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), available at our website [legalsuper.com.au](https://legalsuper.com.au) or by calling 1800 060 312.

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## Who manages your investments?

At 30 June 2009, more than 50 sector specialist investment managers managed discrete investment mandates. That number of managers was higher than usual, due to the merger of two other funds during the year, which added some investment managers to legalsuper.

Since year-end, the Board and its Investment Committee has been reviewing legalsuper's investment manager line-up, and we expect that there will be further

rationalisation in the number of investment managers.

All investment decisions made by the Board and Investment Committee have regard to expert advice, including:

- *internal investment expert* - Dr Neville Hathaway.

Dr Hathaway was appointed in June 2009. Prior to joining legalsuper, he worked with a number of investment managers, and was also an Associate Professor of Finance at the Melbourne Business School for six years.

- *external asset consultant* - JANA Investment Advisers Pty Ltd ('JANA').

JANA has been legalsuper's asset consultant since 2003. They are one of Australia's leading investment consultants, advising 75 institutional clients and managing approximately \$130 billion in aggregate. JANA is a wholly owned subsidiary of the National Australia Bank Group.

The following diagram shows legalsuper's investment management infrastructure.

## legalsuper's investment process

### legalsuper Board

Sets investment policy and strategy

### JANA Investment Advisers Pty Ltd

Provides expert advice and research to the Board and Investment Committee

### Investment Committee

Implements investment decisions and monitors the performance of legalsuper's Investment Managers, Asset Consultant and Custodian

### Investment Expert (Dr Neville Hathaway)

A new appointment that provides an additional source of expert advice to the Investment Committee

### Custodian

Maintains safe custody of investments, separates the holding of investments (with the Custodian) from their management (by Investment Managers), and implements investment instructions from the Trustee

### Periodic reviews

e.g. in 2008, a peer review of legalsuper's investment strategy and processes was conducted

### 11 investment options

Each option has its own asset allocation and objectives

### Regulators

Oversee the superannuation industry • APRA • ASIC

**56 investment managers/mandates implement legalsuper's investment strategy, thereby giving members a high level of diversification**

#### Overseas shares

1. Acadian
2. Alliance Bernstein
3. Baillie Gifford
4. BNP
5. Capital International
6. Charlemagne Capital
7. Genesis
8. Esemplia (formerly Legg Mason)
9. Marathon
10. Marvin & Palmer
11. MFS
12. Pzena
13. Wellington

#### Australian shares

14. 452 via Colonial
15. AMP
16. BEM
17. Challenger
18. Concord Capital
19. Contango
20. Cooper Investors
21. Integrity
22. Maple Brown Abbott
23. Northcape Capital
24. Northward Capital
25. Schroder
26. Solaris
27. SSgA
28. Wallara

#### Property

29. Aberdeen (formerly Credit Suisse)
30. Challenger
31. DEXUS
32. Goodman
33. GPT
34. Lend Lease
35. Resolution Capital
- Cash**
36. Aberdeen (formerly Credit Suisse)
37. Macquarie
38. National
39. Perennial

#### Overseas fixed interest

40. Aberdeen (formerly Credit Suisse)
41. BlackRock
42. UBS
43. PIMCO
- Australian fixed interest**
44. Aberdeen (formerly Credit Suisse)
45. Members Equity
46. PIMCO
47. UBS

#### Alternative assets

48. Apostle
49. Fauchier
50. Genesis
51. GMO
52. Holowesko
53. JF Infrastructure
54. Mesirow
55. Retirement Villages Group
- Currency**
56. Aberdeen (formerly Credit Suisse)

The Trustee of legalsuper is Legal Super Pty Ltd. The Board of Legal Super Pty Ltd includes individuals nominated by the sponsors of legalsuper to represent members and employers, as set out below. The Board appoints the Independent Chairman. The Board has also established a number of Committees that assist the Board.

## Corporate governance

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### The Board of Legal Super Pty Ltd

The Directors of Legal Super Pty Ltd during the year ended 30 June 2009 are shown below:

#### Independent Chairman

David A Miles AM,  
Solicitor and Company Director

#### Employer representatives

*Nominated by the Law Institute of Victoria*

John Evans  
Rod Smith

*Nominated by the Law Society of New South Wales*

Robert Laurie (retired 31 March 2009)  
Hugh Macken (appointed 17 April 2009)  
Geoffrey Solomon

#### 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  
(appointed 29 September 2008)

*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  
(appointed 9 June 2009)

### Changes to the Board

During the year ended 30 June 2009 there were the following changes in Board members:

- i. Emma Maiden was appointed on 29 September 2008 (replacing Ken Cross who retired on 30 June 2008);
- ii. Robert Laurie retired on 31 March 2009;
- iii. Hugh Macken was appointed on 17 April 2009 (replacing Robert Laurie); and
- iv. Phil Kennon QC was appointed on 9 June 2009 (an additional Board member pursuant to the Victorian Bar Superannuation Fund merging into legalsuper).



**David A Miles AM** Chairman

4 years as Director

Bachelor of Laws  
(University of Melbourne)

#### Other appointments/experience:

Chair, Innovation Australia

Chair, Uniseed Management Pty Ltd

Chair, Australian Motor Sport Appeal Court

Chair, National Stakeholder Steering Committee, National Smart Metering Program

Deputy Co-Chair, Committee for Melbourne

Member of Prime Minister's Science Engineering and Innovation Council

Member of the Council of the Australian National University

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)



**Rod Smith** Deputy Chairman

12 years as Director

#### Other appointments/experience:

Sole Practitioner, Roderick Smith Lawyers and Mediator (1999-2009)

Sessional Commissioner, Victorian Commission For Gambling Regulation (2006-2009)

Member of Legal Practice Board (2000-2008)

Consultant, Harwood Andrews (1995-1999)

Former President of Law Institute of Victoria (1994-1996)

Former LIV Representative on the Law Council of Australia (1995-1996)

Partner, Price Higgins Solicitors (1972-1995)

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## John Evans

5 years, 3 months as Director

Bachelor of Laws  
(Melbourne University)

Master of Laws (Monash University)

### Other appointments/experience:

Partner, Donaldson Trumble Lawyers

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)



## Chris Joyce

4 years, 4 months as Director

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)



## Phil Kennon QC

2 months as Director

Bachelor of Laws with Honours  
(Melbourne University)

Bachelor of Commerce  
(Melbourne University)

### 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)



**Robert Laurie**

(retired 31 March 2009)

4 years, 4 months as Director

Oxford University (Hertford College)

**Other appointments/experience:**

Lauries Lawyers, sole proprietor

Consultant, Carneys Lawyers, Sydney

Partner, Bartier Perry & Purcell,  
Solicitors, Sydney

Partner, Westgarth Baldick/Dudley  
Westgarth & Co

Deputy General Counsel, Lloyds  
(1977-1984)

Chairman, Law Industry  
Superannuation Trust (2000-2005)



**Hugh Macken**

2 months as Director

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**

9 months as Director

Bachelor of Economics, University  
of Sydney

Diploma in Law, Legal Practitioners  
Admission Board

Graduate Diploma in Legal Practice,  
College of Law

**Other appointments/experience:**

Lawyer, Employment and Industrial,  
Slater & Gordon

Marrickville Legal Centre, Volunteer  
Solicitor

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

Australian Services Union, Advocate  
(2002-2007)

WorkCover NSW, Senior Policy  
Officer (2001-2002)



**Vicki Rogers**

6 years, 8 months as Director

**Other appointments/experience:**

Legal Assistant, Maurice Blackburn  
President, Australian Services Union (Victorian Branch)



**Geoffrey Solomon**

4 years, 4 months as Director

Bachelor of Arts  
(University of New England)

**Other appointments/experience:**

Chief Executive Officer, Roberts & Morrow, Chartered Accountants  
Over 10 years experience as Chief Executive of law firms in NSW and ACT  
Director, Law Industry Superannuation Trust (4.5 years)  
30 years in the banking and finance sector, including 15 years as Chief Executive of 3 different investment banking operations



**Linda White**

15 years as Director

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 Botanical 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

# Reports from the Board's Committees

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## Audit & Governance

This Committee's overall role is to assist the Board with its monitoring of legalsuper's internal control environment, risk management framework and financial reporting policies and processes.

The Committee meets no less than quarterly. In the year ended 30 June 2009, there were five meetings of the Committee.

Each quarterly meeting receives and considers:

- a compliance report from management;
- legalsuper's management accounts (including a comparison of actual expenditure with that budgeted); and
- policies of the Trustee are reviewed on a rolling basis through the year.

Other matters considered by the Committee in the year ended 30 June 2009 include:

- convening of a risk workshop to critique the Trustee's risk management framework;
- formulation of the internal audit plan;
- conduct of a legal services tender – a panel of three legal firms was established comprising DLA Phillips Fox, Holding Redlich and Maddocks;
- reviewing the legalsuper's Fund Administrator's transition to a new administration system; and
- examining the documentation associated with the two mergers into legalsuper.

## Investment

The Investment Committee's role is to consider and make decisions on investment matters specifically delegated to it by the Board, and otherwise to make recommendations to the Board in relation to legalsuper's investment portfolio and the development of investment strategy and policy.

The Committee meets no less than bi-monthly. In the year ended 30 June 2009, the Committee had twelve meetings.

Each bi-monthly meeting receives and considers:

- a market update from legalsuper's asset consultant; and,
- presentations from existing or potential investment managers.

Each year, the Investment Committee holds an investment strategy meeting. However, two such meetings were held last year, as the Committee determined that this was prudent given the changed investment market landscape.

Other matters considered by the Committee in the year ended 30 June 2009 include:

- termination of investment managers (Challenger, Warrakirri);
- recruitment of investment expert (Dr Neville Hathaway);
- rationalisation of investments received pursuant to the two mergers;
- examination of the valuation of unlisted assets.

## Strategy & Marketing

The Committee's overall role is to assist the Board to develop its strategic/business plan, and also to oversee progress.

The Committee meets no less than quarterly. In the year ended 30 June 2009, the Committee had four meetings.

Each quarterly meeting receives and considers reports from management on progress towards achieving the Board's strategic plan.

Each June, the Committee reviews the operating cost budget for the coming financial year and formulates a recommendation for the Board as to the budget's approval.

Other matters considered by the Committee in the year ended 30 June 2009 included:

- strategies and initiatives to grow legalsuper;
- research studies to canvass the views of legalsuper members;
- review of operating cost budget for 2009/10.

## Board remuneration

The following table shows the per annum remuneration of Directors that was paid in the year ended 30 June 2009:

Band of remuneration	Number of Directors
\$70,000 - \$75,000	1
\$20,000 - \$30,000	8
\$0 - \$5,000	2

Aggregate remuneration paid to Directors for the year ended 30 June 2009 was \$294,633 (\$346,043 in 2007/08).

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## 2008/09 meeting attendance by Directors

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

## Board

	Meetings held during tenure	Meetings attended
David Miles (Chairman)	7	7
Chris Joyce	7	7
Vicki Rogers	7	7
Rod Smith	7	7
John Evans	7	6
Geoff Solomon	7	6
Linda White	7	5
Robert Laurie	5 (2)	5
Emma Maiden	5 (4)	5
Hugh Macken	2 (3)	2
Phil Kennon	1 (1)	1

## Investment Committee

During the year ended 30 June 2009, the Chairman of the Committee was Rod Smith.

	Meetings held during tenure	Meetings attended
Rod Smith	12	12
Geoff Solomon	12	11
Linda White	12	9
Robert Laurie	9 (2)	9
Phil Kennon	1 (1)	1

## Audit &amp; Governance Committee

During the year ended 30 June 2009, Robert Laurie was Chairman of the Audit & Governance Committee until 31 March 2009; from that date John Evans was Chairman of the Committee.

	Meetings held during tenure	Meetings attended
John Evans	5	5
Chris Joyce	5	5
Robert Laurie	4 (2)	4
Geoff Solomon	4 (5)	2
Emma Maiden	1 (5)	1
Vicki Rogers	1 (5)	1

## Strategy &amp; Marketing Committee

During the year ended 30 June 2009, Linda White was Chair of the Strategy & Marketing Committee until 17 April 2009; from that date, Emma Maiden was Chair of the Committee.

	Meetings held during tenure	Meetings attended
John Evans	4	4
Vicki Rogers	4	4
Geoff Solomon	3 (6)	1
Linda White	3 (6)	3
Chris Joyce	1 (6)	1
Hugh Macken	1 (3, 6)	1
Emma Maiden	1 (4, 6)	1

(1) Phil Kennon was appointed to the Board on 9 June 2009.

(2) Robert Laurie resigned from the Board on 31 March 2009.

(3) Hugh Macken was appointed to the Board on 17 April 2009.

(4) Emma Maiden was appointed to the Board on 29 September 2008.

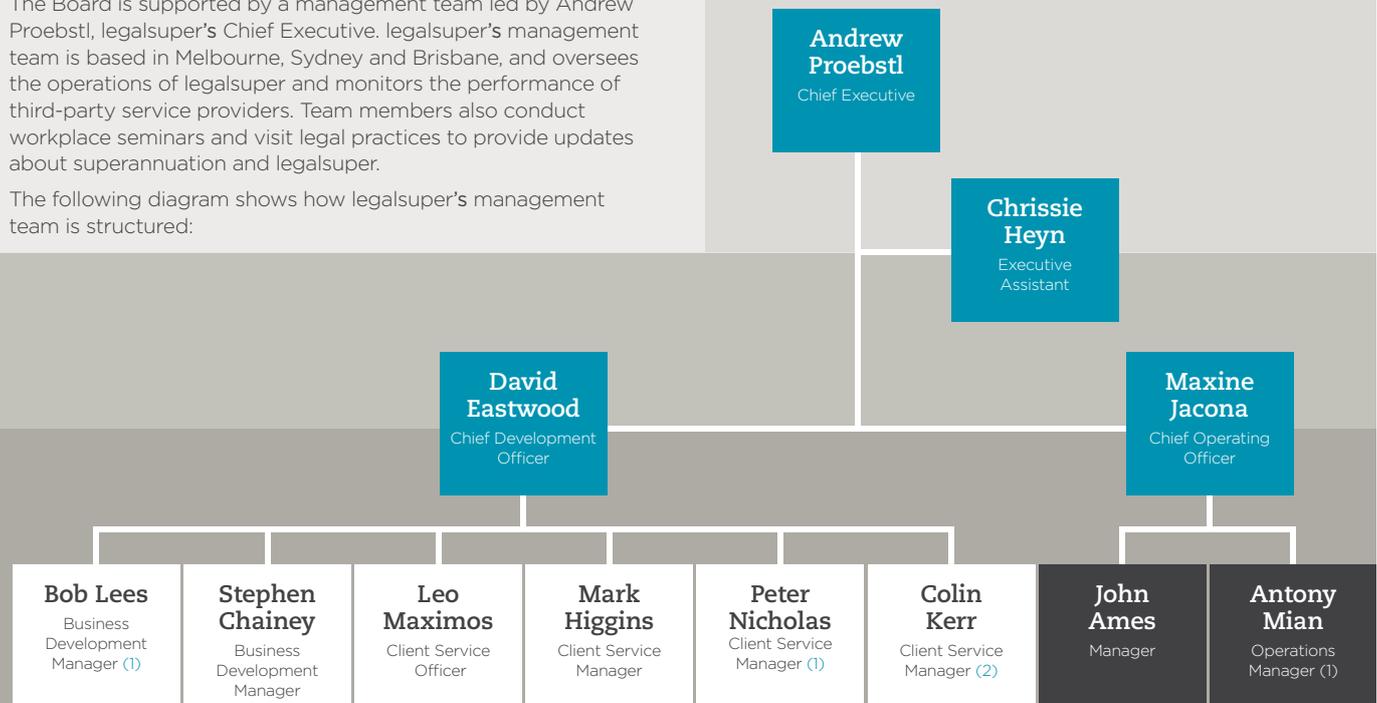
(5) At its meeting on 17 April 2009, the Board approved changes to the membership of its Committees that included Geoff Solomon retiring from the Audit & Governance Committee, and Emma Maiden and Vicki Rogers being appointed to the Committee.

(6) At its meeting on 17 April 2009, the Board approved changes to the membership of its Committees that included Linda White and Geoff Solomon retiring from the Strategy & Marketing Committee, and Chris Joyce, Hugh Macken and Emma Maiden being appointed to the Committee.

## Management team

The Board is supported by a management team led by Andrew Proebstl, legalsuper's Chief Executive. legalsuper's management team is based in Melbourne, Sydney and Brisbane, and oversees the operations of legalsuper and monitors the performance of third-party service providers. Team members also conduct workplace seminars and visit legal practices to provide updates about superannuation and legalsuper.

The following diagram shows how legalsuper's management team is structured:



(1) Sydney-based. (2) Brisbane-based.

All other members of the management team are based in Melbourne.

### Executive management

#### Andrew Proebstl

Andrew Proebstl has more than 20 years of professional work experience that spans all elements of the superannuation industry, including fund administration, audit, tax, investment management and custody.

Andrew joined legalsuper in January 2003. Andrew's previous employers include Arthur Andersen, Local Authorities Super (now known as VisionSuper), Vanguard Investments and Jacques Martin Industry Funds (now known as SuperPartners).

His qualifications include:

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

Andrew is also a director of the Australian Institute of Superannuation Trustees

(AIST). AIST is a national not-for-profit organisation whose mission is to promote and protect the interests of Australia's \$450 billion not-for-profit superannuation sector.

Andrew is also Secretary of the Superannuation Committee of the Law Institute of Victoria. Andrew regularly writes columns for the journals of the various law societies around Australia and makes presentations at superannuation conferences and seminars.

#### Maxine Jacona

Maxine has more than 14 years of diverse superannuation industry experience, including both internal and outsourced administration.

As legalsuper's Chief Operating Officer, Maxine is responsible for overseeing the 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.

Maxine joined legalsuper in October 2006.

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
- Graduate Diploma in Applied Finance and Investment – Securities Institute of Australia.

#### David Eastwood

David Eastwood has worked in financial services for 12 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.

David joined legalsuper in November 2006.

His qualifications include:

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

# 18 Our advisers

## The Board of Legal Super Pty Ltd outsources certain aspects of day-to-day operations.

By outsourcing to specialist organisations, we acquire access to the scale of large organisations that have the 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 conducts 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. Prior to that date, AAS was the fund administrator of the Law Industry Superannuation Trust, one of the predecessor funds of legalsuper.

### Asset consultant – JANA Investment Advisers Pty Ltd (JANA)

JANA was established in 1987, and is now one of the leading asset consultants in Australia. In 2000, JANA was acquired by the National Australia Bank. JANA advises 75 institutional clients with total assets of \$130 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 undertake extensive research of investment managers, and monitors and reports to the Board and Investment Committee on the performance of legalsuper's investment managers.

### Insurance – ING Life Limited (ING)

ING Group is a global financial services company providing banking, investments, life insurance and retirement services to more than 85 million customers in 50 countries around the world. ING Group is one of the twenty largest financial institutions worldwide, and is among the top ten in Europe.

ING underwrites the insurance products that are on offer to legalsuper members, including life, total and permanent disablement, and income protection cover.

### External auditor – PricewaterhouseCoopers (PwC)

PwC provide services to 90 of the top 100 listed companies on the ASX 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 and was named Best Large Accounting Firm and Market Leader in the 2008 BRW Client Choice Awards.

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 certain other regulatory returns and lodgements.

### Internal auditor – Ernst & Young (EY)

EY is one of the world's largest professional services firms, employing 135,000 people in 140 countries.

EY conducts the internal audit of legalsuper. The internal audit plan is formulated by the Audit & Governance Committee.

### Tax agent – PricewaterhouseCoopers (PwC)

As tax agent of legalsuper, PwC prepares the income tax return for legalsuper and its Trustee.

PwC also provide expert tax advice on various taxation matters.

### Custodian – NAB Custodian Services (NAB)

NAB is a publicly listed company trading on the Australian Securities Exchange with market capitalisation of \$43 billion and operations in Australia, United Kingdom, New Zealand and Asia.

NAB is responsible for custodian and other related services within Australia and New Zealand, and has over 59 years' experience in providing settlement and custody services.

As custodian of legalsuper, NAB holds legalsuper's investments and provides consolidated accounting and taxation reporting to legalsuper on the performance of its investments.

## Other advisers

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



# Financial statements

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Financial statements have been prepared by legalsuper for the year ended 30 June 2009.

The financial statements have been audited by PricewaterhouseCoopers, the external auditor of legalsuper and a clean audit opinion has been issued.

A copy of the audited financial statements and auditor's report is available to members on request.

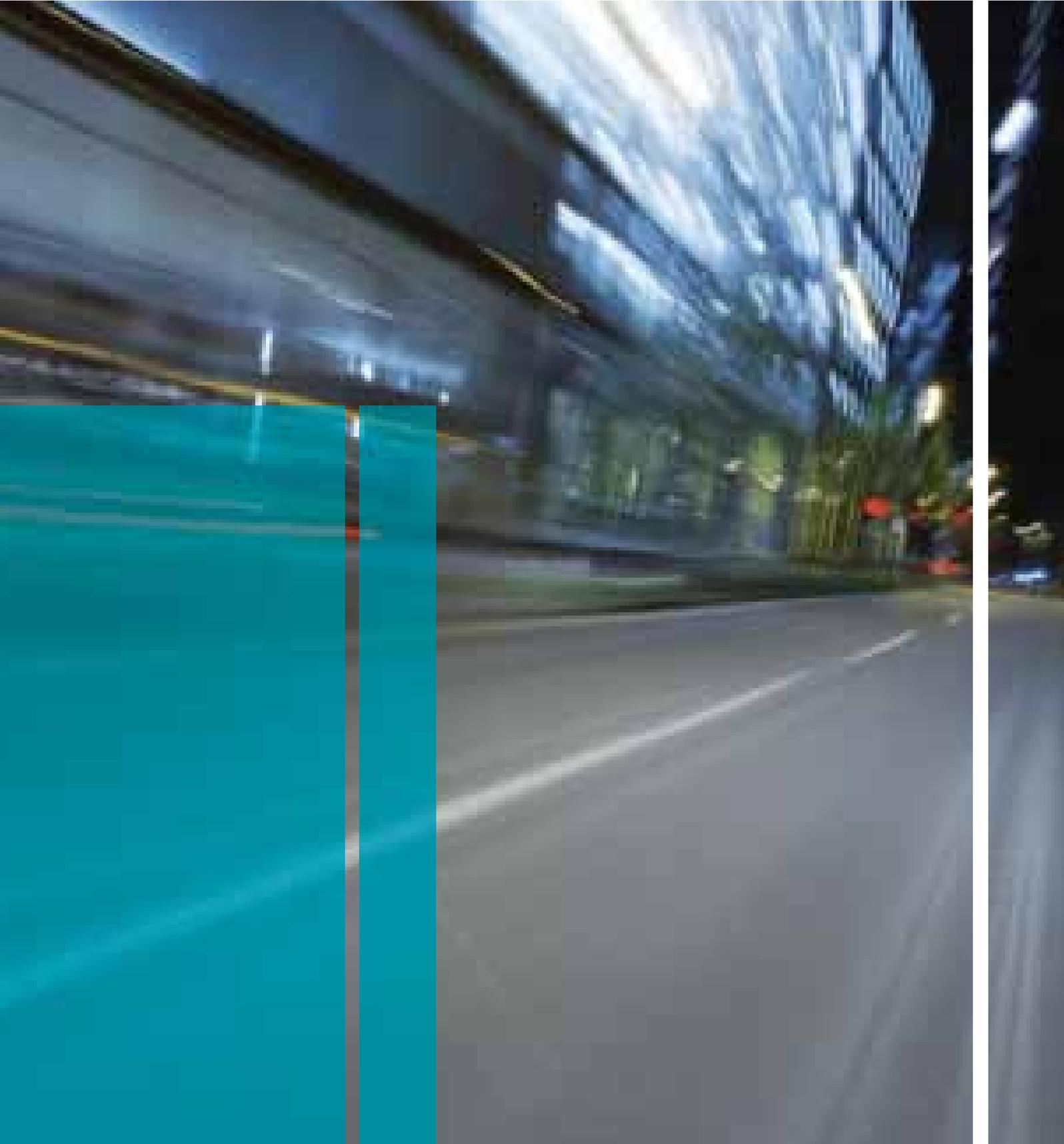
Abridged financial statements appear to the right.

Statement of financial position	As at 30 June 2009 (\$)	As at 30 June 2008 (\$)
<b>Assets</b>		
Cash	12,033,092	10,310,077
Investments	1,113,242,837	988,011,147
Deferred tax asset	16,101,554	695,414
Other assets	7,368,725	10,213,360
<b>Total assets</b>	<b>1,148,746,208</b>	<b>1,009,229,998</b>
<b>Liabilities</b>		
Income tax	3,167,823	7,973,737
Other liabilities	5,021,150	6,959,487
<b>Total liabilities</b>	<b>8,188,973</b>	<b>14,933,224</b>
<b>Net assets</b>	<b>1,140,557,235</b>	<b>994,296,774</b>
<b>Liability for accrued benefits</b>		
Vested benefit	1,139,129,816	993,460,764
Reserves	1,427,419	836,010
<b>Total liability for accrued benefits</b>	<b>1,140,557,235</b>	<b>994,296,774</b>

Operating statement	Year ended 30 June 2009 (\$)	Year ended 30 June 2008 (\$)
<b>Revenue</b>		
Investment	(143,420,275)	(69,781,687)
Contributions & transfers in (2009 includes \$182m from other funds that merged into legalsuper)	352,169,243	169,532,092
Other	4,024,380	6,545,624
<b>Total revenue</b>	<b>212,773,348</b>	<b>106,296,029</b>
<b>Expenditure</b>		
Insurance premiums for life and TPD cover	10,197,361	5,679,775
Operating costs	6,291,797	6,039,136
<b>Total expenditure</b>	<b>16,489,158</b>	<b>11,718,911</b>
Net revenue before income tax	196,284,190	94,577,118
Income tax	118,513	10,664,876
<b>Net revenue after income tax</b>	<b>196,165,677</b>	<b>83,912,242</b>



By outsourcing to specialist organisations, we acquire access to the scale of large organisations that have the skills, people and systems that are needed to provide best practice services and products



## 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 them 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 our members' issue, they 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](mailto: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 our 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](mailto: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 our members' legalsuper benefit.

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### Trustee indemnity insurance

The Trustee of legalsuper has taken out a trustee indemnity insurance policy for the year ended 30 June 2009. 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 has declared the 2008/09 year as 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.

### 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 per cent to foreign-denominated investments, and hedges all foreign currency exposure above that level. In 2008/09, legalsuper implemented this policy with a specialist currency manager (Aberdeen – formerly known as Credit Suisse), 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 Moderate 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
2009	\$1,427,419	+\$591,410
2008	\$836,010	-\$283,540
2007	\$1,119,550	+\$507,718



**For account or other membership enquiries:**

website [legalsuper.com.au](http://legalsuper.com.au)  
phone 1800 060 312 (Superannuation members)  
1800 632 502 (Pension members)  
fax 1800 614 431  
email [mail@legalsuper.com.au](mailto:mail@legalsuper.com.au)  
mail GPO Box 4952, Melbourne VIC 3001

**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 Chrissie Heyn on (03) 9607 9430 or by email at [cheyn@legalsuper.com.au](mailto:cheyn@legalsuper.com.au)**

**Disclaimer**

Issued in October 2009 by Legal Super Pty Ltd (ABN 37 004 455 789), 470 Bourke Street, Melbourne VIC 3000. AFSL 246315 RSE L0002585 as the Trustee for legalsuper (ABN 60 346 078 879) (R1056501). This document contains general information only and is not intended to be a substitute for advice. It does not take into account any individual's or organisation's investment objectives, financial situation or particular needs. Accordingly, any individual or organisation should seek professional advice that takes account of their needs, objectives and circumstances before making a decision in relation to any of the matters covered in this document.