

**Local Government Superannuation Scheme  
Pool A**

**Financial Report**

**For the Year Ended 30 June 2016**

# **LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A**

## **FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016**

<b>CONTENTS</b>	<b>Page</b>
TRUSTEE'S STATEMENT	3
OPERATING STATEMENT	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF CASH FLOWS	6
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	7
INDEPENDENT AUDIT REPORT TO THE MEMBERS	30

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## TRUSTEE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

In the opinion of the directors of LGSS Pty Limited, the Trustee of Local Government Superannuation Scheme Pool A:

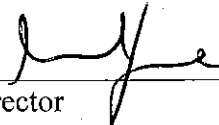
1. The accompanying financial statements of the Local Government Superannuation Scheme Pool A ("the Fund") are properly drawn up so as to present fairly the Financial Position of the Fund as at 30 June 2016, the Operating Statement for the year ended 30 June 2016 and the Statement of Cash Flows for the year ended on that date;
2. The financial statements have been prepared in accordance with the requirements of the Trust Deed and in accordance with the Accounting Standards in Australia and the *Superannuation Industry (Supervision) Act 1993*. Accounting Standards include Australian equivalents to the International Financial Reporting Standards ("A-IFRS") to the extent they are not inconsistent with AAS 25 *Financial Reporting by Superannuation Plans*; and
3. The Fund has been conducted in accordance with its constituent Trust Deed dated 30 June 1997 as amended and all legislative requirements at all times during the period.

Signed in accordance with a resolution of the Board of Directors of LGSS Pty Limited (ABN 68 078 003 497).

Signed at Sydney on 28 September 2016



Director



Director

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Investment Revenue</b>			
Interest Revenue		1,090	1,384
Trust Distributions		1,391,320	167,815
Other Investment Revenue		197	41
Changes in Net Market Value of Investments	11	(1,156,443)	243,456
<b>Total Investment Revenue</b>		236,164	412,696
<b>Contributions Revenue</b>			
Employer Contributions	12(a) and 12(b)	320,902	312,915
Member Contributions	12(c)	99,053	92,148
Transfers From Other Funds	12(d)	290,942	321,461
<b>Total Contributions Revenue</b>		710,897	726,524
<b>Other Revenue</b>			
Proceeds of Insurance Claims		15,041	15,966
Other Revenue		4	39
<b>Total Other Revenue</b>		15,045	16,005
<b>Total Revenue</b>		962,106	1,155,225
<b>Expenses</b>			
Group Life Insurance Premiums		(19,171)	(17,568)
Fund Administration Expenses	3(f)	(20,746)	(19,992)
<b>Total Expenses</b>		(39,917)	(37,560)
<b>Benefits Accrued as a Result of Operations before Income Tax</b>		922,189	1,117,665
Income Tax Expense	7(a)	(42,325)	(60,804)
<b>Benefits Accrued as a Result of Operations after Income Tax</b>		879,864	1,056,861

The above Operating Statement should be read in conjunction with the accompanying notes.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Investments</b>			
Unlisted Australian Unit Trusts	4	-	5,557,792
DIY Investment Option (Macquarie DIO)	4	-	7,448
<b>Total Investments</b>		-	5,565,240
<b>Other Assets</b>			
Cash and Cash Equivalents	15(a)	-	51,191
Receivables	5	-	13,555
Deferred Tax Asset	7(c)	-	-
<b>Total Other Assets</b>		-	64,746
<b>Total Assets</b>		-	5,629,986
<b>Less: Liabilities</b>			
Benefits Payable		-	2,125
Payables	6	-	5,507
Current Tax Liability	7(b)	-	12,047
Deferred Tax Liability	7(c)	-	12,921
<b>Total Liabilities</b>		-	32,600
<b>Net Assets Available to Pay Benefits</b>		-	5,597,386
Represented by:			
<b>Liability for Accrued Benefits</b>			
Funds Allocated to Members' Accounts	9	-	5,572,589
Funds Not Yet Allocated to Members' Accounts	8(b)	-	6,807
Administration Reserve	8(c)	-	223
Insurance Reserve	8(d)	-	1,771
Operational Risk Financial Requirement (ORFR) Reserve	8(e)	-	15,996
<b>Total Liability for Accrued Benefits</b>	8(a)	-	5,597,386

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash Flows from Operating Activities</b>			
Contributions Received from Employers		320,680	301,013
Contributions Received from Members		99,053	92,001
Transfers from Other Funds		290,942	321,461
Interest Received		1,090	1,384
Benefits Paid		(385,457)	(378,917)
Fund Administration Expenses Paid		(24,450)	(22,419)
Income Tax Paid		(33,897)	(36,723)
<b>Net Cash Flows Provided by Operating Activities</b>	15(b)	<u>267,961</u>	<u>277,800</u>
<b>Cash Flows from Investing Activities</b>			
Redemptions from Investments		276,280	322,943
Applications to Investments		(531,548)	(607,921)
<b>Net Cash Flows Used in Investing Activities</b>		<u>(255,268)</u>	<u>(284,978)</u>
<b>Net Increase /(Decrease) in cash held</b>		12,693	(7,178)
Cash at the Beginning of the Financial Year		51,191	58,369
Transfer of Cash to Local Government Superannuation Scheme Pool B	20	(63,884)	-
<b>Cash and Cash Equivalents at the End of the Financial Year</b>	15(a)	<u>-</u>	<u>51,191</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. DESCRIPTION OF THE FUND

Local Government Superannuation Scheme Pool A (“the Fund”) was an accumulation fund established in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 (“the Act”). LGSS Pty Limited acted as Trustee to the Fund and held in trust all assets of the Fund. The Fund was a reporting entity for accounting purposes.

The Fund consisted of four divisions. Divisions A, P and E consisted of accumulation funds, and Division F was an allocated pension and rollover fund. The Fund was granted a MySuper Licence on 1 July 2013.

The Fund executed a Successor Fund Transfer Deed on 16 June 2016 with LGSS Pty Limited as Trustee of the Fund – ABN 74925979278, with all fund members and net assets being transferred into Local Government Superannuation Scheme Pool B (“LGS Pool B”). The effective date for the transfer was 30 June 2016. Following the transfer, the merged fund is now known as Local Government Super (“LGS”). Accordingly the financial statements are for the year ended 30 June 2016.

The Fund’s custodial activities were provided by JP Morgan Chase Bank N.A. (“JP Morgan”).

Australian Administration Services Pty Limited provided accounting and administration for the Fund.

The principal place of business of the Fund was:

Level 12

28 Margaret Street

SYDNEY NSW 2000

### 2. BASIS OF PREPARATION

#### Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed. Accounting Standards include Australian equivalents to International Financial Reporting Standards (“A-IFRS”) to the extent they are not inconsistent with AAS 25 *Financial Reporting by Superannuation Plans* (“AAS 25”).

The financial statements have been prepared on the basis required by AAS 25, which provides specific measurement requirements for assets, liabilities, vested benefits and accrued benefits. To the extent that they do not conflict with AAS 25, other Australian Accounting Standards have been applied in the preparation of the financial statements. For the purpose of the preparation of the financial report, the Fund was a not for profit entity.

The financial statements were authorised for issue by the Directors on 28 September 2016.

#### Use of Judgments and Estimates

In the application of Accounting Standards, the Directors are required to make judgments, estimates and assumptions about net market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 2. BASIS OF PREPARATION (continued)

#### Use of Judgments and Estimates (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

#### New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2016, and have not been applied in preparing these financial statements. As the Fund has wound up none of these will have a significant effect.

### 3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

#### (a) Principles of Consolidation

The Directors have adopted Accounting Standard AASB 10 'Consolidated Financial Statements' which requires a parent to assess whether it controls an entity in which it holds an investment.

The Fund was fully invested in Local Investment Fund ("LIF"). The Directors determined that no one investor could be regarded to have power to govern the financial and operating policies of LIF. Hence the Trustee of the Fund has not presented consolidated financial statements.

#### (b) Cash and Cash Equivalents

Cash and cash equivalents included deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity (3 months or less) which were readily convertible to cash and which were subject to insignificant risk of changes in value.

#### (c) Investments

Investments were valued at net market value which approximates fair value less estimated costs of disposal at balance date. Changes in net market values, representing gains or losses, are recognised in the Operating Statement in the year in which they occur.



# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Income Tax

##### Current tax

Current tax was calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It was calculated using tax rates and tax laws that had been enacted or substantively enacted by reporting date. Current tax for current and prior periods was recognised as a liability or asset to the extent that it is unpaid or refundable.

##### Deferred tax

Deferred tax was accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities were recognised for all taxable temporary differences. Deferred tax assets were recognised to the extent that it was probable that sufficient taxable amounts were available against which deductible temporary differences or unused tax losses and tax offsets could be utilised. However, deferred tax assets and liabilities were not recognised if the temporary differences giving rise to them arose from the initial recognition of assets and liabilities (other than as a result of a business combination) which affected neither taxable income nor accounting profit.

Deferred tax assets and liabilities were measured at the tax rates that were expected to apply in the period(s) when the asset and liability giving rise to them were realised or settled, based on tax rates (and tax laws) that had been enacted or substantively enacted by reporting date. The measurement of deferred tax assets and liabilities reflected the tax consequences that would follow from the manner in which the Fund expected, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax assets and liabilities were offset when they related to income taxes levied by the same taxation authority and the Fund intended to settle its current tax assets and liabilities on a net basis.

#### (e) Revenue Recognition

Revenue was measured at the net market value of consideration received or receivable and to the extent of which it was probable that the economic benefits flowed to the Fund and the income could be reliably measured, revenue was recognised. The following recognition criteria relate to the different income streams the Fund has recognised:

##### Interest Revenue

Interest from fixed interest securities was recognised using the effective interest rate method and in accordance with the terms and conditions which applied to the fixed interest securities. The effective interest rate was the rate that exactly discounted future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. Interest on cash deposits was recognised in accordance with the terms and conditions which applied to the deposits.

##### Trust Distributions

Trust distributions were recognised on a receivable basis on the date the unit value is quoted ex distribution. Where the distribution was not received at balance sheet date, the balance was reflected in the Statement of Financial Position.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Revenue Recognition (continued)

##### Group Life Insurance Proceeds

Insurance claim amounts were recognised where the insurer agreed to pay the claim lodged and had transferred the claim amount to the Fund.

##### Changes in Net Market Value of Investments

Changes in the net market value of investments were recognised as revenue and were determined as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

##### Employer and Member Contributions

Contributions were recognised when control of the asset had been attained and were recorded in the period to which they related.

##### Transfers from Other Funds

Transfers from other funds were recognised on a cash basis as this is the only point at which measurement was reliable. Amounts were recognised where transfer receipts were received by the Fund.

#### (f) Expenses

Administrative expenses, other than the weekly administration fee and member transaction fees, were charged directly to net assets of the Fund.

The Fund's investment expenses were paid directly out of LIF. As a result these fees were netted off against investment revenue received from LIF and not disclosed as investment expenses in the Operating Statement of the Fund.

The administrative expenses were disclosed in the Statement of Cash Flows as part of the Fund's operating activities. Expenses were accounted for on an accruals basis.

#### (g) Liability for Accrued Benefits

The liability for accrued benefits was the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the sum of the liabilities and income tax liabilities as at balance sheet date.

#### (h) Functional and Presentation Currency

Items included in the Fund's financial statements were measured using the currency of the primary economic environment in which it operated (the functional currency). This was the Australian dollar, which reflected the currency of the economy in which the Fund competed for capital and was regulated. The Australian dollar was also the Fund's presentation currency.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Goods and Services Tax (“GST”)

Revenues, expenses and assets were recognised net of the amount of goods and services tax (“GST”), except:

- i) Where applicable GST incurred by the Fund that was not recoverable from the Australian Taxation Office, has been recognised as part of the expenses to which it applied.
- ii) Receivables and payables were stated with any applicable GST included in their carrying amounts.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office was included as an asset or liability in the Statement of Financial Position.

Cash flows were included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority was classified as operating cash flows.

#### (j) Receivables

Receivables may include amounts for trust distributions, interest, and contributions. Trust distributions were accrued when the right to receive payment was established. Interest was accrued at the reporting date from the time of last payment. Amounts were generally received within 30 days of being recorded as receivables. Contributions received post 30 June 2016 which relate to the period to 30 June 2016 have been accrued and attributed to the members’ accounts in LGS.

#### (k) Benefits Paid and Payable

The Fund recognised a benefit to be payable to a member when a valid withdrawal notice had been received from the employer sponsor, and it had been approved by the Trustee in accordance with the Trust Deed. Accordingly benefits payable were recognised in the Statement of Financial Position and represented only those benefits where the benefit had been processed and authorised by the Fund but had not yet been paid to members.

#### (l) Payables

Payables were recognised when the Fund became obliged to make future payments resulting from the purchase of goods and services. They were recognised at their nominal value which is equivalent to net market value.

#### (m) Rounding

All values reported in the financial statements have been rounded to the nearest thousand dollars, except where otherwise stated.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 4. INVESTMENTS

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Unlisted Australian Unit Trusts	-	5,557,792
DIY Investment Option (Macquarie DIO)	-	7,448
Total Investments	<u>-</u>	<u>5,565,240</u>

The DIO comprised of investments in Term Deposits, ETFs and Cash.

### 5. RECEIVABLES

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Other Receivables	-	1,506
Contribution Receivables	-	12,049
Total Receivables	<u>-</u>	<u>13,555</u>

There were no significant terms or conditions applicable to the above receivables.

### 6. PAYABLES

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Inter-group Payable	-	3,389
Other Payables	-	2,118
Total Payables	<u>-</u>	<u>5,507</u>

### 7. INCOME TAX

Income tax expense in the Operating Statement represents the tax on the benefits accrued as a result of operations before income tax, adjusted for non-taxable and non-deductible amounts. Income tax expense in the Operating Statement represents the tax on the benefits accrued as a result of operations before income tax, adjusted for non-taxable and non-deductible amounts. The tax effect of temporary differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the accounts, is included in the provisions of deferred income tax as applicable at current taxation rates. A rate of tax of 15% has been used on the assumption that the Fund will continue to be a complying fund for the purposes of the Income Tax Assessment Act 1936, as amended.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 7. INCOME TAX (continued)

#### (a) Income Tax Recognised in Operating Statement:

	2016 \$'000	2015 \$'000
Current Tax Expense	49,140	33,733
Deferred Tax (Benefit) / Expense	(6,815)	27,071
Total Income Tax Expense	42,325	60,804

The prima facie income tax expense on benefits accrued as a result of operations before income tax reconciles to the income tax expense as follows:

	2016 \$'000	2015 \$'000
Benefits Accrued as a Result of Operations before Income Tax	922,189	1,117,665
Income Tax Expense Calculated at 15%	138,328	167,650
Non-deductible Expenses	9	46
Non-assessable/deductible Investment Revenue	(480)	(4,056)
Assessable deferred investment gain	4,359	7,825
Non-assessable Contributions and Transfers	(58,271)	(61,822)
Imputation and Foreign Tax Credits	(24,483)	(16,432)
Anti Detriment Deduction	(878)	(880)
Non-taxable Pension Related Investment Income	(13,429)	(3,918)
Death or Invalidity Insurance Deduction	(2)	40
Accounting deferred investment gain	(6,538)	(11,737)
Discount on Capital Gains	3,918	(16,287)
TFN Withholding on Contributions from Members	(156)	327
(Over) / Under Provision in Prior Year	(52)	48
Income Tax Expense	42,325	60,804

#### (b) Current Tax Liability:

	2016 \$'000	2015 \$'000
Income Tax Payable	-	12,047
	-	12,047

#### (c) Deferred Tax Balances

	2016 \$'000	2015 \$'000
Deferred Tax (Liability)/Asset Comprises:		
Temporary Differences	-	(12,921)
	-	(12,921)

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 7. INCOME TAX (continued)

(d) Taxable and deductible temporary differences arise from the following:

30-Jun-16	Opening Balance	Credited to Income	Transferred to LGS Pool B (note 20)	Closing Balance
	\$'000	\$'000	\$'000	\$'000
<b>Net Deferred Tax Asset / (Liability)</b>				
Unrealised Taxable Capital (Gains)/Losses	(11,357)	6,657	4,700	-
Payables - Accrued Expenses	(1,564)	158	1,406	-
	<u>(12,921)</u>	<u>6,815</u>	<u>6,106</u>	<u>-</u>

30-Jun-15	Opening Balance	(Charged) to Income	Closing Balance
	\$'000	\$'000	\$'000
<b>Net Deferred Tax Asset / (Liability)</b>			
Unrealised Taxable Capital (Gains)/Losses	13,363	(24,720)	(11,357)
Payables - Accrued Expenses	787	(2,351)	(1,564)
	<u>14,150</u>	<u>(27,071)</u>	<u>(12,921)</u>

### 8. LIABILITY FOR ACCRUED BENEFITS

(a) Changes in the Liability for Accrued Benefits	2016	2015
	\$'000	\$'000
Liability for Accrued Benefits – at Beginning of the Year	5,597,386	4,921,404
Add: Benefits Accrued as a Result of Operations	879,864	1,056,861
Less: Benefits Paid and Payable to Members	(386,679)	(380,879)
Less: Funds transferred to LGS Pool B (note 20)	(6,090,571)	-
<b>Liability for Accrued Benefits - at End of Year</b>	<u>-</u>	<u>5,597,386</u>

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 8. LIABILITY FOR ACCRUED BENEFITS (continued)

#### (b) Funds Not Yet Allocated to Members' Accounts

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Funds not yet Allocated to Members' Accounts	-	6,807

Funds not yet allocated to members' accounts related mainly to:

1. Timing differences between the receipt of investment earnings and tax expenses and the allocation of the amounts to members in the unit price; and
2. Timing differences between the receipt of contributions and receipt of information required for allocation.

#### (c) Administration Reserve

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the Beginning of the Year	223	407
Deducted and transferred from Members' Accounts	6,243	5,993
Investment Earnings backing up Reserves	3	5
Trustee Transfer In	300	-
Administration Fee Paid	(6,243)	(5,993)
Sector Choice Usage	(175)	(189)
Total Administration Reserve transferred to LGS Pool B (note 20)	(351)	-
<b>Balance at the End of the Year</b>	<b>-</b>	<b>223</b>

Monies were transferred to/from the Administration Reserve to/from the Investment Strategy to ensure Members were not adversely affected by valuation timing differences that occur as a result of the weekly cashflow process. The effect of this was only applicable to the Single Sector Choice Product offering, due to its size.

#### (d) Insurance Reserve

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the Beginning of the Year	1,771	1,956
Insurance claim payments	(60)	(185)
Total Insurance Reserve transferred to LGS Pool B (note 20)	(1,711)	-
<b>Balance at the End of the Year</b>	<b>-</b>	<b>1,771</b>

The Insurance Reserve was used to pay insurance claims which cannot be recovered from an external insurer.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 8. LIABILITY FOR ACCRUED BENEFITS (continued)

#### (e) Operational Risk Financial Requirement (“ORFR”) Reserve

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the Beginning of the Year	15,996	8,931
Investment Earnings	962	1,100
Transfers to Members’ accounts	(9)	(6)
Capital Transfer In from LGSS Pty Ltd	133	4,622
Deduction from Member’s Accounts	-	1,349
Total ORFR Reserve transferred to LGS Pool B (note 20)	<u>(17,082)</u>	<u>-</u>
<b>Balance at the End of the Year</b>	<b><u>-</u></b>	<b><u>15,996</u></b>

The Fund had an Operational Risk Financial Requirement Reserve (“ORFR”). The ORFR was a requirement in terms of the Superannuation Prudential Standard (“SPS”) 114. This reserve was used to compensate members for any unrecoverable losses as well as any amounts deemed necessary by LGSS Pty Ltd in the interest of the members. LGSS Pty Ltd had determined that the target balance for this reserve is 0.25% of the Fund’s Net Asset Value.

### 9. VESTED BENEFITS

Vested benefits were benefits which were not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and included benefits which members were entitled to receive had they terminated their Fund membership as at reporting date.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Vested benefits at the End of the Year:	<u>-</u>	<u>5,572,589</u>
Net Assets at the End of the Year:	<u>-</u>	<u>5,597,386</u>

### 10. GUARANTEED BENEFITS

No guarantees have been made by the Fund in respect of any future payments to members concerning accrued benefits.



# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 11. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	Unrealised at Reporting Date \$'000	Realised During the Year \$'000	Total \$'000
<b>30 June 2016</b>			
Unlisted Australian Unit Trusts	(1,157,193)	812	(1,156,380)
DIY Investment Option (Macquarie DIO)	(85)	22	(63)
<b>Total</b>	<u>(1,157,278)</u>	<u>834</u>	<u>(1,156,443)</u>
<b>30 June 2015</b>			
Unlisted Australian Unit Trusts	241,324	2,236	243,560
DIY Investment Option (Macquarie DIO)	(105)	1	(104)
<b>Total</b>	<u>241,219</u>	<u>2,237</u>	<u>243,456</u>

### 12. FUND FUNDING ARRANGEMENTS

#### (a) Compulsory Employer Contributions

The percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 2015 to 30 June 2016 was 9.50% (1 July 2014 to 30 June 2015: 9.50%).

#### (b) Optional Employer Contributions

Employers could make additional contributions to the Fund for employees in respect of whom compulsory employer contributions were being made.

#### (c) Optional Member Contributions

Employees as defined in the Act, could make voluntary contributions to the Fund in the form of periodical payments or single payments.

#### (d) Transfers From Other Funds

Payments included benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

#### (e) Optional Spouse Contributions

Employees could make voluntary contributions on behalf of their spouse, as defined in the Act, to the Fund in the form of periodical payments or single payments. Payments included benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 13. INVESTMENT OPTIONS

Members could choose to invest in one or more of the following seven investment options:

- High Growth
- Balanced Growth
- Balanced
- Conservative
- Sustainable Australian Shares
- Cash
- DIY Investment Option

Members of the Accumulation Scheme could also choose to invest in the MySuper Age Based Investment Strategy. For Accumulation Scheme members who had not chosen a particular investment option, their account balance is invested in the MySuper Age Based Investment Strategy based on their age, as shown below:

	<b>Age Band</b>
MySuper High Growth	Up to 44 years
MySuper Balanced Growth	Age 45 – 49
MySuper Balanced	Age 50 – 54
MySuper Conservative	Age 55 and over

### 14. REMUNERATION OF AUDITORS

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Remuneration for audit of the financial report of the Fund</b>		
Ernst & Young:		
Audit and review of financial reports and compliance	96,558	96,558
Taxation services	23,100	37,049
	<u>119,658</u>	<u>133,607</u>

Audit fees were paid by LGSS Pty Limited on behalf of the Fund. The amounts above were GST inclusive.

### 15. CASH FLOW INFORMATION

#### (a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represented cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows was reconciled to the related items in the Statement of Financial Position as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash at Bank</b>	<u>-</u>	<u>51,191</u>

The Fund did not have any credit standby arrangements or loan facilities.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 15. CASH FLOW INFORMATION (continued)

#### (b) Reconciliation of Net Cash Provided by Operating Activities to Benefits Accrued as a Result of Operations After Income Tax

	2016 \$'000	2015 \$'000
Benefits Accrued as a Result of Operations after Tax	879,864	1,056,861
Benefits Paid and Payable	(386,679)	(380,879)
Movement in Net Market Value of Investments	1,156,443	(243,456)
Non-cash Distribution/Dividend	(1,391,516)	(167,856)
Decrease/(Increase) in Receivables	2,569	(13,103)
(Decrease) / Increase in Payables	(927)	2,153
(Decrease)/ Increase in net Deferred Tax Liability	(6,815)	27,071
Increase/(Decrease) in Current Tax Liability	15,022	(2,991)
<b>Net Cash Flow from Operating Activities</b>	<u>267,961</u>	<u>277,800</u>

### 16. FINANCIAL RISK MANAGEMENT

#### (a) Financial Instruments Management

The Trustee Boards of both the Fund and LGS Pool B agreed to the merger of the two funds effective 30 June 2016. The investments and other net assets of the Fund were transferred to LGS Pool B on 30 June 2016, which was then renamed "Local Government Super", effective 1 July 2016. The Fund held no investments as at 30 June 2016. As a result, the Fund had no exposure to any financial risks.

The investments of the Fund (other than cash held for meeting daily administrative and benefit expenses), were invested through the Local Investment Fund ("LIF") on behalf of the Trustee by investment managers. The investment managers were required to invest the assets allocated for discrete management in accordance with the terms of a written investment management agreement; or through a pooled vehicle managed on the terms disclosed within the information memorandum. The Trustee of LIF had determined that the appointment of these managers was appropriate for the Fund and was in accordance with the Trustee's investment strategy.

J P Morgan acted as master custodian on behalf of the Trustees of the Fund and LIF and as such provided services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

#### (b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses were recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Capital Risk Management

The Trustee of the Fund held an RSE license. The ORFR Reserve was the capital requirement of the Fund and is detailed in Note 8(e).

#### (d) Categories of Financial Instruments

The assets and liabilities of the Fund were recognised at net market value as at the reporting date. The cost of realisation of investments was minimal and therefore net market value approximates fair value. Changes in net market value were recognised through the Operating Statement.

#### (e) Financial Risk Management Objectives

The Fund was exposed to a variety of financial risks as a result of its activities. These risks included market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. The Trustee's risk management and investment policies sought to minimise the potential adverse effects of these risks on the Fund's financial performance and financial position.

It was ultimately the responsibility of the Trustee to ensure that there was an effective risk management control framework in place. Consistent with regulatory requirements, the Trustee had the function of overseeing the establishment and maintenance of risk-based systems and controls for the Fund.

The Trustee developed, implemented and maintained a Risk Management Framework ("RMF") including a Risk Management Strategy ("RMS") in respect of its activities as a Trustee and a Risk Management Framework ("RMF") for the Fund.

The RMF detailed some of the Trustee's policies and procedures, processes and controls that comprised its risk management and control systems. They addressed all material risks, financial and non-financial, likely to be faced. Annually, the Trustee certified to APRA that adequate strategies had been put in place to monitor those risks, that the Trustee had systems in place to ensure compliance with legislative and prudential requirements and that the Trustee had satisfied itself as to the compliance with the RMF.

#### (f) Credit Risk

The Fund's exposure to credit risk and policies in managing this risk were aligned and are detailed below.

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract resulting in financial loss to the Fund. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limit are approved;
- ensuring that transactions are undertaken with a number of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (f) Credit Risk (continued)

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This also relates to financial assets carried at amortised cost as they have a short term to maturity. The Fund was exposed to credit risk through its investment in LIF. LIF manages exposure to any individual counterparty or industry by investing the assets of the Fund in a number of underlying investments trusts. The credit risk was managed not only by diversifying across investment managers but also by the investment managers having diversified portfolios, thus minimising the counterparty risk.

Credit risk arising on investments was mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least 'BBB+' or better as determined by Standard and Poor's, unless these securities form part of the profile of specifically permitted market benchmarks within mandated or pooled investments as in the case of Emerging Market Debt, High Yield Bonds or as part of the exposure to Structured Products, Private Equity or Semi Liquid Assets. Regarding the less liquid assets, there was more risk than those securities rated BBB+, however this was managed by external professional investment managers. Their exposure to risk was undertaken when they believed the premium being paid is more than sufficient to cover the default risk on the debt. The risk was further mitigated by the diversification of the exposure across a range of investment managers.

#### (g) Liquidity Risk

The Fund's exposure to liquidity risk and policies in managing this risk are aligned and detailed below.

The Fund's approach to managing liquidity was to ensure that it always had sufficient liquidity to meet its liabilities. The Fund allowed members to withdraw benefits and it was therefore exposed to the liquidity risk of meeting members' withdrawals at any time. The Fund was exposed to additional liquidity risk through its underlying investment in LIF. LIF's listed securities and unit trust investments are considered to be readily realisable. LIF's financial instruments include investments in unlisted investments, direct property and private equity, which were not traded in an organised market and which generally may be illiquid. As a result, there was a risk that LIF, and consequently the Fund, may not be able to liquidate all of these investments at their net market value in order to meet its liquidity requirements.

The Fund's liquidity risk was managed in accordance with the Fund's investment strategy. The Fund had a high level of net inward cash flows (through new contributions) which provided capacity to manage liquidity risk. The Fund also managed liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows. As a further risk mitigation strategy, it is in the Trustee's policy that the Fund must have at least 75% exposure to liquid assets at all times. The Fund's overall strategy to liquidity risk management did not change from the prior year.

The following tables summarise the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund could be required to pay. The tables include both interest and principal cash flows.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (g) Liquidity Risk (continued)

	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2016</b>					
Vested benefits	-	-	-	-	-
Other					
Benefits payable	-	-	-	-	-
Payables	-	-	-	-	-
Current tax liability	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2015</b>					
Vested benefits	5,572,589	-	-	-	5,572,589
Other					
Benefits payable	2,125	-	-	-	2,125
Payables	5,507	-	-	-	5,507
Current tax liability	-	12,047	-	-	12,047
Deferred tax liability	-	-	12,921	-	12,921
<b>Total</b>	<b>5,580,221</b>	<b>12,047</b>	<b>12,921</b>	<b>-</b>	<b>5,605,189</b>

#### (h) Market Risk

Market risk is the risk that the net market value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund's policies and procedures put in place to mitigate the Fund's exposure to market risk are detailed in the Trustee's investment policies and the RMF.

Whilst market risk was unavoidable the Fund would look to minimise the volatility and absolute return fluctuations through thoughtful and well diversified portfolio construction within LIF. The relationships that varying asset classes display during volatile market conditions were critical in this construction process.

LIF manages this risk via outsourcing its investment management; the investment managers manage the financial risks relating to the operations of LIF in accordance with an investment mandate. The Fund ensured the operations of LIF were in accordance with the Fund's trust deed and product disclosure statement.

The carrying amounts of financial assets best represent the maximum market risk exposure at the balance sheet date.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (h) Market Risk (continued)

There has been no change to the Fund's exposure to market risks or the manner in which it managed and measured the risk.

##### Interest Rate Risk Management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund, and through its investment in LIF, was exposed to the interest rate markets. The Fund invested in these financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund's investments were subject to interest rate risks and the return on the investments would fluctuate in accordance with movements in market interest rates.

These investments involved cash and cash equivalents, longer dated fixed interest instruments and credit instruments. Longer dated fixed interest instruments resulted in the Fund having exposure to interest rate movements. The Fund managed this risk by investing in diverse exposures through both floating interest rate instruments and fixed interest rate instruments. The Trustee monitored its exposures to interest rate risk. The Fund's overall strategy to interest rate risk management did not change from the previous year.

##### **Interest Rate Sensitivity Analysis**

The sensitivity analyses below have been determined based on the exposures to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 200 basis point increase or decrease was used when reporting interest rate risk internally to the Trustee and represents the Trustee's assessment of the possible change in interest rates.

The following table illustrates the effect on net assets and changes in net assets from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date via its investment in LIF and DIY Investment Options:

	Change in Variable	Effect on Change in Net Assets	
		2016	2015
	+/-	\$'000	\$'000
Interest rate risk	+2%	-	(9,832)
Interest rate risk	-2%	-	9,832

##### Foreign Currency Risk Management

The Fund was exposed to foreign currency risk as a result of LIF's investment in financial instruments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilising forward exchange rate contracts. The forward exchange rate contracts were designed to hedge an agreed percentage of its exposure to foreign currency for all international equities and 100% of all other international assets. The agreed percentage was 30% (2015: 30%) at balance sheet date.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (h) Market Risk (continued)

The Trustee of LIF uses a currency external overlay manager to manage its exposures to foreign currency risk. The Fund's and LIF's overall strategy to foreign currency risk management has not changed from the previous year.

#### Foreign currency sensitivity

The following table details the Fund's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies via its investment in LIF. 10% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in net assets available to pay benefits and the liability for accrued benefits where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the increase in net assets and on the net assets available to pay benefits, and the balances below would be negative.

	Change in Variable	Effect on Change in Net Assets			
		USD Impact		JPY Impact	
		2016	2015	2016	2015
	+/-	\$'000	\$'000	\$'000	\$'000
Forex Risk	+10%	-	(4,169)	-	(20)
Forex Risk	-10%	-	4,169	-	20

	Change in Variable	Effect on Change in Net Assets			
		EUR Impact		GBP Impact	
		2016	2015	2016	2015
	+/-	\$'000	\$'000	\$'000	\$'000
Forex Risk	+10%	-	(610)	-	(10)
Forex Risk	-10%	-	610	-	10

There were no significant changes to the foreign currency sensitivity from the prior year.

#### Other Market Risk

Market price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices.

The Fund was exposed to market price risk through its investment in LIF. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis. The Fund's overall strategy to market price risk management did not change from the previous year.



# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (h) Market Risk (continued)

The following table illustrates the effect on changes in net assets and the net assets available to pay benefits from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date via its investment in LIF. For a negative change in the variable there would be an equal and opposite impact on the increase in net assets and on the net assets available to pay benefits, and the balances below would be negative:

	Change in Variable +/-	Effect on Change in Net Assets	
		2016 \$'000	2015 \$'000
Equity Price Risk	+10%	-	396,282
Equity Price Risk	-10%	-	(396,282)

There were no changes to the equity price or price sensitivity from the prior year.

#### (i) Classification of Financial Instruments under the Fair Value Hierarchy

AASB 13 requires the classification of financial instruments at fair value (net market value) determined by reference to the source of inputs used to derive the fair value. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

The fair value hierarchy has the following levels:

30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>				
Unlisted Australian Unit Trusts	-	-	-	-
DIY Investment Option (Macquarie DIO)	-	-	-	-
<b>Total</b>	-	-	-	-

30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>				
Unlisted Australian Unit Trusts	-	5,557,792	-	5,557,792
DIY Investment Option (Macquarie DIO)	7,448	-	-	7,448
<b>Total</b>	7,448	5,557,792	-	5,565,240

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 16. FINANCIAL RISK MANAGEMENT (continued)

#### (h) Market Risk (continued)

Asset Category	Level 2	Valuation Techniques	Key unobservable input	Relationship of unobservable inputs to fair value
<b>30 June 2016</b>	<b>\$'000</b>			
Unlisted Australian Unit Trusts	-	Net asset value	N/A	N/A
<b>Total</b>	<b>-</b>			

<b>30 June 2015</b>	<b>\$'000</b>			
Unlisted Australian Unit Trusts	5,557,792	Net asset value	N/A	N/A
<b>Total</b>	<b>5,557,792</b>			

The Fund recorded its investment in LIF as a level 2 asset due to it being an unlisted unit trust and it not meeting the Level 1 requirement to be actively traded. The Fund could redeem or purchase units in LIF on a weekly basis.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in a transaction between market participants at the measurement date. The Fund had an established control framework with respect to the measurement of fair values. When third party valuation information, such as periodic valuations provided by the Trustees of unlisted unit trusts is used to measure fair value, the Trustee had a process in place to assess the evidence obtained to support the conclusion that such valuations met the requirements of Australian Accounting Standards. The Trustee's policy on the valuation of private market investments held in the Fund was to adopt the latest available reported valuations provided by the operators of the investment vehicles. The valuations provided by the Trustees of unlisted unit trusts were monitored daily, monthly or as required.

There were no transfers between level 1, level 2 and level 3 in the period.

### 17. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION

#### (a) Identification of Related Parties and Directors

The Trustee of the Fund was LGSS Pty Limited (ABN 68 078 003 497). The following persons held office as Directors of LGSS Pty Limited during the year or since the end of the year and up to the date of this report:

#### Employer representatives

Mrs M Blicavs  
Mr J Morris  
Ms K O'Regan  
Mr B Miller

#### Employee representatives

Mr R O'Connell (resigned 31 August 2016)  
Mr C Peate  
Mr J Montague  
Mr S Byrne  
Mr G Brock (appointed 1 September 2016)

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 17. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION (continued)

#### (a) Identification of Related Parties and Directors (continued)

LGSS Pty Limited is also the Trustee for Local Government Superannuation Fund Pool B.

The above Directors are also Directors of LIF Pty Limited (ABN 92 099 664 285), a wholly owned subsidiary of the Trustee. LIF Pty Limited is the Trustee of the Local Investment Fund and of Local Government Property Fund. Furthermore, the above Directors are also Directors of Local Government Financial Services Pty Limited, which is 100% owned by Local Government Superannuation Scheme Pool B.

#### (b) Other Key Management Personnel

The Chief Executive Officer, Mr P Lambert, the Chief Investment Officer, Mr C Turnbull, Chief Operating Officer, Mr A Griffin, Chief Marketing Officer, Ms Michelle Hopwood, Mr A Dunkerley, Chief Advice Officer and Chief Governance Officer, Ms Donna Heffernan are considered to be members of the key management personnel.

#### (c) Compensation Received

	2016 \$'000	2015 \$'000
Short-term employee benefits	2,316	2,084
Post-employment benefits	176	186
	<u>2,492</u>	<u>2,270</u>

The total compensation due and receivable by the Directors of LGSS Pty Limited and other key management personnel during the financial year was paid on behalf of the Fund by LGSS Pty Limited.

#### (d) Transactions entered into during the year with Directors and their Related Entities

Transactions with Director related entities were conducted on normal terms and conditions. Directors' fees were included in short-term employee benefits as set out in Note 17(c) and were for the reimbursement of administration costs incurred by the Directors whilst attending to Trustee business.

#### Contributions and retirement benefits of key management personnel

Certain key management personnel, including the directors of the Trustee paid member contributions into the Fund. These were in accordance with the normal terms and conditions of the Trust Deed.

Mr B Miller and Mr J Montague are directors of the Trustee and received benefit payments during the year in accordance with the Trust Deed.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 17. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION (continued)

#### (e) Other Related Party Transactions

During the period 1 July 2015 to 30 June 2016, LGSS Pty Limited was paid fees to cover administration costs and employee entitlements of \$20,631,517 (2015: \$21,444,233) from the Fund.

These fees were based on the cost to the relevant entity of providing these services.

Included within the investments of the Fund were amounts held with LIF of \$6,046,861,277 (2015: \$5,557,792,296). Distributions received from LIF were \$1,391,319,806 (2015: \$167,814,930).

### 18. SUBSEQUENT EVENTS

No significant events have occurred since balance date which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2016 or on the results for the year ended on that date.

### 19. INVESTMENTS IN STRUCTURED ENTITIES

Name of Entity	2016 Ownership Interest %	2015 Ownership Interest %
Local Investment Fund	0%	65%

The Fund did not have a controlling interest in Local Investment Fund in terms of the requirements of AASB 10. Although the Fund was subject to variable returns from its investment, the Fund did not have power over it (ie. no control) and therefore it was not consolidated, consistent with the requirements of AASB 10.

The investment in Local Investment Fund was disclosed at net asset value in the Fund's accounts. Details on the holdings and transactions with this entity are disclosed in Note 17.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 20. WIND-UP OF THE FUND

As a result of the Successor Fund Transfer agreement (note 1), all assets, liabilities, members and their accrued benefit entitlements of the Fund were transferred to LGS Pool B on 30 June 2016.

	<b>\$'000</b>
<b>Assets</b>	
Investments	6,055,581
Cash and Cash Equivalents	63,884
Receivables	10,986
Deferred Tax Assets	219
	<u>6,130,670</u>
<b>Liabilities</b>	
Benefits Payable	3,346
Payables	3,359
Current Tax Liability	27,069
Deferred Tax Liability	6,325
	<u>40,099</u>
<b>Net Assets transferred to LGS Pool B</b>	<u><u>6,090,571</u></u>
<b>Liability for Accrued Benefits</b>	
Funds Allocated to Members' Accounts	6,062,411
Funds Not Yet Allocated to Members' Accounts	9,016
Vested benefits	<u>6,071,427</u>
Administration Reserve	351
Insurance Reserve	1,711
Operational Risk Financial Requirement (ORFR) Reserve	17,082
<b>Total Reserves transferred to LGS Pool B</b>	<u>19,144</u>
<b>Total Liability for Accrued Benefits transferred to Pool B</b>	<u><u>6,090,571</u></u>

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A ABN 74 925 979 278

### Report by the RSE Auditor to the trustee and members

#### Financial statements

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 2016 comprising the statement of financial position, operating statement, cash flow statement, summary of significant accounting policies, other explanatory notes and the Trustee's statement.

#### Trustee's responsibility for the financial statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of Local Government Superannuation Scheme Pool A.

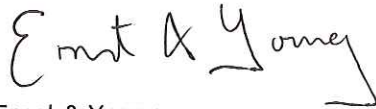
My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Auditor's opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Local Government Superannuation Scheme Pool A as at 30 June 2016 and the results of its operations and its cash flows for the year ended 30 June 2016.



Ernst & Young



David Jewell  
Partner  
Sydney  
28 September 2016