

First Super

putting members *first*



Annual Report | 2012–13



The industry fund
for workers in the
timber, pulp & paper
and furniture &
joinery industries

If you are viewing this report on line, you can obtain a hard copy from us by calling **1300 360 988**

Issued by First Super Pty Ltd (ABN 42 053 472, AFSL 223988, RESL L0003049)

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3 The number of separate super funds the average Australian has

Let us help you consolidate your super accounts – free of charge!

Simply complete a consolidation form and we'll do the paperwork to get your money consolidated.

Co-Chairs' message

The year under review saw many changes to superannuation. The Government's Stronger Super reforms were the driver of a number of initiatives at First Super, including development of an approved MySuper product. Obtaining approval required a considerable investment of time from the Board and the fund's management, but it was important for the fund's future viability. New members who don't make an investment choice will automatically be invested in First Super's MySuper option – the Balanced option.

The Board also directed much of its attention to the fund's investment strategies. Members benefitted from our approach to manager selection, diversification and risk mitigation with a defensive approach for investment strategy. The Balanced (MySuper) option in which over 88% of members have their super invested, returned 13.59% after tax, exceeding expectations.

As a fund run solely to benefit members – and not to generate profits – we are always looking for ways to protect your interests. One issue that most concerns us is the market presence of financial planners who advise people to invest in superannuation and retirement products that are more expensive – and potentially less beneficial – than ours.

If you're offered a session with a financial planner by your bank or other financial institution, be mindful of their possible motivations and payment structures. As a First Super member, you have access to reasonably priced financial planners who understand our products and put your interests first. The first session is free.

You can also get limited financial advice about First Super's superannuation and insurance options via our Contact Centre. This is just one of the services the Board introduced in our ongoing quest to improve services for members while keeping costs down.

During the year, First Super's first CEO, Graeme Russell, resigned after five years at the helm. On behalf of the Board, we'd like to thank Graeme for his dedication

“As a member of First Super you have access to reasonably priced financial planners who understand our products and put your interests first.”

to the Fund, to our members and for his tireless contribution to the industry fund movement. We wish Graeme well at Media Super.

The Board also extends a warm welcome to Bill Watson, First Super's new CEO. Bill brings with him a wealth of experience in superannuation, business strategy and governance. The Board welcomes Bill's commitment to First Super and our members.

Finally, we'd like to thank you, our members and employers, for your continued support of First Super. We will keep working hard to ensure your industry fund meets your needs and serves your interests.

In closing, as Co-Chairs we would like to thank our fellow Directors and dedicated staff for their valued contribution over the past year. Their efforts and commitment allows the Fund to maintain and operate at a standard of Corporate Governance that we as Co-Chairs are proud of.

Michael O'Connor
Construction Forestry
Mining & Energy Union
National Secretary

Allan Stewart
Timber Trade
Industrial Association
President

1 January
2014

The date employers must offer new employees a MySuper product as their default superannuation arrangement.

First Super is now an authorised MySuper product provider.

CEO's message

As First Super's new Chief Executive Officer, I wanted to take this opportunity to speak directly to our members and sponsoring employers.

I am honoured to have joined an organisation that exists for one very important purpose: to maximise the future financial security of its members. Australia's superannuation regime is the envy of the world and industry funds, like First Super, are at the forefront of the industry.

First Super has an excellent track record of delivering superior returns for members under the stewardship of Graeme Russell and I am committed to continuing that tradition. I will also maintain First Super's commitment to providing members with quality super while keeping fees low.

In my short time with First Super I have been impressed by the closeness of First Super's ties to the communities and

members it serves. We are very much a part of the timber, pulp, paper and furnishing industries. That involvement enables us to understand how we can better meet the needs of our employers and members. I have also been impressed by the vigour with which the Board represents the interests of members and drives the fund's various strategies.

I look forward to getting to know many of you personally over the coming years and to work closely with our Board to ensure First Super continues to exceed your expectations.

Bill Watson
CEO

“ I have been extremely impressed by the closeness of First Super's ties to the communities and the members it serves. ”

Did you know...

First Super is run only to benefit members. That means unlike retail funds, we put our profits back into member accounts.



First Super is *your* industry fund

First Super is proud of our industry heritage. We design our products and services to meet your needs, as well as support and invest in your industry and the communities in which you work and live.

First Super manages \$1.9 billion in member funds for over 72,000 members. We offer superannuation, insurance, Transition to Retirement and Pension products. As an industry super fund our profits are returned to you, our members, not to shareholders.

As **the** industry fund for all workers in the timber, pulp and paper, furniture and joinery industries, we are committed to providing our members and their employers with the benefits that enhance their long-term financial position, well-being and security.

Personalised service and advice

We are committed to providing First Super members with high quality, personalised service and advice.

Our Contact Centre is available to help you manage your super and inform you of your options.

The Contact Centre can help you arrange for a First Super Coordinator to visit your workplace. Our Coordinators are available to provide you with the information you require to better understand the Fund, your account and our services.

We also offer members access to licenced, commission-free financial planners who can help you plan for your retirement.

Call **1300 360 988** to talk to a Contact Centre staff member or to book a free initial consultation with a financial planner.

Investment options to suit your needs

First Super offers members five investment options in a mix of growth and defensive investments. You can invest your savings in one option or choose to invest in a mix of options; the choice is yours. We also make it easy to change

Did you know...

As an industry fund, we offer low fees, including no entry fee, and we don't pay commissions to financial advisors.

your investment options at any time, providing you have at least \$1,000 in your account.

Your super can be a safe, low-cost and tax-effective way of saving for retirement. We use our size and strength to ensure our members pay low investment management fees.

Flexible insurance options at competitive rates

First Super provides you with flexible, comprehensive insurance options at competitive insurance rates. We understand how important it is that you and your family are protected if the worst happens.

As a First Super Member you automatically receive limited insurance cover and you can choose to increase your cover to suit your needs. Our Death and Total & Permanent Disablement insurance and voluntary Income Protection cover will ensure you are covered for all eventualities. Visit firstsuper.com.au or call **1300 360 988** for more information.

Planning for retirement

If you are nearing age 55 and starting to think about retirement, First Super's allocated pension products allow you to stay with us through your working life and beyond.

If you are age 55 or over and still working, a **First Super Transition to Retirement**

Allocated Pension can provide you with the flexibility to reduce your working hours and make up for lost income by drawing on your super. Used properly, a Transition to Retirement Allocated Pension is a powerful tax planning tool for wage and salary earners.

If you are over the preservation age (between 55 and 60, depending on when you were born) and looking to retire permanently from the workforce, a **First Super Allocated Pension** can provide you with a regular income during retirement. You can even draw down lump sum amounts.

To help you plan for your retirement, call our Contact Centre on **1300 360 988** to discuss your options or make an appointment to see a financial planner.



The tax you pay on investment earnings with a First Super Allocated Pension.

Investment performance



First Super performed well during the year to 30 June 2013, with our default option exceeding expectations.

The Balanced investment option, the investment option held by 88% of our members, earned 13.59% after tax. As in previous years, this return exceeded similar funds owned by the banking sector.

This pleasing result can be attributed to a range of things including:

- outperformance of our Australian equities managers
- continued strong performance of our Australian and international infrastructure investments, and
- a defensive approach to investment strategy, especially early in the financial year.

13.59%

**The Balanced
(default) option
return for the year**

Benefits of diversification were also apparent in our results. Investment options with a range of asset classes, such as shares and infrastructure, exceeded their performance benchmarks.

The Growth investment option, which has a similar asset allocation to many other funds' default options, returned an excellent 17.04%. The Shares option returned 19.62% and the Conservative Option returned 11.53%. The Cash option returned 3.42%, which represented a reduction from the previous year due to record-low interest rates.

During the year, Perpetual were appointed to manage some of First Super's Australian shares portfolio. Perpetual replaced BT and their results to date have been outstanding, beating their benchmark targets.

Other Australian and international equity managers performed well, contributing to First Super's strong investment returns.

Outlook

The outlook for 2014 is mixed. The recovery from the 2009 Global Financial Crisis remains weak, despite the efforts of central banks to boost economic activity. Locally, the extraordinary level of mining investment that's fuelled recent growth seems to be coming to an end. However, the reduction in the value of the Australian dollar is expected to give a boost to other industry sectors and exports generally.

The First Super Board and its Investment Committee will continue to maintain a healthy scepticism towards investing in emerging markets due to concerns in regard to the level of governance and the availability of outperformance opportunities in a cooling market.

Crediting rates

Investment returns are calculated and 'declared' each week. After the end of the financial year (30 June), the weekly rates are combined into an annual crediting rate, which is applied to your account balance. The crediting rate can be positive or negative.

If you are paid a benefit before the end of the financial year, an interim crediting rate is applied to your account balance when you receive your benefit. This interim rate is based on the declared weekly returns for the period during which your benefit was in the fund.

The crediting rates for super and pension accounts are different. This is because pension accounts don't pay tax on investment earnings.

Below are the crediting rates for the financial year ending 30 June 2013 and prior periods.

Superannuation								
Investment Option	1 year % p.a.	2 years % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	Return since inception	Inception date	Return over CPI since inception
Balanced (default)	13.59	7.9	7.5	3.4	6.8	8.2	1 Jul 1988	5.2
Shares Plus	19.62	8.6	8.8	3.3	7.3	4.1	1 Mar 2001	1.3
Growth	17.04	10.1	n/a	n/a	n/a	11.9	14 Oct 2011	10.1
Conservative Balanced	11.53	7.9	7.7	4.5	n/a	4.5	1 Jul 1988	2.2
Cash	3.42	4.4	4.4	4.0	4.3	4.8	1 Mar 2001	2.0

*The composition of the Balanced option was fundamentally different prior to 1 July 1988.

Pension								
Investment Option	1 year % p.a.	2 years % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.	Return since inception	Inception date	Return over CPI since inception
Balanced (default)	15.44	9.1	8.6	4.0	n/a	6.3	18 Mar 2005	3.6
Shares Plus	21.54	9.6	9.7	3.6	n/a	5.7	1 Jul 2005	2.9
Growth	n/a	n/a	n/a	n/a	n/a	n/a	1 Jul 2013	n/a
Conservative Balanced	12.90	9.0	8.7	5.1	n/a	5.1	1 Jul 2008	2.8
Cash	4.01	5.2	5.2	4.7	n/a	4.7	1 Jul 2005	1.9

Note: 5-year and 10-year rates are based on the crediting rates for similar investment options in the former Timber Industry Super Scheme up to 30 June 2008 and First Super since. 'N/A' indicates there were no similar investment options available 5 or 10 years ago. Rates are not guaranteed and may not be the same as those allocated to your account for reasons including the date you joined and the timing of contributions. Past performance is not a reliable indicator of future performance.

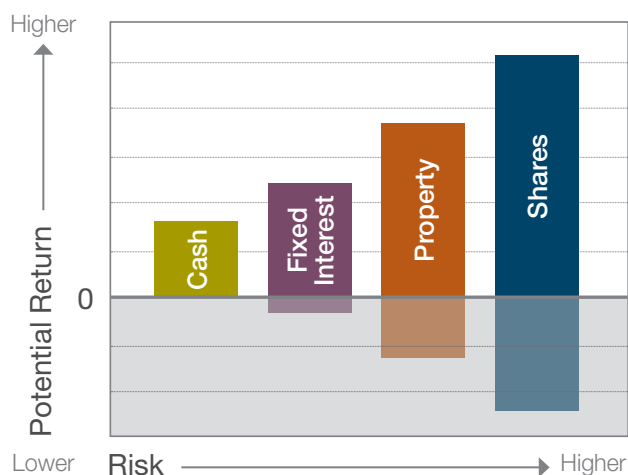
The risk/return profile of the main asset classes

This graph illustrates the relationship between higher returns and greater risk. It does not reflect the actual returns or risks.

The link between risk and return

Generally, investment in high risk assets will produce higher returns over the long term, with a greater chance of a negative return over the short term.

Each of the four main asset classes – shares, property, fixed interest and cash – has different levels of risk and different potential for returns.



Your investment options

First Super lets you choose how your super is invested. Our mix of growth investments and defensive investments offers you an investment mix that suits your risk profile and your investment timeline.

First Super members can choose to invest in any one or a combination of the following options:

1. Shares Plus
2. Growth
3. Balanced (default option)
4. Cash
5. Conservative

You can mix your investment in any percentage split across the five investment options or you can choose to invest in just one option. The choice is yours.

Making an investment choice

Before making an investment choice you should consider your personal situation and understand the relationship between risk and return. This is essential to making an informed investment decision.

You can change your investment mix at any time, provided you have an account balance of at least \$1,000.

First Super provides all members with access to low cost financial planning services. Our financial planners receive no commissions. They work on a fee for service basis so you know what it is going to cost you up front. Your initial consultation is free. Call **1300 360 988** for more information or to arrange for a financial planner to contact you.

Investment options

For more information, read the *Investing your super IBR* available at firstsuper.com.au.

Did you know...

From late 2013, you will be able to have the cost of personal financial advice deducted directly from your super account.

Change to Asset Class Names

A change in Government legislation requires superannuation funds to use standard terms to describe the assets classes in which they invest. While the new names provide less information than the old, the change has not significantly affected how or where First Super invests, only the names used.

The table below shows the old and new asset class names.

Old Asset class names	New Asset class names
Australian Equities	Australian listed equities
International Equities (Unhedged)	International listed equities
International Equities (Hedged)	International listed equities
Australian Private Equity	Australian unlisted equities
International Private Equity	International unlisted equities
Timber, Furniture and Pulp	Other
Australian Infrastructure	Australian unlisted infrastructure
International Infrastructure	International unlisted infrastructure
Property	Australian unlisted property
Australian Broad Based Bonds	Australian fixed income
International Broad Based Bonds	International fixed income
Floating Rate Debt	50% Australian fixed income/ 50% international fixed income
Cash	Cash

Shares Plus

Objectives

- Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 4.0% per annum over rolling ten year periods;
- Confine the chance of the rate credited to members falling below zero in any financial year to less than one in five; and
- Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings High Growth (91-100) Option Survey over rolling five year periods.

Investor profile

This investment option is likely to appeal to members with a long-term view of their superannuation savings and/or who are prepared to accept higher risk in the search for higher returns.

Risk profile

The Shares Plus option is likely to provide a high degree of volatility and fluctuations in returns and is at the high end of the risk/return range. The risk may increase by the nature of overseas investments, which means that this option is subject to the considerable extra risk of currency fluctuations and international events. It is likely to outperform the other investment options offered in the longer term.

Standard risk

4.1 years

Risk band: 6

Risk label: High

Asset allocation and ranges

Asset Class	Target %	Range %
Cash	0.0	0 – 5
Australian fixed income	0.0	0 – 5
International fixed income	0.0	0 – 5
Australian listed equities	42.0	30 – 60
Australian unlisted equities	5.0	0 – 20
International listed equities	32.0	0 – 40
International unlisted equities	1.0	0 – 5
Australian listed property	0.0	0 – 20
Australian unlisted property	10.0	0 – 20
International listed property	0.0	0 – 20
International unlisted property	0.0	0 – 20
Australian listed infrastructure	0.0	0 – 10
Australian unlisted infrastructure	5.0	0 – 10
International listed infrastructure	0.0	0 – 10
International unlisted infrastructure	5.0	0 – 10
Commodities	0.0	0 – 5
Other	0.0	0 – 5
Total	100.0	



Growth

Objectives

- Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 3.75% per annum over rolling ten year periods;
- Confine the chance of the rate credited to members falling below zero in any financial year to less than one in six; and
- Achieve an investment return (after tax and investment expenses) that exceeds the median of the Super Ratings Default Option Survey over rolling five year periods.

Investor profile

This option is likely to appeal to members who are prepared to accept higher investment risk in the search for higher returns, but also wish to reduce the risk of very large investment losses by diversifying into some defensive assets.

Risk profile

The Growth option is likely to provide a high degree of volatility and fluctuations in returns. It has a lower investment risk/return profile than the Shares Plus option because it has a higher exposure to defensive assets. Over the long term it is likely to outperform the other investment options except for Shares Plus.

Standard risk

3.4 years

Risk band: 5

Risk label: Medium to high

Asset allocation and ranges

Asset Class	Target %	Range %
Cash	2.0	0 – 20
Australian fixed income	6.5	0 – 20
International fixed income	6.5	0 – 20
Australian listed equities	33.0	25 – 45
Australian unlisted equities	5.0	0 – 25
International listed equities	26.0	0 – 45
International unlisted equities	1.0	0 – 10
Australian listed property	0.0	0 – 20
Australian unlisted property	10.0	0 – 20
International listed property	0.0	0 – 20
International unlisted property	0.0	0 – 20
Australian listed infrastructure	0.0	0 – 10
Australian unlisted infrastructure	5.0	0 – 10
International listed infrastructure	0.0	0 – 10
International unlisted infrastructure	5.0	0 – 10
Commodities	0.0	0 – 5
Other	0.0	0 – 5
Total	100.0	

Balanced (default option)

Objectives

- Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by the Consumer Price Index, by at least 3.5% per annum over rolling ten year periods;
- Confine the chance of the rate credited to members falling below zero in any financial year to less than one in ten; and
- Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Default Option Survey over rolling five year periods.

Investor profile

This investment option is likely to appeal to members seeking mid to long-term growth of their superannuation along with diversification across asset classes.

Risk profile

Designed to provide good growth over the mid to longer term while reducing risk through diversification. Likely to slightly under-perform against the First Super Shares Plus and Growth options over the long term.

Standard risk

2.0 years

Risk band: 4

Risk label: Medium

Asset allocation and ranges

Asset Class	Target %	Range %
Cash	4.0	0 – 15
Australian fixed income	14.5	0 – 40
International fixed income	14.5	0 – 40
Australian listed equities	22.0	15 – 40
Australian unlisted equities	5.0	0 – 25
International listed equities	17.0	5 – 40
International unlisted equities	1.0	0 – 5
Australian listed property	0.0	0 – 20
Australian unlisted property	10.0	0 – 20
International listed property	0.0	0 – 20
International unlisted property	0.0	0 – 20
Australian listed infrastructure	0.0	0 – 10
Australian unlisted infrastructure	5.0	0 – 10
International listed infrastructure	0.0	0 – 10
International unlisted infrastructure	5.0	0 – 10
Commodities	0.0	0 – 5
Other	2.0	0 – 5
Total	100.0	

Conservative Balanced

Objectives

- Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by increases in the Consumer Price Index, by at least 3.0% per annum over rolling ten year periods;
- Confine the chance of the rate credited to members falling below zero in any financial year to less than one in fifteen; and
- Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Conservative Balanced (41 – 59) Option Survey over rolling five year periods.

Investor profile

Members investing for the short to medium term who want a more secure option with less chance of fluctuations than the Shares Plus, Growth or Balanced options and/or members looking for lower risk options for their superannuation savings.

Risk profile

Designed to provide more stable returns than the Shares Plus, Growth or Balanced options. It is at the lower end of the risk/return range and is likely to under perform against the Shares Plus, Growth or Balanced options over the medium to long term.

Standard risk

1.1 years

Risk band: 3

Risk label: Low to medium

Asset allocation and ranges

Asset Class	Target %	Range %
Cash	20.0	5 – 25
Australian fixed income	15.0	5 – 45
International fixed income	15.0	5 – 45
Australian listed equities	17.0	10 – 30
Australian unlisted equities	0.0	0 – 5
International listed equities	13.0	5 – 20
International unlisted equities	0.0	0 – 5
Australian listed property	0.0	0 – 20
Australian unlisted property	10.0	0 – 20
International listed property	0.0	0 – 20
International unlisted property	0.0	0 – 20
Australian listed infrastructure	0.0	0 – 10
Australian unlisted infrastructure	5.0	0 – 10
International listed infrastructure	0.0	0 – 10
International unlisted infrastructure	5.0	0 – 10
Commodities	0.0	0 – 5
Other	0.0	0 – 5
Total	100.0	

Cash

Objectives

- Achieve an investment return (after tax and investment expenses) that exceeds inflation, as measured by increases in the Consumer Price Index, by at least 1.0% per annum over rolling five year periods;
- Confine the chance of the rate credited to members falling below zero in any financial year being negligible; and
- Achieve an investment return (after tax and investment expenses) that exceeds the median of the SuperRatings Cash Option Survey over rolling five year periods.

Investor profile

Members investing for the short term and/or those who want a secure option with a low chance of investment fluctuations. May be suitable for members intending to realise or reorganise their investments in the near future who want to avoid the possibility of a loss over that period.

Risk profile

Designed to provide very stable returns at the lowest end of the risk/return range. However, it is likely to under-perform all other investment options offered over all but the shortest periods.

Standard risk

0.0 years

Risk band: 1

Risk label: Very low

Asset allocation and ranges

Asset Class	Target %	Range %
Cash	100.0	100%
Australian fixed income	0.0	0
International fixed income	0.0	0
Australian listed equities	0.0	0
Australian unlisted equities	0.0	0
International listed equities	0.0	0
International unlisted equities	0.0	0
Australian listed property	0.0	0
Australian unlisted property	0.0	0
International listed property	0.0	0
International unlisted property	0.0	0
Australian listed infrastructure	0.0	0
Australian unlisted infrastructure	0.0	0
International listed infrastructure	0.0	0
International unlisted infrastructure	0.0	0
Commodities	0.0	0
Other	0.0	0
Total	100.0	

Investments held by the Fund



Listed below are the investment funds employed by First Super and the direct investments made for the financial year ending 30 June 2013.

Australian Equities	30 June 2013 (\$,000)
Listed Equities	
Perpetual Mandate	129,397*
Eley Griffiths Small Co Mandate	30,023
IFM Enhanced	131,447*
Invesco Small Cap Australian Equity	30,767
Orbis SM Australian Equity Fund	82,775
Total Listed Equities	404,409
Australian Private Equity	
Frontier Advisers Pty Ltd	309
ING Private Capital Fund 1	21
Industry Super Holdings Pty Ltd	10,470
Members Equity Bank Pty Ltd	21,178
Macquarie Alternative Investment Trust 3	13,844
Macquarie Alternative Investment Trust 4	22,081
Quay Australia First Trust Portfolio	28,173
Quay Australian 3 Fund	4,981
Quay Australian 4 Fund	2,408
Super Benefits Administration Pty Ltd	1,565
Total Australian Private Equity	105,030
International Equities	
International Equities (Unhedged)	
BlackRock Unhedged World ex Australia Equities Index	3,571
Capital International Global Equity Unhedged	115,730*
Global Thematic Partners	59,181
Orbis Global Equity Fund	104,342*
Total International Equities (Unhedged)	282,824
International Equities (Hedged)	
BlackRock Global Equity Hedged	61,511
Total International Equities Hedged	61,511
International Private Equity	
IFM Global Unit Trust	3,115
Wilshire AU Market PST G & H	6,402
Wilshire AU Market PST J & K	5,123
Total International Private Equity	14,640

* These assets represent 5% or more of the Fund.

Australian Infrastructure	30 June 2013 (\$,000)
IFM Fund	74,249
Hastings UTA	10,939
Total Australian Infrastructure	85,188

International Infrastructure	30 June 2013 (\$,000)
AMP Strategic Infrastructure Trust EUR	8,948
IFM International Infrastructure	62,263
Total International Infrastructure	71,211

Property	30 June 2013 (\$,000)
AMP Property Income Fund	5,815
Fortius Active Property 1	6,137
Franklin International Real Estate 2	2,612
ISPT Development Opp Fund 1	4,966
Industry Super Property Trust Core	99,734*
QIC Property Fund	63,147
Total Property	182,411

Fixed Interest & Floating Rate Debt	30 June 2013 (\$,000)
BlackRock Indexed Australian Bond Fund	100,253*
BlackRock Global Bond Index	42,755
IFM Alternative Fixed Income Fund	29,949
IFM Credit Opportunities	75,266
PIMCO Global Bond	74,739
Super Loans Trust (Members Equity Bank)	12,761
PIMCO Target Return Fund	108,125*
Westbourne Yield Fund No 1	46,902
Total Fixed Interest	490,750

Cash	30 June 2013 (\$,000)
IFM Transaction Fund	35,307
Short Term Cash Account	163,727*
Total Cash	199,034

Total Investments

\$1,897,008,000

Taking care of First Super



The Trustee

The Trustee of First Super is a company, First Super Pty Ltd (ABN 42 053 498 472, AFSL 223988, RSEL L0003049).

The Trustee is responsible for managing over approximately \$1.9 billion in funds under management and overseeing its investments on behalf of 72,000 members, in accordance with the Trust Deed and relevant legislation.

The Trustee Board

The First Super Trustee Board is comprised of five member representatives, five employer representatives and one independent director.

Directors are appointed to the Board following consideration of a nominee's suitability and qualifications. Member representatives are nominated to

the Board by the CFMEU (Forestry and Furnishing Products Division) while employer representatives are nominated by employers or employer associations. One Independent director is jointly appointed by the other members of the Trustee Board.

The Co-Chair persons are elected annually by the Board.

The Board generally meets four times a year and undertakes an annual review of its performance. Every second year an independent external review of the Board (and its subcommittees) is commissioned.

\$153,806,972

The value of contributions made to First Super member accounts for the 2012/13 financial year.

Board subcommittees

The First Super Trustee Board has established subcommittees to deal with issues and to make recommendations to the Board. Each subcommittee generally meets four times a year, with additional meetings scheduled as required.

The Directors of First Super and their subcommittee representation as at 30 June 2013 were as follows:

Member representative	Subcommittee representation
Michael O'Connor (Co-Chair) Member since 2008	Audit & Compliance Investment (Chair) Remuneration Nominations Administration & Marketing
David Kirner Member since 2010	Audit & Compliance Administration & Marketing Group Insurance
Alex Millar Member since 2008	Investment
Kevin Millie Member since 2008	Administration & Marketing
Frank Vari Member since 2008	Investment Nominations Remuneration

Employer representative	Subcommittee representation
Alan Stewart Member since 2008	Investment Remuneration Administration & Marketing (Chair) Nominations Group Insurance
Martin Lewis Member since 2008	Investment Nominations
Lisa Marty Member since 10 August 2012	Administration & Marketing
Lindsay Morling Member since 2008	Audit & Compliance Administration & Marketing Group Insurance
Mike Radda Member since 2008	Investment

Independent director	Subcommittee representation
Bob Smith Member since 2008	Audit & Compliance (Chair) Remuneration (Chair) Group Insurance (Chair) Nominations (Chair)

Service Providers

First Super work with a range of independent advisors and service providers to assist with running your Fund on a day-to-day basis. Each advisor and service provider is appointed following a due diligence process. Advisors and service providers may change from time to time. As of 30 June 2013, First Super used the following advisors and service providers:

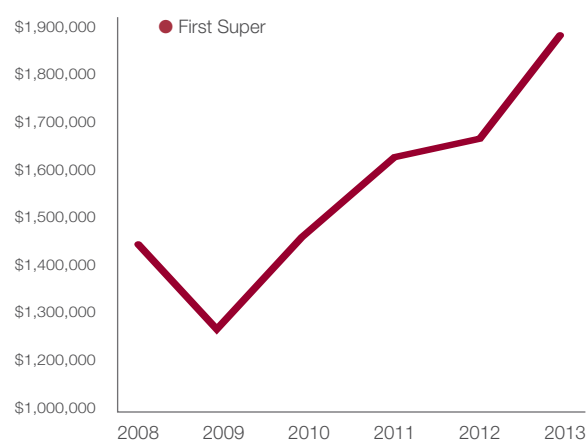
Actuary	Mercer Consulting (Australia) Pty Ltd
Administrator	Super Benefits Administration Pty Ltd
External Auditor	KPMG
Financial Advisor	IFS Financial Planning
Internal Auditor	Ernst & Young
Insurer	MetLife
Insurance Advisor	IFS Insurance Broking Pty Ltd
Asset Consultant	Frontier Investment Consulting Pty Ltd
Legal Advisor	Madgwicks
Master Custodian	National Australia Bank Ltd
Tax Advisor	Ernst & Young

First Super Coordinators

First Super's Coordinators are available to help with complicated issues. They can help you over the phone or visit you in your workplace to discuss the financial planning services available to you.

For more information about First Super's Coordinators call **1300 360 988**.

Funds Under Management



Directors' remuneration report



In their positions as Directors of First Super Pty Ltd, the Board is paid for the work they do. In some cases, payment may also be made to the Director's employer to compensate for time spent by the Director managing the business of the Fund and the Trustee.

The fees paid to the Board are set and examined regularly by the Remuneration Committee. Independent advice may be sought from time to time to ensure Board remuneration is in line with the market.

Based on information available, the Remuneration Committee is satisfied that the level of remuneration paid to First Super Directors is reasonable.

Director's fees

The fees paid to Directors are paid in respect of:

Board meetings. Covering preparation for and attendance at Board meetings. Payment includes an allowance for travel and accommodation for interstate Directors.

Workshop & training courses.

Covering Director participation in all approved workshop and training courses and relevant incurred expenses.

Conferences. Covering Director participation in approved conferences and relevant incurred expenses for travel and accommodation for interstate Directors.

Extra Duties. On occasion the Board may require Directors to take on extra duties. An additional fee may be paid to the Director at the Board's discretion.

Professional development

On accepting a chair on the Board, all Directors are required to participate in a thorough induction program leading up to and following their appointment.

Directors are required to undertake a minimum of eight hours of professional development each year to maintain their skills and competencies. Professional development may include participation in industry programs, seminars, conferences, relevant presentations at Board and subcommittee meetings and other approved workshop and training courses.

Hospitality and gifts

First Super Directors and senior management may on occasion accept hospitality and gifts within the constraints of the Hospitality & Gifts policy. All hospitality and gifts that are accepted are recorded in the Hospitality & Gifts Register. The Register is provided to the Audit & Compliance subcommittee at each meeting and is published on the First Super website.

Board fees

The fees for the Director's of First Super have not increased since they were first established in 2008.

The Director's fees for the year ended 30 June 2013 are as follows:

	Co-Chairs (\$)	Directors (\$)
Board meetings intrastate	5,250	3,000
Board meetings interstate	6,350	4,100
Committee meetings intrastate	2,250	1,500
Committee meetings interstate	3,350	2,600
Workshops & training courses intrastate	1,350	1,350
Workshops & training courses interstate	1,350	1,350
Workshops & training courses – expenses	1,100	1,100
Conferences – per day	1,100	1,100
Reference committees	Reimbursement of expenses	Reimbursement of expenses

2012/13 attendance and remuneration

Listed below is the Board's meeting attendance and remuneration (including GST where applicable) for the year ending 30 June 2013:

Director	Board meetings	Committee meetings	Professional development hours	Remuneration (\$)	Payments made to:
Michael O'Connor	4/4	22/22	28.5	88,495	CFMEU-FFPD
David Kirner	4/4	12/12	5.5	56,430	CFMEU-FFPD
Alex Millar	3/4	5/6	32.5	29,040	CFMEU-FFPD
Kevin Millie	4/4	7/7	36	48,950	CFMEU-FFPD
Frank Vari	4/4	8/9	12.5	29,590	CFMEU-FFPD
Allan Stewart	4/4	22/22	55.55	141,955	Allan Stewart & Associates Pty Ltd
Martin Lewis	4/4	13/15	24.5	51,920	Martin Lewis
Lisa Marty	4/4	5/6	34	23,900	Lisa Marty
Lindsay Morling	4/4	10/10	31	47,900	Lindsay Morling
Mike Radda	4/4	5/6	5.5	22,660	UCI Projects Pty Ltd
Bob Smith	4/4	13/13	12	78,980	Bob Smith
Total Remuneration				\$619,820	

The total salary package of First Super's CEO for the year ending 30 June 2013 was \$270,000.

Fees and charges

The fees and costs you may be charged are set out below.

These fees and costs may be deducted from your account, from the returns on your investment or from the fund assets as a whole.

You should read all of the important information about fees and costs because it is important to understand their impact on your investment.

Did you know...

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

Type of fee or cost	Amount	How and when paid
Management costs		
Investment fee – the fees and costs for managing your investment.	Indirect Cost Ratio*: The amount you pay for specific investment options. Shares Plus 0.77% Growth 0.61% Balanced 0.68% Conservative Balanced 0.50% Cash 0.09%	The Indirect Cost Ratio (ICR) is not deducted from member accounts. It is deducted from investment earnings before investment returns are declared.
Administration fee – the fees and costs for administration of the Fund.	\$1.35 per week (\$70.20 p.a.)	Deducted on the last working day of the month, except if the member is leaving the Fund, in which case it is applied as at the date of exit.
Service fees		
Investment switching fee – the fee for changing investment options.	Nil for the first two switches in any year, \$30 for any subsequent switch in the year.	Deducted from the member's account at the time the switch is processed.
Exit fee* – the fee on each amount you take out of your investment.	Nil for retirement benefits, death and disablement benefits, financial hardship and compassionate payments. \$75 for full or partial withdrawals.	Deducted from your account at the time of withdrawal.
Financial planning – the fee for obtaining financial advice.	Fees may be paid to your financial advisor.	You may agree to have these fees deducted from your account.

* Indirect Cost Ratio, see explanation in next section.

Financial information

The following is an abridged version of First Super's Financial Statements for the financial year ending 30 June 2013. A copy of the audited Financial Statements is now available to download at firstsuper.com.au.

Statement of financial position	30 June 2013 (\$)	30 June 2012 (\$)
Assets		
Investments	1,897,008,572	1,671,178,419
Other Assets	12,996,179	22,114,222
Total Assets	1,910,004,751	1,693,292,641
Liabilities		
Trade and other payables	(4,728,205)	(5,025,810)
Benefits payable	(471,585)	(308,347)
Current tax liabilities	(8,783,858)	(9,500,095)
Total Liabilities	(13,983,648)	(14,834,252)
Net assets	1,896,021,103	1,678,458,389
Represented by liability for accrued benefits		
Member funds	1,878,272,911	1,667,241,369
Reserves	14,748,192	11,217,020
Liability for accrued benefits	1,896,021,103	1,678,458,389

Operating statement	30 June 2013 (\$)	30 June 2012 (\$)
Revenue from investments	247,114,624	42,414,700
Revenue from contributions	153,806,972	160,164,924
Other revenue	12,796,576	11,935,300
Total revenue	413,718,172	214,514,924
Total expenditure	(28,399,827)	(20,225,765)
Benefits accrued before tax	385,318,345	194,289,159
Tax expense	(30,583,353)	(18,131,510)
Benefits accrued after tax	354,734,992	176,157,649

\$224,773,572

The amount of earnings distributed to member accounts for the 2012/13 financial year.

Super update



There were a number of changes to superannuation either passed by Parliament or announced by Government during the year.

Increase in Superannuation Guarantee*

The legislated minimum contribution rate that employers must make to superannuation (known as the Superannuation Guarantee rate) increased from 9.0% to 9.25% for the 2013/14 financial year. This rate is proposed to increase from 9.25% to 12% in small increments from 1 July 2014 to 1 July 2019.

Maximum age limit removed

Effective 1 July 2013, the upper age limit for Superannuation Guarantee contributions was removed. This means that from the 2013/14 financial year employers are required to make Superannuation Guarantee contributions for eligible employees over the age of 70.

Low-income contribution*

From 1 July 2012, individuals with an adjusted taxable income of less than \$37,000 are eligible for a Low Income Superannuation Contribution (LISC). The LISC, paid directly into an individual's superannuation fund, will rebate the 15% contributions tax paid by the fund. This measure aims to ensure that low-income earners pay no tax on superannuation contributions by increasing their superannuation savings by up to \$500.

* The Government is in the process of reconsidering both of these changes. Please contact us on **1300 360 988** for current information.

3,790

The number of new members for 2012/13.

Reduction in tax concession provided to high-income earners

From 1 July 2012, the contribution tax rate for individuals earning income of more than \$300,000 increased from 15% to 30%. Where an individual exceeds the income level of \$300,000 due to the inclusion of concessional (before tax) contributions, the higher tax rate of 30% will apply to that amount of the contribution exceeding \$300,000.

Contribution cap changes

There are limits on how much an individual can contribute to superannuation before incurring extra tax. The concessional (before tax) contributions cap for 2013/14 is \$25,000. However, the concessional contributions cap for individuals aged 60 and over at any time during the 2013/14 financial year is \$35,000. From 1 July 2014, the higher cap will also apply to individuals aged 50 and over.

Changes to excess contributions tax

From the 2013/14 financial year, contributions made in excess of the concessional contribution cap will no longer attract an additional 31.5% penalty tax. Instead, the excess concessional contributions will be taxed at the individual's marginal tax rate, less a tax offset of 15% of the excess amount. An interest charge, to be calculated by the Australian Taxation Office, will also be incurred for the deferral of tax.

The individual will have the option to withdraw any excess concessional contributions made from 1 July 2013 from their superannuation fund without penalty.

Stronger Super reforms

Stronger Super is a package of Government reforms to superannuation that have started to come into effect. The package contains three main initiatives:

1. The introduction of a new default superannuation product, 'MySuper', which must meet minimum standards in relation to benefits, investment strategy and fees. From 1 January 2014, all employers must make contributions for employees who have not made a choice of fund to a superannuation fund that is authorised to offer a MySuper product.
2. Strengthening the governance, integrity and regulatory systems supporting the superannuation system, ensuring that those responsible for managing superannuation monies do so professionally and act in the best interests of members.
3. Introducing new data and reporting standards intended to make the processing of superannuation transactions easier and faster, including the ability to identify and consolidate accounts individuals may have with other funds.

First Super is a MySuper Accredited Fund

First Super is now an authorised 'MySuper' product provider. MySuper is a Government legislated default superannuation arrangement that must meet minimum standards in relation to benefits, investment strategy and fees.

First Super members that are 100% invested in the Balanced option will become a MySuper member of First Super later this year. Nothing about your benefit will change, except you will receive some additional protections.

From 1 January 2014, all employers must provide their new employees with a MySuper product as their default superannuation arrangement.

\$25,000

The maximum amount you can contribute (before tax) to your super account before incurring extra tax. For individuals aged 60 and over the maximum is \$35,000.

Want to know more?

For the latest information on changes that affect superannuation, go to the Australian Taxation Office website at www.ato.gov.au

General information



Fund Reserves

A reserve has been maintained for administration and operational purposes only, such as paying costs and receiving investment income.

The reserve is invested in the Balanced investment option. The value of the reserve at 30 June each year, for the past five years, is shown below:

Year ending 30 June	Reserve balance (\$)
2013	17,748,192
2012	10,967,020
2011	15,127,326

In addition to the Reserve, First Super holds liquid assets of no less than \$250,000 as a condition of the Fund's licence, issued by the Australian Prudential Regulation Authority (APRA).

From 1 July 2013 the Fund has established a separate Operational Risk Financial Reserve (ORFR) to address potential losses arising from operational risks as required under superannuation legislation. There are specific guidelines and processes surrounding the operation and utilisation of this reserve which are contained in the Fund's Operational Risk Requirement Policy.

The ORFR was funded by a transfer of funds from the administration reserve after the annual audit was completed for the 2013 financial year. Though initially invested in cash and fixed interest securities, the ORFR may be partially invested in other assets, including listed shares and other liquid securities, at a future time. Please call First Super on **1300 360 988** to obtain current information.

Trust Deed

The Trust Deed contains the rules of the Fund. No changes were made to the Trust Deed for the financial year ending 30 June 2013.

Eligible Rollover Fund (ERF)

In accordance with superannuation legislation, First Super has nominated Australia's Unclaimed Super Fund (AUSfund) as our nominated Eligible Rollover Fund (ERF). AUSfund will receive the accounts of lost members or members with small, inactive accounts.

Did you know...

Time limits apply to certain complaints made to the Superannuation Complaints Tribunal such as Death and TPD benefits. We suggest contacting the SCT promptly if you are unhappy with our response to your complaint.

Under Government legislation, lost or inactive members with an account balance of \$2,000 or less will be transferred to the Australian Taxation Office (ATO) instead of AUSfund.

If your account is transferred to AUSfund or the ATO:

- You will cease to be a member of First Super
- Any insurance cover you had with First Super will cease, and
- Your account becomes subject to the rules of the institution that receives it.

Both AUSfund and the ATO will generally protect accounts from erosion due to the levy of any administration fees.

You can contact AUSfund at:

AUSfund Administration
PO Box 2468
Kent Town SA 5071

T: 1300 361 795
F: 1300 366 233
E: admin@AUSfund.net.au
W: unclaimedsuper.com.au

You can contact the ATO by calling 13 10 20 or by visiting ato.gov.au.

Complaints

The Trustee has established a procedure to deal fairly with member complaints. All complaints will be handled in a courteous and confidential manner and will be properly considered and dealt with within 90 days. If you believe you have a complaint, please write to:

Superannuation Complaints Officer
PO Box 666
Carlton South VIC 3053

The Trustee may contact you during its investigation of your complaint. Once the investigation is complete, you will receive a written reply from the Trustee explaining the outcome of their investigation. If you are not satisfied with the outcome, you

may choose to escalate your complaint to the Superannuation Complaints Tribunal (SCT).

Established by the Government, the SCT is an independent tribunal charged with reviewing certain decisions made by Trustees. The SCT will seek to resolve your complaint through conciliation. If conciliation is unsuccessful, the SCT will make a final, binding judgement.

You can contact the SCT at:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

T: 1300 884 114
F: 03 8635 5588
E: info@sct.gov.au
W: sct.gov.au

If your complaint is outside the jurisdiction of the SCT, we suggest contacting the Financial Ombudsman Service (FOS) at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

T: 1300 780 808
W: fos.org.au

Privacy

First Super takes the utmost care with your personal information and collects only information that is necessary for your membership. If we share your information with other organisations, we ensure it is only for the purpose of administering your account or as authorised by you.

A copy of our Privacy Policy is available on request.

If you believe that a breach of your privacy may have occurred in relation to your First Super membership, write to:

First Super Privacy Officer
PO Box 666
Carlton South VIC 3053

Contact us

If you require information or assistance regarding your First Super account, contact us

In person

Level 3, 200 Arden St
North Melbourne
VIC 3051

Mail

PO Box 666
South Carlton
VIC 3053

Phone

1300 360 988

Fax

1300 362 899

Email

mail@firstsuper.com.au



firstsuper.com.au

This report was prepared by First Super Pty Ltd (ABN 42 053 472, AFSL 223988, RESL L0003049), Trustee of First Super superannuation fund (ABN 56 286 625 181, RESR 1067385). The material in this report is a summary only. The rules of the Fund are located in the Trust Deed and relevant law. In the event of inconsistency between this report and the rules, the rules of the Fund prevail. This report was prepared without taking into account your objectives, financial situation or needs. Should you consider the appropriateness of the material in light of your own objectives, financial situation or needs before making any decisions. You can obtain a copy of the Product Disclosure Statement by contacting us. Facts and figures appearing in this report were accurate at October 2013 but may change without notice.