

FIRST SUPER

ANNUAL REPORT

2017/18



2008-2018





**ANOTHER YEAR
OF STRONG
RETURNS**

CONTENTS

02

Highlights 2017/18

03

Co-Chairs' Message

05

CEO's Message

07

About First Super

09

Environmental, Social & Governance

11

Investments

19

Financials

22

Taking care of First Super

28

Taking care of members

33

Superannuation update

35

General information



HIGHLIGHTS 2017/18

First Super celebrated 10 years as a fund on 30 June 2018. The facts and figures below summarise the Fund's activity and performance for the 2017/18 financial year.



63,399
members



\$3.01bn
funds under management



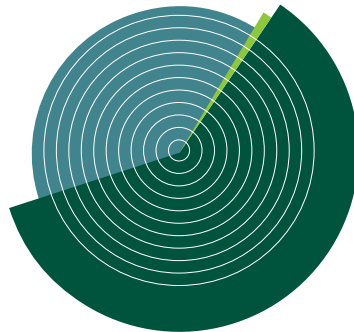
11,971
employers



\$299.66m
increase in member assets

INSURED BENEFITS PAID OUT

\$18.1m
paid in claims



- **\$11.93m**
Total and Permanent Disability
- **\$6.17m**
Death and Terminal Illness
- **\$60,481**
Income Protection



32,335
Calls from members



11,045
Emails from members



5,213
Letters from members



61,443 ↑
website visitors up 10%

112,555 ↑
website sessions up 14%



4,997
member and employer contacts / meetings

CO-CHAIRS' MESSAGE

It is our pleasure as Co-Chairs of your superannuation fund, First Super, to present the 2017/2018 Annual Report.

1 July 2018 marked the 10th anniversary of the creation of First Super following the merger of three funds. It also marked member funds surpassing \$3 billion from \$1.3 billion 10 years ago.

The investment option in which most of our members are invested – Balanced – returned 10.68 per cent for the 2017/18 financial year. Members in this option have received an average of 9.66 per cent a year for the past five years. The “Investments” section of this report includes further details on returns for all First Super’s investment options and an explanation of how they were generated.

ROYAL COMMISSION

Like many people involved in the superannuation industry, we have been surprised about the extent of apparent misconduct in retail super funds. We knew that the retail sector was often putting its interests ahead of fund members, but we were not fully aware of just how widespread this unethical behaviour was. We are hopeful that the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry will recommend fundamental changes to this sector to better protect consumers.

Members and their families can be assured that First Super will continue to put their interests first. As a profit-for-members super fund, we are focused on securing great returns for you without the pressure of having to make a profit to pay to shareholders.

INSURANCE INSIDE SUPERANNUATION

One of the benefits members receive when they join First Super is death and total and permanent disability insurance. In the 2018 Budget, the Federal Government announced that it would bring in new legislation where new members under the age of 25, members with balances less than \$6,000, and inactive (non-contributing) members would need to opt in to have insurance – not have default insurance, as is the case now.

In the opinion of your Board, this change in law would not be a good thing. We have seen many cases of inactive members and/or their families making successful claims, as well as members under 25. We will continue to support industry bodies lobbying politicians in Canberra to hold off approving these changes.

HOLDING COMPANIES TO ACCOUNT

During the 2017/18 financial year, First Super has purposely looked to hold to account the boards of directors and senior executives who control the funds in which your retirement savings are invested. We voted against the re-election of AMP directors because of the way that they had run AMP.

Due to the misconduct exposed by the Royal Commission, AMP’s share price has fallen significantly. Our vote, along with those of many other super fund investors, was successful in securing the resignation of AMP directors.

We have continued to vote against approval of company remuneration reports where directors and senior executives received unjustified salary increases.



GOVERNANCE

During the year, we saw a small number of changes to the First Super Board.

David Kirner, an employee nominated director, retired on 1 September 2017 having served for two terms spanning a 10-year period since 1 July 2008. David served on a number of committees over that period and was instrumental in making sure that members received unpaid superannuation.

David Kirner was replaced by Scott McDine. Scott joined First Super's Board in September 2017 as a seasoned financial services director, having previously served as a director of Australian Super, Cbus and Chifley Financial Services. Scott knows better than most the benefits of superannuation for workers, having been national secretary of the Australian Workers Union and risen through that union's ranks.

Tim Chatfield joined as an independent director in September 2017, replacing Bob Smith who stood down on 30 June 2017. Tim has extensive experience as an executive and non-executive director, bringing important skills in strategy, corporate governance, business management and the development of culturally appropriate policies and processes. He is Chair of Aboriginal Housing Victoria and is a member of the Victorian Aboriginal Heritage Council.

In December 2017, our Chief Executive Officer, Bill Watson, signed another contract to serve the Fund for a further five years. Bill commenced in 2013.

OUR TEAM

We would like to thank our service providers for the service provided to and for First Super members during 2017/18. Without them we would not have been able to secure the great returns, nor process and pay contributions and insurance benefits. Our team in the field, the local Superannuation Coordinators and Business Development Managers, have also done a great job looking after members and employers.

The Trustee office has served the Board well during the year, ensuring that it is able to govern effectively and that members' interests are always paramount.

Our team has done a great job looking after members and employers.

Michael O'Connor
Co-Chair, First Super



Lisa Marty
Co-Chair, First Super

CEO'S MESSAGE

The 2017/18 financial year proved to be a difficult period for industry superannuation funds, such as First Super, as we faced a series of public policy and inquiry challenges. Such challenges are not unusual, but the breadth and depth of them last year was unexpected.

The Productivity Commission inquiry into default superannuation arrangements resulted in recommendations directed at dismantling the system where industrial partners agree on the right fund or funds to meet the needs of workers and employers in their sectors. In my opinion, the current system has served members of industry funds well over the past 30 years, producing impressive long-term returns at low cost.

This being said, we have to acknowledge that the current system is not without areas for improvement. For example, policies are overdue that would ensure members do not have unnecessary multiple accounts with the associated extra fees and insurance, and to provide them with the right insurance for their circumstances. First Super will work with other industry funds to reduce account duplication and ensure that members make informed choices about insurance.

Your Fund is served by a Trustee office comprising 15 staff who are committed to ensuring that you, the member, are put first. We welcomed several new employees during the past financial year following Board approval of a new structure. This was developed following the resignations of the following staff members: David Galloway, Brenda Ho and Kyle Reynolds. I pay tribute to each of them for their service to First Super.

The Fund also recontracted with the Construction, Forestry, Maritime, Mining and Energy Union to provide member and employer servicing through Workplace Coordinators. This followed a public tender process,

in which we were ably assisted by our probity auditors, ensuring best practice procurement.

Also during the reporting period, we continued our implementation of the Workplace Distribution Strategy. Liz Hunt and Lee Surace joined us as Business Development Managers to enhance the delivery of this work plan. Their primary role is to show employers the value of selecting First Super as their preferred fund. In doing this, Liz and Lee work jointly with the Coordinators to ensure that members and employers are put first.

Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has uncovered extraordinarily poor practice on the part of the retail sector. We will work with our industrial partners to educate employers about the potentially poor outcomes for their workers by continuing to offer retail funds as default options to new employees. We will also contact former members who joined retail funds to welcome them back to a fund that doesn't charge for services not provided, and that places their interests first.

Tight deadlines imposed by the Royal Commission generated a huge workload for the Trustee office. Seven notices to produce evidence and provide two witness statements required considerable teamwork to deliver the information requested on time. Regrettably for our pulp and paper members, the thousands of documents had to be submitted in electronic form.

Your Fund relies heavily on a number of advisors and service providers. On behalf of the Trustee office team, I'd like to thank the staff from those companies for their contribution to the great returns and service provided to members. It is a pleasure working with them.

I would also like to express my gratitude to my colleagues in the Trustee office for their hard work during the year and their focus on putting members first.

Finally, I'd like to thank each and every member for trusting us with their retirement savings. I hope that when you read your annual statement you were as pleased as I was with last year's investment earnings. Hopefully, it will contribute in part to a dignified and enjoyable retirement for you.



Bill Watson
Chief Executive Officer



ABOUT FIRST SUPER

First Super is an industry super fund run solely to benefit members. Originally set up for those working in the furniture and joinery, pulp and paper, and timber industries, today we welcome all employees regardless of their occupation or location.

YOUR INDUSTRY SUPER FUND

First Super was founded when three industry super funds merged in July 2008:

- > Furniture Industry Retirement Superannuation Trust
- > Pulp & Paper Workers' Superannuation Fund
- > Timber Industry Super Scheme.

We are proud of this heritage, and retain strong links to the timber, pulp and paper, and joinery industries. Our products and services are designed to meet the needs of our members, employers and communities within these industries, as well as being suitable for our broader membership.

The Fund supports more than 63,000 members, who trust us to manage more than \$3.0 billion of their hard-earned retirement savings. We offer superannuation, insurance and allocated pension products, including Transition to Retirement.

We are committed to providing our members with the benefits that enhance their long-term financial position, well-being and security.

OUR PROMISE

As an industry super fund our profits are returned to our members, and not to shareholders. We work hard to provide you with financial security in retirement by investing your hard-earned money now, so you can enjoy the lifestyle you want later.

To us, being a super fund is more than just what happens when you stop working. As such, we provide the following as part of our promise to put members first:

- > The flexibility to choose from five investment options
- > Low fees – including no entry fees
- > Low-cost insurance options to protect you and your family
- > Help with all your super needs, such as finding lost super and rolling your super into a single account
- > General advice on insurance, investment options and member benefits financial advice offered by our financial experts
- > Intra-fund advice free of charge
- > Full service financial advice from our licensed Financial Planners
- > Regular communications, so you know what's going on with your super
- > Workplace or home visits to provide information and answer individual questions
- > Seminars held across Australia on a range of topics
- > Secure account access any time and anywhere with firstonline
- > Low-cost banking products through ME.

QUALITY SERVICE AND ADVICE

Everyone at First Super wants you to enjoy your retirement in the future, but we also want you to enjoy today. To us, being a super fund is more than just what happens when you stop working.

Your superannuation is important. We understand that the information and decisions required can seem overwhelming, and sometimes it's easy to put super in the "too hard" basket, or decide to worry about it later.

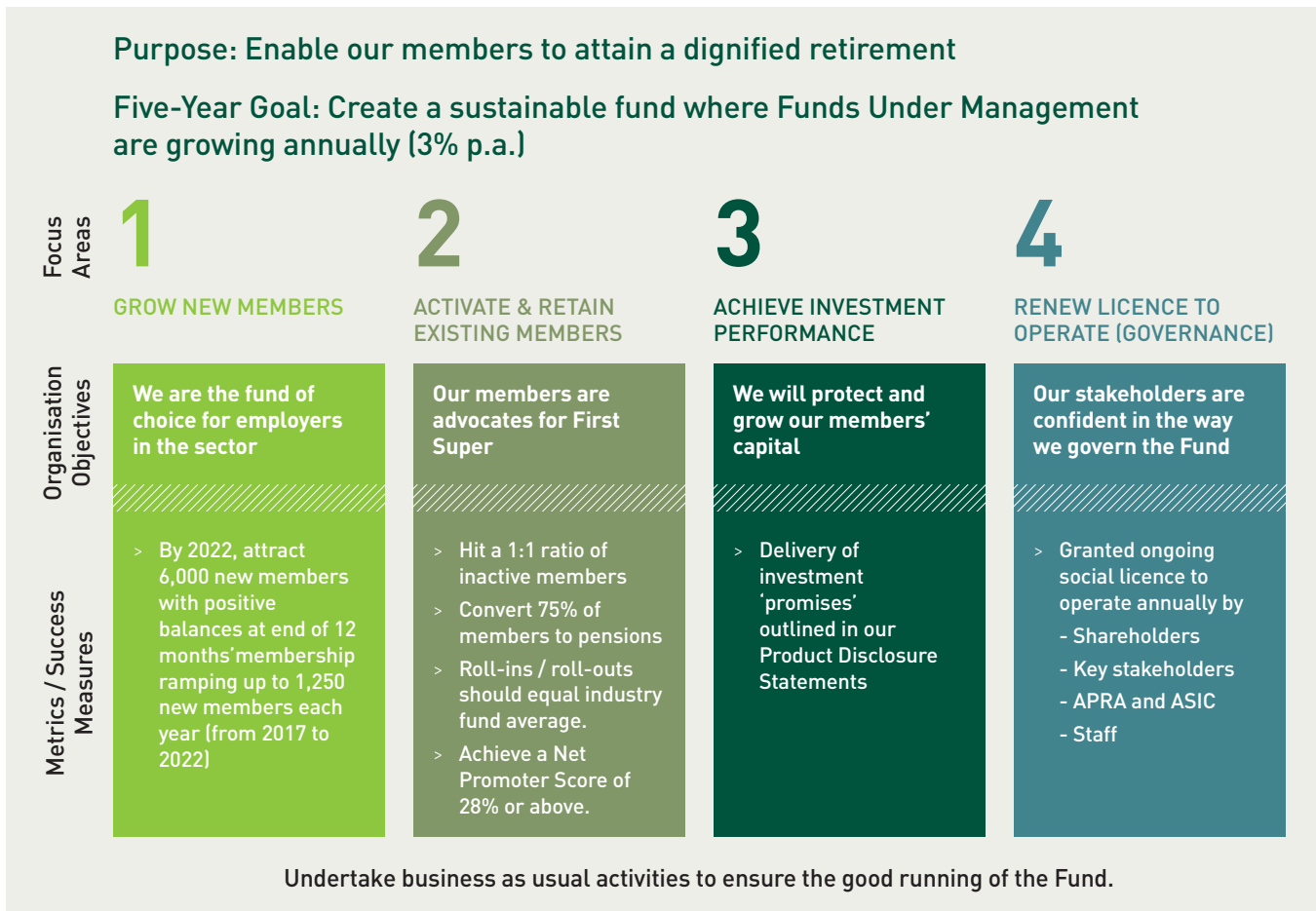
With this in mind, First Super is committed to providing our members with high-quality, personalised service and advice to make the most of your retirement savings.

Our Member Services Team can help you manage your super and inform you of your options. They can also help arrange for one of our local Superannuation Coordinators or Business Development Managers to visit your workplace. They are there to provide you with the information you need to better understand your super and to benefit from our services.

We also offer access to licensed financial advisors who can help with planning for the retirement lifestyle you hope to achieve. And better yet, your first consultation is free of charge.

And when you reach the end of your working life, First Super is still here for you. You may choose to continue working. You may choose to reduce your hours, or stop working altogether. Whatever you choose, we have an allocated pension option to suit your needs.

FIRST SUPER STRATEGIC PLAN 2017 TO 2021



TOOLS & RESOURCES

First Super's website – firstsuper.com.au – has a range of resources and tools to help you better understand and make the most of your super.

With key information about how the Fund works, fact sheets and calculators, as well as news, events and newsletters – it's a one-stop shop for anything to do with super.

And First Super's member portal, *firstonline*, is a secure, easy and convenient way to manage your First Super account. With *firstonline* you can:

- > View and update your personal details
- > Roll in your lost super accounts
- > Change or add Non-Binding Beneficiaries
- > View and download your account transactions history
- > Obtain an insurance quote
- > View your insurance details
- > View your investment options
- > Check your employer details.

You can also choose to receive your member statements, Fund updates, and news by email.

If you want to register for *firstonline*, call our Member Services Team now on 1300 360 988 or visit the portal at firstsuper.com.au/firstonline

ENVIRONMENTAL, SOCIAL & GOVERNANCE



First Super's investment philosophy sets out the Fund's investment beliefs. The way the Fund invests members' retirement savings and preserves members' capital is based upon this philosophy.

We believe that, over the long term, companies and organisations that adopt best practices across environment, social and governance (ESG) deliver better returns and can mitigate investment risk.

During the 2017/18 financial year, First Super undertook a number of activities in pursuit of best practice in regard to environment, social and governance.

Taking a stand

The most significant of these undertakings was in early 2018, when we took the lead among institutional investors in opposing the re-election of three AMP directors and calling for AMP's chair to consider her position in light of the shocking revelations coming out of the Royal Commission into Banking and Financial Services hearings. First Super used print, television, radio and digital media to communicate our dissatisfaction, and to encourage other institutional investors to take a similar stand.

Like many investors and the public generally, First Super was shocked by the conduct of AMP in charging fees for no service, by some of its advisors providing inappropriate advice, and placing its commercial interests ahead of those of many clients. Companies should not be doing this, and their boards should be creating and sustaining a culture where client interests are put first – not last.

It was pleasing to see that two directors decided not to pursue re-election and that the chair stepped down early.

Earlier in the financial year, First Super became a signatory to the 30% Club, whose aim is to campaign for 30% women on Australian Stock

Exchange (ASX) 200 boards by the end of 2018. As a signatory, the Fund is obliged to vote against the election or re-election of company chairs or chairs of the nominations committee where there are fewer than 30% women on the board of the respective company. During 2017/18, First Super voted against re-election on 39 occasions.

Responsible investing

First Super is a member of the Australian Council of Superannuation Investors (ACSI), which provides a strong, collective voice on issues on behalf of its members. First Super is one of 39 Australian and international asset owners and institutional investors collectively managing more than \$2.2 trillion in assets. First Super has actively participated in ACSI's governance and policy making as our director Candy Broad is also an ACSI director.

During the year, First Super continued its review of investing in private equity. The Fund's private equity program invests in Australian managers who acquire, run and sell companies. Some of those companies are household names, like Lorna Jane, Barbeques Galore, Tribe Brewing, Nude by Nature, and Crumpler.

First Super's Board declined to make any additional commitments to private equity while it determined whether it is possible to invest in this way and ensure that social factor considerations are met. They came to this decision following the exposure of poor labour practices in one company owned by a private equity fund in which First Super invested. We do not want to invest in private equity funds that buy and operate companies where

employment and safety laws are broken.

First Super is now developing a new private equity mandate that will require fund managers to meet minimum standards of acceptable behaviour when running companies. This includes meeting International Labour Organisation conventions and abiding by Australian employment, safety, modern slavery and discrimination laws. It is likely that First Super's Board will make a decision on further private equity investment during 2019.

Voting principles

First Super believes that ownership matters. It holds shares in many listed Australian companies through its fund managers, such as Perpetual and Eley Griffiths. Holding shares entitles us to vote at company annual general meetings.

First Super's policy position is to vote against adoption of company remuneration reports where there has been an increase in either executive or board remuneration above the increase in average weekly ordinary time earnings as measured by the Australian Bureau of Statistics.

During 2018, First Super wrote to those companies in which it held shares informing them of our policy position. Some companies responded to this correspondence, but many didn't. During the year First Super voted against 53 per cent of remuneration reports.



INVESTMENTS

Your super grows in two ways: through the contributions made to your account and through investment earnings. This section provides a review of First Super's investment performance and returns during the 2017/18 financial year.

INVESTMENT PERFORMANCE

The 2017/18 financial year saw the share market bull run continue for its tenth consecutive year, the longest in history. The prices paid for infrastructure assets and commercial property continued to reach record highs. Interest rates on the other hand remained at record lows.

First Super's investments benefitted from the bull market and high asset prices. A number of managers individually contributed to the great returns our members received for the 2017/18 financial year.

Financial markets finished very strongly in the last quarter, leading to better than expected returns. Some managers made half their annual returns in the last three months of the financial year.

The accumulation Balanced option (the default and MySuper option in which the majority of members are invested) returned 10.68 per cent for the year, providing an average return of 9.10 per cent over the past three years and 9.66 per cent over the past five years. Again, First Super's MySuper option outperformed many of the equivalents on the market which had greater allocation to growth assets. The Fund's strategic asset allocation and manager selection enabled our Balanced option to perform above expectations once more.

Other investment options for our accumulation fund members performed just as well. Cash returned 2.31 per cent; this made it one of the best performing superannuation cash funds in Australia, returning 15 per cent more than the highest-ranked fund in a prominent super funds returns survey.

First Super has less cash to invest than bigger funds and is able to get better wholesale term deposit rates from approved deposit-taking institutions that don't have capacity to take large deposits.

Investment returns for our pension investment options were different because of their preferential tax treatment. With the exception of the Cash option, each of the remaining four investment options exceeded their return targets.

Global economic environment

During the year, global economic conditions were sound, with Europe, the United States and Australia all enjoying real GDP growth above 2.5 per cent. Output gaps closed and, with the exception of Australia, there was no longer meaningful spare capacity. Unlike during previous recoveries, wage growth has not accelerated. Some economists believe that the link between GDP growth and wage increases has been broken. This may see a further widening of the economic inequality gap.

In addition, there appears to be a delinking of economies when it comes to economic growth. While the US enjoyed strong growth, its trading partners Japan and Europe had more subdued growth. Tariff wars will further exacerbate this emerging trend.

A number of asset classes were close to or at peak, with investment demand for property not being as strong as previous years. Although we may be some way off a collapse in

commercial property prices, returns will continue to contract due to an increase in supply and a drop in demand, particularly from North Asian investors.

In infrastructure the story is the same, with strong demand driving up prices. Assets with an established history rather than greenfield assets have attracted premium prices and will continue to do so.

Australian equity markets performed strongly, with the S&P/ASX 100 index increasing by 12.05 per cent. Resource stocks enjoyed the largest year-on-year increase of 40 per cent. The Dow Jones Industrial Average increased by 13.7 per cent for 2017/18 and the MSCI ACWI Index ex-Australia increased by 15 per cent. The Australian dollar fell by 3.7 per cent against the US dollar over the financial year.

First Super investments review

Manager selection was the largest contributor to the strong returns enjoyed by members in First Super's investment portfolio. Australian equity, Australian private equity, international infrastructure and property managers were the biggest contributors to performance.

An overweight position to Australian private equity and underweight position to fixed interest contributed positively in terms of asset allocation. An overweight position to cash detracted from performance within asset allocation.



As in previous years, the performance of a few managers stood out. Eley Griffiths, our Australian small caps manager, again showed that a small team of focused individuals can generate excess returns. Stafford, the manager of our private equity investments, backed up the last three years' returns with another return above 25 per cent. First Super's

investment in Industry Superannuation Holdings returned above 25 per cent, producing an annualised 16.3 per cent over the past 5 years. Finally, IFM Investors' International Infrastructure Fund returned above 17 per cent.

The 2017/18 returns demonstrate that active management, sound strategic asset allocation, and canny manager

selection can create value for members. The returns also show that there are advantages to not being the biggest investor on the block. Larger investors can't necessarily invest with boutique managers, such as Stafford and Eley Griffiths. Yet, managers like them can make a difference for smaller funds like First Super.

The table below sets out the earnings for both the accumulation and pension options.

Investment option	Superannuation fund rate of return %	Pension fund rate of return %
Balanced	10.68	10.59
Shares Plus	13.91	14.29
Growth	11.90	13.14
Conservative Balanced	7.94	8.86
Cash	2.31	2.71



CREDITING MEMBER ACCOUNTS

Each First Super member's super account earns investment income at the Fund's declared crediting rate*. The crediting rate used depends on the investment option(s) selected. First Super will declare a crediting rate return each month for each investment option based on earnings and estimated investment fees and tax.

10.68%

the return of First Super's Balanced option for 2017/18

After the end of the financial year (30 June) or when a member leaves the Fund, First Super adjusts their account based on the accumulated weekly performance of each investment option after deducting tax and fees and allowing for reserves.

At the end of the financial year, the amount applied to a member's account is based on their average daily account balance and the related weekly performance for their investment option.

You should take into account that investment returns can fluctuate up or down and may be negative in some years. The actual returns are based on the performance of the underlying investments and First Super does not guarantee or promise any specific rate of return.

Interim crediting rates

First Super also determines interim crediting rates of earnings* that apply when members are paid a benefit during the year.

These interim rates are calculated based on the declared weekly crediting rates to the date of exit or withdrawal plus the estimated investment crediting rate for any part week up to the date of exit or withdrawal. If you leave the Fund, an interim crediting rate is applied to your entire account balance.

* Crediting rates and interim earning rates may be positive or negative. If the crediting rate is positive your account grows. If the rate is negative, your account balance is reduced.

Below are the crediting rates for the financial year ending 30 June 2018 and prior periods.

Superannuation crediting rates							
Investment option	2017/18 financial year %	2-year % p.a.	3-year % p.a.	5-year % p.a.	10-year % p.a.	Return since inception	Inception date
Balanced (default)	10.68	11.09	9.10	9.66	6.46	8.48	1 July 1988 [^]
Shares Plus	13.91	14.94	11.47	12.45	7.77	6.42	1 Mar 2001
Growth	11.90	12.75	10.07	10.93	n/a	11.26	14 Oct 2011
Conservative Balanced	7.94	8.40	7.16	7.54	6.02	6.02	1 July 2008
Cash	2.31	2.28	2.35	2.49	3.24	4.16	1 Mar 2001

[^]The composition of the Balanced option was fundamentally different prior to 1 July 1988.

Pension crediting rates							
Investment option	2017/18 financial year %	2-year % p.a.	3-year % p.a.	5-year % p.a.	10-year % p.a.	Return since inception	Inception date
Balanced (default)	10.59	11.19	9.34	10.26	7.09	7.82	18 Mar 2005
Shares Plus	14.29	15.48	11.93	13.25	8.30	8.57	1 July 2005
Growth	13.14	14.07	11.15	n/a	n/a	11.54	10 Aug 2013
Conservative Balanced	8.86	9.33	7.96	8.44	6.77	6.77	1 July 2008
Cash	2.71	2.67	2.74	2.89	3.80	3.98	1 July 2005

Note: 'N/A' indicates there were no similar investment options available 5 or 10 years ago, as indicated in the columns. 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.

INVESTMENT OPTIONS

First Super members can choose how their super is invested from any one or a combination of the following five investment options:

1. Shares Plus
2. Growth
3. Balanced
4. Conservative Balanced
5. Cash

You can mix your investment in any percentage split across the five investment option or choose to invest in just one option. You can pick what works best for your circumstances.

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*.

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.

* Financial planning is provided by Industry Fund Services Ltd (IFS) (ABN 54 007 016 195 AFSL 232514).

Investment options

For more information, read the *Investing Your Super* booklet available in the Forms and Resources section of firstsuper.com.au.

Use of derivatives

First Super allows some of its investment managers to use derivative instruments to help manage risk and for other defensive purposes. The managers must use derivatives within strict parameters.

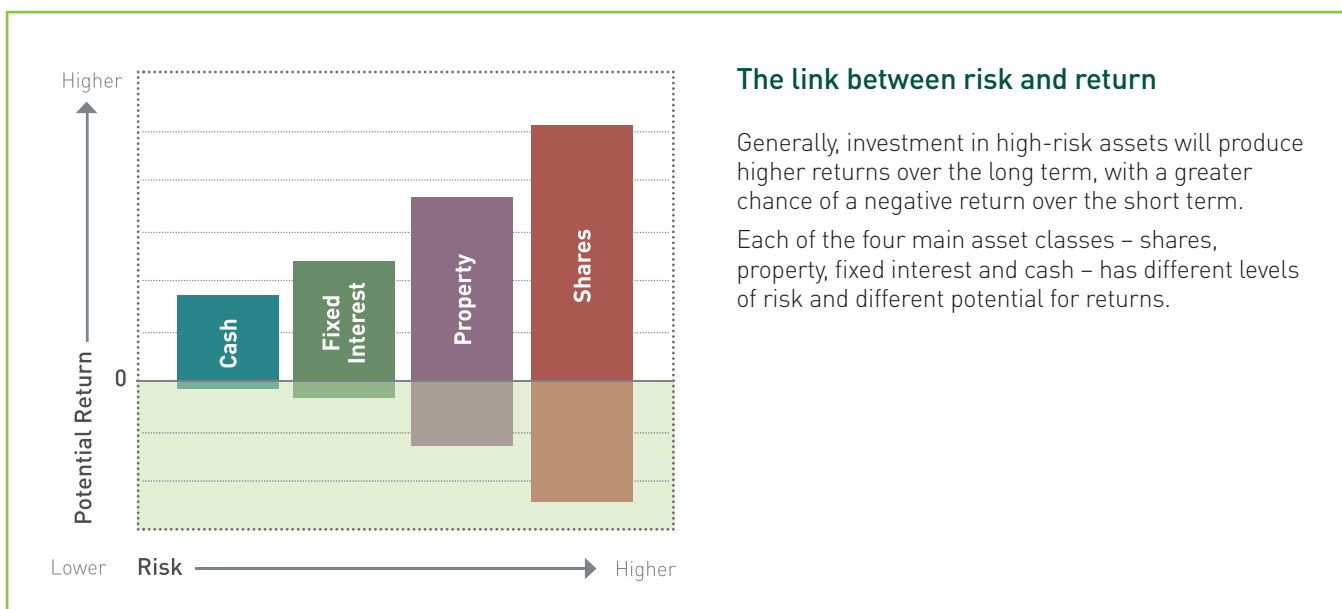
Derivative instruments are not used for speculative investing. The Trustee Derivative Charge Ratio did not exceed 5 per cent.

Socially responsible investing

Labour standards and environmental, social or ethical considerations may be taken into account in the selection, retention or realisation of investments.

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.



1. 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
- > 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 super savings and/or who are prepared to accept higher risk in the search for higher returns.

Risk profile

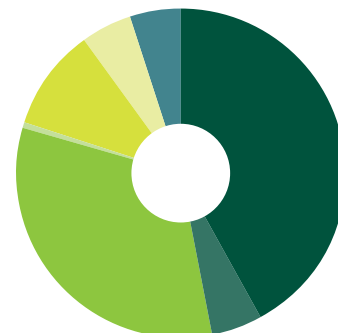
The Shares Plus option is likely to provide a high degree of volatility and fluctuations in returns and is at the high end of the risk/return range. The risk may increase by the nature of overseas investments, which means that this option is subject to the considerable extra risk of currency fluctuations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

Standard risk

4.2 years | Risk band: 6 | Risk label: High

Asset allocation and ranges

Actual % as at 30 June 2018



Shares Plus	Actual	Range
● Australian Listed Equities	42.0%	30-60%
● Australian Unlisted Equities	5.0%	0-20%
● International Listed Equities	32.5%	0-40%
● International Unlisted Equities	0.5%	0-5%
● Australian Unlisted Property	10.0%	0-20%
● Australian Unlisted Infrastructure	5.0%	0-10%
● International Unlisted Infrastructure	5.0%	0-10%

2. 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
- > 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 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

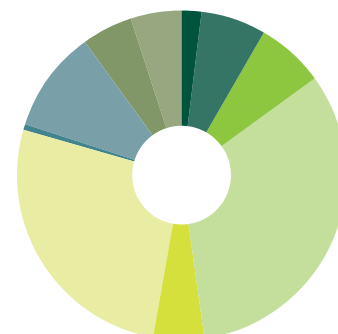
The Growth option is likely to provide a high degree of volatility and fluctuations in returns. It has a lower investment risk/return profile than the Shares Plus option because it has a higher exposure to defensive assets. Over the long term it is likely to outperform the other investment options except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

Standard risk

3.5 years | Risk band: 5 | Risk label: Medium to high

Asset allocation and ranges

Actual % as at 30 June 2018



Growth	Actual	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	26.5%	0-45%
● International Unlisted Equities	0.5%	0-10%
● Australian Unlisted Property	10.0%	0-20%
● Australian Unlisted Infrastructure	5.0%	0-10%
● International Unlisted Infrastructure	5.0%	0-10%

3. BALANCED (MYSUPER)

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 nine
- > 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 super along with diversification across asset classes.

Risk profile

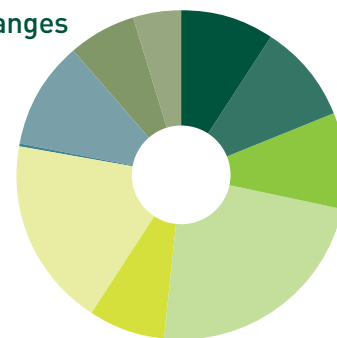
Designed to provide good growth over the mid to long term while reducing risk through diversification. Likely to slightly underperform against the Shares Plus and Growth options over the long term.

Standard risk

2.3 years **Risk band:** 4 **Risk label:** Medium

Asset allocation and ranges

Actual % as at 30 June 2018



Balanced (MySuper)

	Actual	Range
● Cash	9.4%	0-15%
● Australian Fixed Income	9.6%	0-40%
● International Fixed Income	9.6%	0-40%
● Australian Listed Equities	23.1%	15-40%
● Australian Unlisted Equities	7.7%	0-25%
● International Listed Equities	18.5%	5-40%
● International Unlisted Equities	0.2%	0-5%
● Australian Unlisted Property	10.7%	0-20%
● Australian Unlisted Infrastructure	6.5%	0-10%
● International Unlisted Infrastructure	4.7%	0-10%

4. 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
- > 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 super savings.

Risk profile

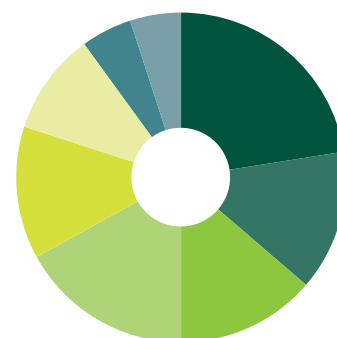
Designed to provide more stable returns than the Shares Plus, Growth or Balanced options. It is at the lower end of the risk/return range and is likely to underperform against the Shares Plus, Growth or Balanced options over the medium to long term.

Standard risk

1.2 YEARS **RISK BAND:** 3 **RISK LABEL:** LOW TO MEDIUM

Asset allocation and ranges

Actual % as at 30 June 2018



Conservative Balanced

	Actual	Range
● Cash	22.5%	5-25%
● Australian Fixed Income	13.8%	5-45%
● International Fixed Income	13.7%	5-45%
● Australian Listed Equities	17.0%	10-30%
● International Listed Equities	13.0%	5-20%
● Australian Unlisted Property	10.0%	0-20%
● Australian Unlisted Infrastructure	5.0%	0-10%
● International Unlisted Infrastructure	5.0%	0-10%

5. 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 to being negligible
- > 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. This 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 underperform all other investment options offered over all but the shortest periods.

Standard risk

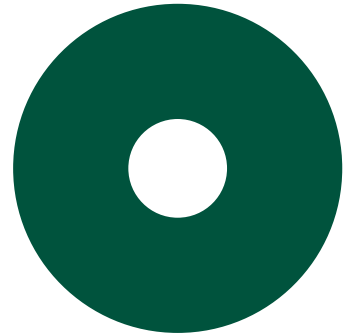
0.0 years

RISK BAND: 1

RISK LABEL: VERY LOW

Asset allocation and ranges

Actual % as at 30 June 2018



Cash

● Cash

Actual

100%

Range

0-100%



INVESTMENTS HELD BY THE FUND

First Super invests in a range of asset classes handled by leading Australian and international investment managers. Spreading your money across different asset classes effectively spreads the risk, reducing the likelihood of poor returns on the overall value of the investment.

	30 June 2018 \$
Australian Equities	
Via Eley Griffith Aust Equities Small Companies Mandate	74,394,969
Via IFM Enhanced Index Aust Equity Mandate*	248,489,992
Allan Gray Australian Equity Fund*	164,576,220
Via Perpetual Aust Equity Mandate*	207,087,400
Total Australian Equities	694,548,581
Australian Infrastructure	
IFM Australian Infrastructure Fund	127,211,917
Utilities Trust of Australia	59,240,844
Total Australian Infrastructure	186,452,761
Australian Private Equity	
First Trust Portfolio	117,163,495
Frontier Advisors Pty Ltd	300,611
ME Bank Ltd	47,497,619
Industry Super Holdings	30,673,357
ROC Partners Trust 3	1,317,278
ROC Partners Trust IV	9,517,762
Stafford Private Equity 3	1,603,398
Stafford Private Equity 4	1,044,529
Super Benefits Administration	1,292,257
Total Australian Private Equity	210,410,306
Cash & Capital Guaranteed	
IFM Transaction Cash Fund	6,175,508
Short Term Cash Account (Term Deposit)*	287,912,475
Cash	57,655,638
Total Cash	351,743,621

Total Investments

\$3,012,548,251

	30 June 2018 \$
Fixed Interest	
IFM Specialised Credit Fund	106,709,927
Blackrock Aus Bond Index Fund	124,270,921
Blackrock Global Bond Index Fund	54,160,915
Via IFM Aus Credit Opportunities Mandate	4,204,253
PIMCO Global Bond Fund	77,318,455
PIMCO Target Return Fund	150,540,204
ME Super Loans Trust	1,320,707
Westbourne Infrastructure Debt Fund 2	40,116,600
Total Fixed Interest	558,641,982
International Equities (Unhedged)	
Blackrock International Equities*	161,751,051
Capital Group Global Equity Fund*	169,529,208
Orbis Global Equity Fund*	180,727,993
Total International Equities (Unhedged)	512,008,252
International Equities (Hedged)	
Blackrock International Index Fund Hedged	41,765,170
Total International Equities (Hedged)	41,765,170
International Infrastructure	
IFM International Infrastructure	140,451,473
Total International Infrastructure	140,451,473
International Private Equity	
IFM International Private Equity 1	302,308
Wilshire Pooled Superannuation Trust	5,042,605
Total International Private Equity	5,344,913
Property	
ISPT Core Fund*	206,908,295
ISPT DOF1	271,599
Franklin International Real Estate 2	691,500
QIC Property Fund	103,309,798
Total Property	311,181,192

* These assets represent 5% or more of the Fund

FINANCIALS

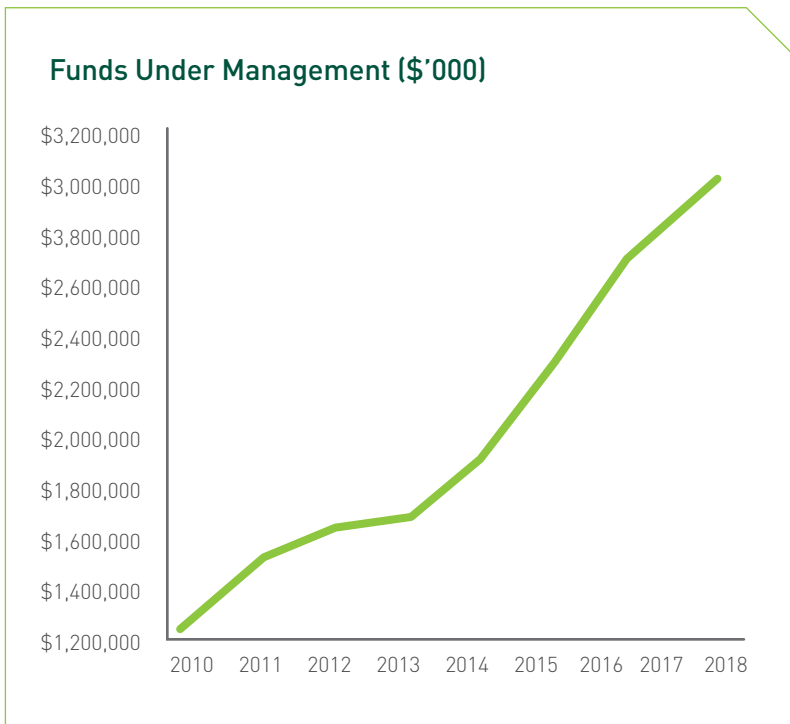
The following is an abridged version of First Super's Financial Statements for the financial year ending 30 June 2018. A copy of the audited Financial Statements is now available to download at firstsuper.com.au.

Statement of financial position	30 June 2018 (\$)	30 June 2017 (\$)
Assets		
Investments	3,012,548,251	2,711,798,692
Other assets	7,031,377	9,076,875
Total Assets	3,019,579,628	2,720,875,567
Liabilities		
Tax liabilities	37,969,894	39,389,884
Other liabilities	7,220,666	6,007,754
Total liabilities	45,190,560	45,397,638
Net assets available for members benefits	2,974,389,068	2,675,477,929
Members benefits	2,951,636,858	2,651,978,239
Net assets	22,752,210	23,499,690
Equity		
Operational risk reserve	7,979,146	7,157,540
Other reserves and undistributed earnings	14,773,064	16,342,150
Total equity	22,752,210	23,499,690

Income statement	30 June 2018 (\$)	30 June 2017 (\$)
Superannuation activities		
Investment income	293,439,689	291,226,052
Other income	1,713,669	1,635,620
Total superannuation activities revenue	295,153,358	292,861,672
Expenses		
Investment expenses	4,336,406	3,771,953
Administration and operating expenses	12,267,028	11,263,967
Total expenses	16,603,434	15,035,650
Results from superannuation activities before income tax expense	278,549,924	277,826,022
Income tax (expense)/benefit	(6,117,194)	(15,109,088)
Results from superannuation activities after income tax expense	272,432,730	262,716,934
Less net benefits allocated to members	(272,849,953)	(262,318,703)
Operating result after income tax	(417,223)	398,231

Total assets

\$3,019,579,628



\$3.02 billion
 the total value of First Super's assets as at 30 June 2018

\$207,439,489
 the total value of contributions made to First Super member accounts for the 2017/18 financial year.

\$3,012,548,251 = total funds under management as at 30 June 2018

Fund equity

The Trustee maintains a reserve for administration and operational purposes, such as paying costs and receiving administration fees. The value of the administration reserve is generally between 0.1% and 0.9% of Fund assets and is invested in the Balanced investment option.

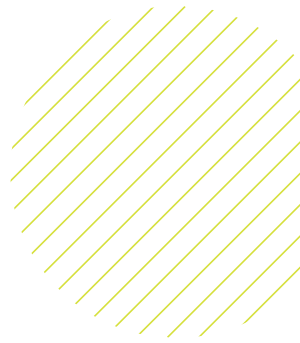
Year ending 30 June	Reserves and undistributed earnings balance (\$)
2018	14,773,064
2017	16,342,150
2016	17,081,302

From 1 July 2013, First Super 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 within First Super's Operational Risk Requirement Policy. The amounts in the table above exclude the ORFR.

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 the other assets, including listed shares and other liquid securities. It is now invested in the Conservative Balanced investment option. The value of the ORFR at 30 June 2018 is \$7,979,146, as detailed in the table below.

Year ending 30 June	Operational Risk Financial Reserve (\$)
2018	7,979,146
2017	7,157,540
2016	6,572,185

SERVING OUR MEMBERS, EMPLOYERS AND COMMUNITIES



TAKING CARE OF FIRST SUPER



Our board of 12 Trustee Directors is responsible for the overall governance, risk management, investment strategy and strategic direction of First Super. Our directors are obliged by law to act in the best interests of all members of the Fund.

YOUR TRUSTEE

The Trustee

The Trustee of First Super is a company, First Super Pty Ltd (ABN 42 053 498 472, AFSL 223988). The Trustee is responsible for the efficient and prudent management of the Fund of which it is Trustee. It is responsible for managing more than \$3 billion in funds under management and overseeing its investments on behalf of over 63,000 members, in accordance with the Trust Deed and relevant legislation.

At the date this report was issued, the Trustee has not incurred any penalties under Section 38A of the *Superannuation Industry (Supervision) Act 1993*.

Trustee insurance

The Trustee holds indemnity insurance providing cover to protect the Fund, its directors and officers from the costs and liabilities that may arise from legal action.

Trust Deed

The Trust Deed contains the rules of First Super. No changes were made to the Trust Deed for the financial year ending 30 June 2018.

The Trustee office

First Super's day-to-day operations and the implementation of the Fund strategy are run from our office in North Melbourne. The Trustee office is led by Chief Executive Officer Bill Watson, who is supported by Executive Manager Governance Maxine Jacona.

The Trustee Board

The First Super Trustee Board comprises five member representatives, five employer representatives, and two independent directors. Directors are appointed to the Board following consideration of a nominee's suitability, skills and qualifications.

Member representatives are nominated to the Board by the Construction Forestry Maritime Mining and Energy Union (Manufacturing Division) while employer representatives are nominated by employers or employer associations.

Two independent directors are jointly appointed by the other members of the Trustee Board. The Board members elect the Co-Chairpersons every three years.

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 committees) is commissioned.

Risk management framework

First Super's Risk Management Framework incorporates and defines the requirements and inter-dependencies between business operations, external influences, key enablers (people, policies, processes, tools, and technology), core risk and control activities, and governance protocols. This ensures all key risks are appropriately identified, weighted for importance, and effectively managed in accordance with industry standards and APRA requirements (specifically Prudential Standard SPS 220 Risk Management).



Did you know?

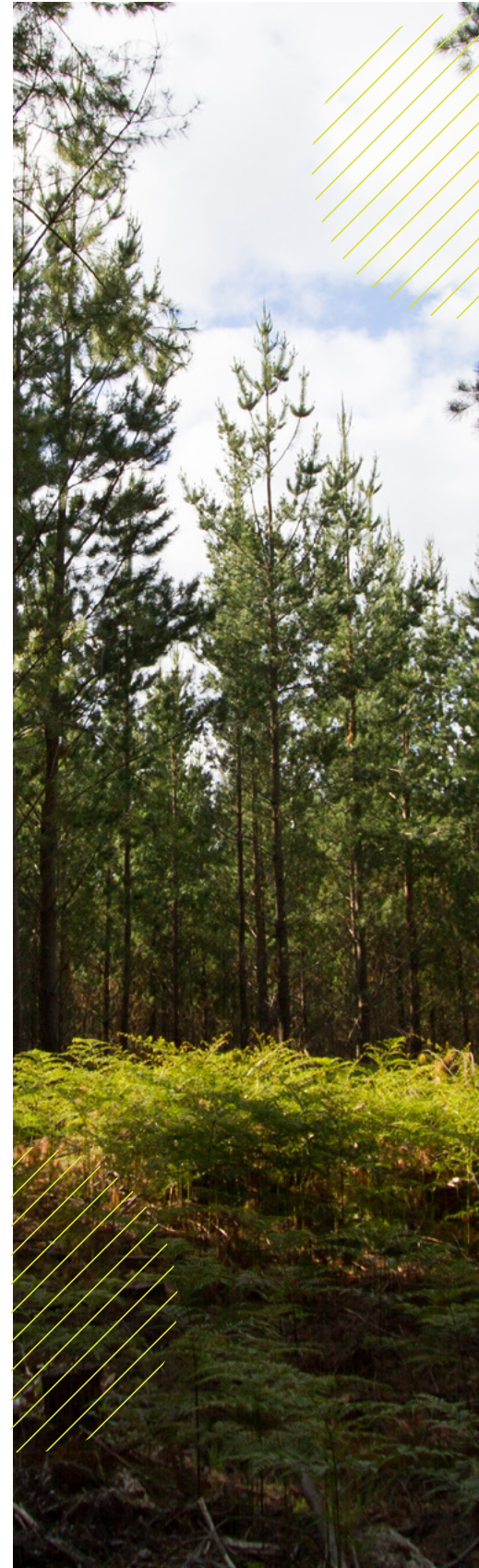
To reflect the interests of our members and the industries in which they work, the First Super Trustee Board comprises five member representatives and five employer representatives, as well as two independent directors.

Board members and committees

The First Super Trustee Board has established committees to deal with particular areas of the Fund's management and to make recommendations to the Board, helping it to discharge its duties. Each committee generally meets four times a year, with additional meetings scheduled as required.

The Directors of First Super, their representation, and their committee membership as at 30 June 2018 were as follows:

Directors as at 30 June 2018	Board Committee Membership	Representation
Michael O'Connor (Co-Chair) Member since 2008	Administration and Marketing Investment (Chair) Nominations Remuneration	Member
Denise Campbell-Burns Member since 2014	Administration and Marketing Audit and Compliance	Member
Alex Millar Member since 2008	Investment Remuneration	Member
Frank Vari Member since 2008	Investment Nominations	Member
Scott McDine Member since September 2017	Administration and Marketing	Member
Lisa Marty (Co-Chair) Member since 2012	Administration and Marketing (Chair) Investment Nominations Remuneration	Employer
Allan Stewart Member since 2008	Investment Nominations	Employer
Mike Radda Member since 2008	Investment	Employer
Julie George Member since 2015	Administration and Marketing Audit and Compliance Remuneration	Employer
Janet Gilbert Member since 2017	Administration and Marketing	Employer
Candy Broad Member since 2015	Audit and Compliance (Chair) Investment Remuneration (Chair) Nominations (Chair)	Independent
Tim Chatfield Member since September 2017	Audit and Compliance	Independent



Service providers

First Super works with a range of independent advisors and service providers to assist with running its operations 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 2018, First Super used the advisors and service providers listed below:

Role	Company / Organisation
Actuary	Mercer (Australia) Pty Ltd
Administrator	Super Benefits Administration Pty Ltd*
External Auditor	PricewaterhouseCoopers
Internal Auditor	KPMG
Insurer	MetLife Insurance Limited
Insurance Advisor	IFS Insurance Solutions Pty Ltd
Asset Consultant / Investment Advisor	Frontier Advisors Pty Ltd*
Investment Managers	Eley Griffiths Group Pty Ltd Industry Funds Management Pty Ltd Perpetual Investment Management Ltd
Legal Advisor	Madgwicks
Master Custodian	BNP Paribas Securities Services
Tax Advisor	Ernst & Young
Financial Planning	Industry Fund Services Pty Ltd
Superannuation Coordinators	Construction, Forestry, Maritime, Mining and Energy Union (Manufacturing Division)

*First Super holds shares in this service provider as an investment.



DIRECTORS' REMUNERATION REPORT

The Directors of First Super Pty Ltd are paid for the work they do for the Fund. In some cases, payment is made to a Director's employer to compensate for the time they spend managing the business of the Fund on the Trustee Board.

The Remuneration Committee regularly examines and sets the fees paid to Directors. They may seek independent advice 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's Directors is reasonable.

Directors' 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.

Committee and sub-committee meetings

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

Workshop and 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.

Interstate travel

Directors travelling interstate for governance meetings and representation duties will be paid an interstate allowance rate of \$1,000 for only one meeting on the first day and no additional interstate allowance rate for any other meetings held on the same or successive days. However, those directors shall be reimbursed for accommodation, meals and incidentals at the prevailing ATO reasonable travel rate applying to the location at which the meeting is held for second and subsequent days.

Professional development

On accepting a position on the Board, all Directors are required to participate in a thorough induction program leading up to and following their appointment. All Directors maintain their skills and competencies by meeting the required professional development each year. Professional development may include participation in industry programs, seminars and conferences, relevant presentations at Board and committee meetings, and other approved workshops 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 and Gifts Policy. All hospitality and gifts that are accepted are recorded in the Hospitality and Gifts Register. The Register is provided to the Audit and Compliance Committee at each meeting and is published on the First Super website.

Board fees

The Directors' fees for the year ended 30 June 2018 are as follows:

Role/Activity		Fees and Allowances
Co-Chairs		\$1,500 per calendar month or part thereof
Co-Chairs and Directors	Board meetings and strategic planning day(s)	\$3,000/meeting
	Committee meetings, ad-hoc committee and sub-committee meetings and AGM	\$1,500/meeting
Associate Directors	Board meetings and strategic planning day(s)	\$2,500/meeting
	Committee meetings, ad-hoc committee and sub-committee meetings and AGM	\$1,125/meeting
Workshops / training courses (Co-Chairs, Directors and Associate Directors)		\$1,500/day
Domestic conferences (Co-Chairs and Directors)		\$1,500/day (No Interstate Allowance Rate)
International Conferences & Workshops		\$1,100 / day plus reimbursement of travel, accommodation and incidental costs as deemed appropriate by the Chair of the Remuneration Committee on advice from the CEO; or in respect of the Committee Chair, as deemed appropriate by the Co-Chairs of the Fund on advice from the CEO; with details of proposed or incurred costs reported to the next Board meeting.
Representational Committees	AIST Chairs forums APRA consultations	\$2,250 / meeting (plus \$1,000 for interstate allowance rate where applicable)
Industry not-for-profit committees (Co-Chairs and Directors) where no fee or honoraria paid by an organisation to the Director and where the Director is required to represent the Fund.		\$1,100 / day (plus \$1,000 for interstate allowance rate where applicable)
Teleconferences		Fees not applicable

2017/18 Attendance and remuneration

Listed below are Directors' meeting attendance and remuneration (including GST where applicable) for the year ending 30 June 2018. The Construction, Forestry, Maritime, Mining and Energy Union is abbreviated to CFMMEU in the below table.

Director	Committee	Board (5 held)	Total PD hrs	Fees paid	Fees paid to
Candy Broad	11/12	5/5	30	\$52,675	Candy Broad
Denise Campbell-Burns	9/9	4/5	5	\$29,150	CFMMEU – Manufacturing Division
Tim Chatfield** (appointed 22 September 2017)	3/3	4/5**	25	\$33,375	Timothy Chatfield
Julie George	10/11	5/5	31	\$49,051	Busi Culture Pty Ltd
Janet Gilbert	5/5	5/5	30	\$33,962 \$12,296	Crescor Pty Ltd Janet Gilbert
David Kirner (resigned 1 September 2017)	11	N/A	1	\$2,750	CFMMEU – Manufacturing Division
Lisa Marty	12/13	5/5	59	\$100,476	Lisa Marty
Scott McDine (appointed 1 September 2017)	4/4	5/5	26.25	\$50,608	CFMMEU – Manufacturing Division
Alex Millar	5/6	4/5	22	\$26,812	CFMMEU – Manufacturing Division
Michael O'Connor	13/13	5/5	64.25	\$98,054	CFMMEU – Manufacturing Division
Mike Radda***	0/4 ***	3/5***	3	\$9,900	Sterad Pty Ltd
Bob Smith* (resigned 30 June 2017)				\$815	Robert Patrick Smith
Allan Stewart	6/6	5/5	38	\$50,532	Allan Stewart and Associates Pty Ltd
Frank Vari	5/6	5/5	38.25	\$33,412	CFMMEU – Manufacturing Division
				\$583,868	

Fees paid to interstate Directors include payment for travel and accommodation. The total salary package of First Super's Chief Executive Officer for the year ending 30 June 2018 was \$361,538.

* Payment to Bob Smith for completion of Directorship work fell into the 2017/18 financial year.

** As he was appointed to the First Super Board on 22 September 2017, Tim Chatfield was available for only four of the five Board meetings in the 2017/18 financial year.

*** Leave of absence granted to Mike Radda.

TAKING CARE OF MEMBERS

First Super offers a range of services to support members to make the most of their super and achieve a happy retirement. Whether you're starting out, in the middle of your working life, or thinking about retiring, we can offer help and personalised advice.

SERVICE CENTRE TEAM

First Super has a dedicated team to look after member and employer enquiries and administration. Customer Engagement Manager Franca Bebbere gives an overview of where the customer services officers can offer support.

"One thing that you can rely on is that when you call or email us, you are dealing with a team based in Australia."

"Our priority is to service members and employers to the best of our ability.

"Most of the time, the Client Service Officer who takes a call from a member or employer will be able to handle the query through to the end. Some queries might need to be escalated, but we do everything we can professionally and within certain timeframes. It isn't often we will need to call someone back."

"We manage all aspects of member and employer administration."

"We process the paperwork for new members, changes of personal details, roll-ins and roll-outs, KiwiSaver, Departing Australia Superannuation Payments (DASP), and benefit claims (for example, accessing super early on financial hardship or compassionate grounds).

"Insurance and personal investment queries are handled by separate teams."

"Security checks are an important part of our job and procedures."

"For us to access details from a member or employer account, we do have to ask for specific details. This is to make sure that the person wanting the information has the authority to have it. It also gives us an opportunity to check their contact and employment details are up to date.

"So it's useful if the caller has their member number, but we also ask for date of birth, address, full name, mobile number, email address, and who makes contributions into their account. With an employer call, we ask for the business name, the ABN, and the name of the lead contact person.

"We use dedicated IT systems – Acurity and Case 360 – as a secure and efficient way of managing member data and managing our workflow."

"Our Service Centre employees have many years of experience working in super."

"We're fortunate to have a collective group of people who know a lot about super and can manage a range of queries. Most of the team has achieved or are working towards the industry qualification for our sector, which is the RG146 training standard.

"We're also kept up to date with all legislation changes, and we have regular in-house training on developments around super and any other changes that might affect our work."

"Our calls are not timed, so we spend as long as it takes to answer your question or sort out your issue."

"The staff are multi-skilled across areas of knowledge and processes, so we minimise callers being passed around. They can all offer general advice about super, investment options, insurance options, and our products, services and benefits.

"We also manage referrals to our in-house Financial Planning team, and can make appointments for meetings with them."

"By calling the Service Centre, you can get help with whatever you need to do with your First Super account."

We're here to help, so let's talk.

If you're a member with an enquiry about your super account or you need to update your details, call the Member Services Team on **1300 360 988**.

Employers needing to discuss their contributions, join a new employee, or book a workplace visit can phone the Employer Services Team on **1300 943 171**.

FINANCIAL ADVICE AND PLANNING

First Super offers our members access to a team of experienced and friendly financial planners. Andrew Jewell, our Manager, Financial Advice and Education, shares more detail about this service.

Tell us about the service you and your team provide to First Super members?

"We help members with planning for and stepping into their retirement by using their super.

"We try to help members imagine what kind of lifestyle they'd like in retirement. From there, we look at what income they would need and, as a result, how much they'll need in their super account at retirement to allow that. This helps the member to understand whether or not that's achievable.

"Where we come into play is to check whether or not they're on track and, if not, what are their options to bridge that gap. If you know how much you need at a younger age, the more action you can take to ensure you reach or surpass that financial goal.

"On the other hand, for people thinking of retiring now, they worry about how much they've got built up and how long that will last. We can advise about how to use their super effectively for retirement income purposes and potentially supplementing that with the Age Pension."

What types of queries can you help First Super members with?

"The benefit of financial planning is that when done early enough and in depth, we can enable people to have an enjoyable retirement and to do the things they want to do.

"We can also explain to them how flexible super is, and how they can use it to their benefit. For example, the big thing for younger members is to help

them buy their first home through the First Home Super Saver Scheme.

"The financial planning team can provide personal advice, which must be put in writing, whereas the Workplace Coordinators and Member Services Team give general advice. What's the difference? Well, general advice is explaining a concept or strategy without taking your personal circumstances and needs into consideration. The member then decides whether the general advice is appropriate or not to their situation. Personal advice is taking a step further by recommending a strategy that applies to your particular situation and needs, ensuring it is in your best interests."

What are the most common matters members want your advice on?

"We don't get many enquiries from younger members, but this is a focus area for our team. We're trying to educate under-30s about taking a greater interest in their super and the associated benefits.

"They can benefit from a range of financial concepts and strategies, such as the power of compound interest. When you're starting out and under 30, your savings have longer to grow. And making small payments – even just \$20 fortnightly in your 20s – can add thousands of dollars to your super balance by the time you retire.

"Once members are in their 40s, they might start to see surplus income, and want to know how they can contribute more and get tax benefits. Some of these queries have to do with their partner's situation, who might be on a lower salary. So we look at how money added to their partner's super can also provide an advantage.

"The most common queries we get are from members in their mid to late 50s, who are starting to think about retiring in the next 5 to 10 years. For them, it's about how much do I need, am I

on track and, if not, how do I boost my super in those last few working years? From there, the questions are when and how can they access their super to provide an income in their retirement.

"For those who are retired, they want to know how they are tracking, or can they do some of the things on their bucket list and still get the income they want – and we can discuss their options.

We are also there if their circumstances change, such as the death of a partner or receiving an inheritance and how this may impact eligibility for the Age Pension, as well as considering aged care financial arrangements."



Financial advice when you need it

To book an appointment with one of our financial planners, call the Member Services Team on 1300 360 988. Alternatively, to learn more about the wide range of First Super's financial advice services, visit firstsuper.com.au/advice.

SUPERANNUATION COORDINATORS

To help members in our industries better understand and make the most of their super benefits, First Super has a team of Superannuation Coordinators. They are based in offices around Australia and regularly visit employer sites to deliver education and general advice, so they are part of and understand the communities in which our members work.

Helping members with claims for their benefits is just one of the services provided by First Super's Superannuation Coordinators. Our Mount Gambier Coordinator, Jo Podobnik, shares her story of helping a member, who had been diagnosed with a terminal illness, and his wife.

Terminal illness and death benefit claims are often undertaken and processed during a time of intense family turmoil and stress.

"Making other arrangements and considerations are a priority for the member and their loved ones in this period. The beneficiary of a deceased member places a high degree of trust and confidence in the Coordinator to 'look after everything' with an insurance claim."

In cases where a member does not have long to live, First Super's Coordinators follow a set process to assist them.

"The next step for the member is around allocating their super account and, where relevant, organising their insurance benefits. If a member has insurance, they might be eligible for a terminal illness payment. We can help members understand what they are likely to receive."

When a member dies, normally the partner, the family or their lawyer contacts First Super directly or their local Workplace Coordinator.

"The Fund needs a few details regarding a death. If I am given the authority by the member or their family, normally I provide that information in an email and ask that the 'Application of Payment for Benefit - Death' form is emailed to me so I can explain to the family what is required."

"We Coordinators can help beneficiaries with completing the forms, as paperwork can be daunting for some people and they can worry about getting everything right.

The Fund also needs specific certified forms of identity and documents, for example, a marriage certificate, death certificate, and a copy of the deceased's will (if they have one). The beneficiary also needs to provide ID."

In this case, I had helped the member several times over the past three years with queries about his super.

"He and his wife asked me for an appointment to discuss his super benefits. During our meeting, I confirmed that his wife was a binding beneficiary, and explained to them what would be required in terms of forms and documents to process the death benefit claim when he died."

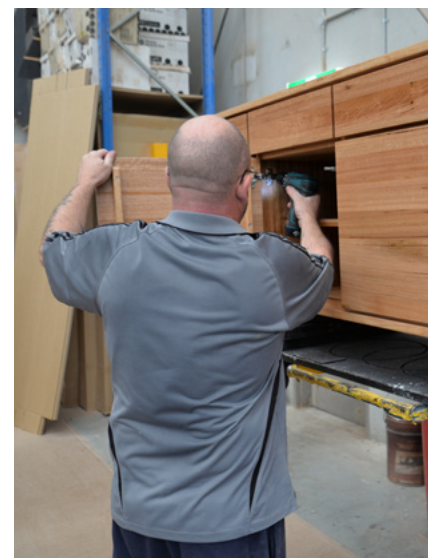
When the member sadly passed away in June, I started the process of helping his widow with the death benefit claim.

"To start this process, the Fund needs the death certificate. Once the widow had received this, she asked me to help her with completing the application and checking the required documents. She sent the paperwork to the Fund within four weeks of the member's death. The Fund paid the full amount of the account within 10 working days."

"The turnaround isn't always as fast, for example if the Fund requests probate or the beneficiary misses a section of the application or forgets to send an accompanying document."

Afterwards, the widow got in touch to say she was so thankful that someone local was able to help her and take a bit of the pressure off her.

"She was surprised how quickly this process took, from the time the documents were completed to her receiving the funds. I'm proud that being able to offer this level of service and personal attention sets First Super apart from many other super funds."



First Super's Coordinators are available to help members over the phone or with workplace visits to provide general support, discuss our available products, and to refer to our financial planners.

For more information about our Coordinators call 1300 360 988.

BUSINESS DEVELOPMENT MANAGERS

First Super's Business Development Managers (BDMs) support employers by providing a personalised service to them and their staff. BDM for Victoria, Tasmania and South Australia, Liz Hunt, shares one example of how a regular meeting with one employer led to them receiving a refund from a retail fund.

Employer support

"We work with the Superannuation Coordinators to provide technical support with payments, super legislation, general product advice, as well as education in the workplace.

"This is delivered by telephone and email, and through workplace visits. We are also available to employers as a contact point. As a result, we build good, trusting working relationships with our employer contacts."

False charges

"In the last financial year, I helped an employer identify false charges by a retail fund for financial advice relating to his personal super account which was never provided. First Super then supported him to an outcome where he received a refund of more than \$5,000.

"We can't identify the retail fund or the member concerned due to a confidentiality agreement signed as part of the settlement. But I can explain what happened and how he secured the refund.

"Last year, at a meeting with the employer, I shared a work sheet of First Super's returns for the past 1, 5 and 10 years compared with those of the average retail fund. The employer was curious to know the difference between our performance and that of his own retail fund."

Alarm bells

"After working through all the figures and doing a comparison, he found he was nearly \$40,000 worse off with that retail fund over those eight years when fees and returns were taken into account.

"If that wasn't bad enough, he also showed statements that included charges of more than \$5,000 for financial advice. That triggered alarm bells.

"When I asked him about the advice he was receiving, he told me he had never asked for or received financial advice. What's more, he had never heard of the adviser listed on his statement."

Refund secured

"We supported the employer with his letter of complaint that demanded a refund. He then signed it and sent it to that fund. In the meantime, he rolled all his super into First Super and is now enjoying solid returns and low fees.

"It took some time, but eventually the refund came through. We now have a very happy employer and member.

"This employer has now nominated First Super as the default fund for his employees, and promoted an education session run by a First Super BDM in the workplace. As a result, a number of employees have made the switch to First Super and rolled in their account balances from their previous retail funds."

If you're an employer looking to make it easier to meet your superannuation needs, First Super's BDMs are here to help. Phone the Employer Services Team on **1300 943 171** to arrange a call or visit.



RETIREMENT AND PENSION SUPPORT

Did you know you have a dedicated member of the team at First Super to help members with queries around using their super for transitioning to retirement and taking a pension?

With over 30 years' experience in super administration, Superannuation Services Manager Jennifer Burgoyne has unique insights into the industry and vast hands-on experience in helping members manage their accounts. Here Jennifer talks about how she can help members from the time they consider their options for transition to retirement, to when they decide to take out a First Super pension.

What is your role within First Super?

"I oversee the administration of pension members' accounts, whether they are transition to retirement (TTR) or full allocated pensions. I manage the processes for applying for an allocated pension, drawing down on a pension account, issuing correspondence and documentation, arranging payments, and dealing with incoming queries. Sometimes these queries come directly from the Service Centre.

"If you've got a question, or need help with managing your pension or understanding the many rules and regulations that exist around taking your super account as a pension, I'm your go-to person. But if there is anything I'm not across, I've got loads of resources to hand to get your answer and let you know your options."

Tell us about the most common matters you deal with.

"I typically help with setting up members' pensions. From then, it's ongoing work to maintain those accounts, such as managing requests to vary the monthly income or helping members take out additional funds to

enjoy a holiday, pay for renovations, buy a vehicle or manage an emergency.

"We have more TTR members than allocated pension members, and they are more limited in what they can do. They have more questions about their options and they have to juggle income to get the financial outcome they're looking for.

"In contrast, allocated pension members tend to know exactly how much money they're getting. They've made their decision to use their super account to get a pension and know what they're getting from Centrelink."

What are the most common transition to retirement questions you get asked?

"One of the things most misunderstood about a pension is that you can't top up or add to your pension once it's commenced. The 10 per cent rule for TTR pensions can also confuse members (people under age 65 can draw down a pension income of between 4 and 10 per cent of their pension account balance each financial year). Fortunately, there are things you can do in these circumstances, and I am able to help guide the member.

"Otherwise, the regular queries are: What amount can I have? Have I had my maximum payment for the year? Can I get any more money out?"

I can also help with information for Centrelink where the member is receiving a Centrelink Age Pension."

And how do you help those who have decided to fully retire and take their benefits?

"It's done to suit their needs. To start their TTR or allocated pension account, they need to complete a six-page form and provide certified ID, so many of the queries stem from errors in the form or due to missing information. I can support them through the process, flag any missing parts from documentation, and explain what's needed.

"There are a lot of variables to consider when starting a pension. I can answer most members' queries over the phone, and for more complex questions I refer them to our financial planning team. Generally, I find members achieve their best outcome when they get help from our local Coordinators or personal advice from our financial planning team before commencing their pensions."



For help with queries about taking your super savings as a transition to retirement pension or allocated pension, call our Member Services Team on **1300 360 988**.

SUPERANNUATION UPDATE



The following is a reminder of some of the key rates and thresholds for the 2018/19 financial year that are applicable to the superannuation and the Age Pension.

SUPERANNUATION GUARANTEE RATE

Employers must contribute a minimum percentage of each eligible employee's earnings (ordinary time earnings) to a complying super fund or retirement savings account (RSA). Below is the current schedule for increasing the Super Guarantee rate.



CONTRIBUTION LIMITS^ FOR THE 2018/19 FINANCIAL YEAR

Caps apply to contributions made to an individual's super fund in a financial year. If a person pays in more to their super fund than these caps, they may have to pay extra tax.

Concessional Contributions (Before-tax contributions) Including employer, salary sacrifice and personal contributions for which a tax deduction is claimed.	\$25,000 for all ages
Non-Concessional Contributions (After-tax contributions) Including personal contributions made from after-tax pay and spouse contributions.	\$100,000* People aged under 65 years may be able to make non-concessional contributions of up to three times their non-concessional contributions cap for the year over a three-year period. This is known as the 'bring-forward' option. If you brought forward your contributions in 2018/19 the financial year, it would be 3 x \$100,000 = \$300,000.

^ These limits are reviewed each financial year and we will inform you of any changes to these limits, as proposed by the government.
 * Individuals over age 65 and satisfying the 'work test' can make non-concessional contributions of up to \$100,000 per year.

GOVERNMENT CO-CONTRIBUTION THRESHOLD INCREASE

Low to middle-income earners who make a non-concessional contribution to their super fund from their post-tax earnings may be eligible for a co-contribution from the Australian Government.

The income threshold for eligibility for a Government co-contribution has increased to \$52,697 (up from \$51,813) for the 2018/19 financial year.

If an individual earns less than this amount and makes a contribution to super from their after-tax pay, the Government may also contribute up to \$500 to their super tax free.



Want to know more?

For the most up-to-date information on the rules that affect superannuation and any incoming changes, visit the Australian Taxation Office website at www.ato.gov.au.

AGE PENSION UPDATES

If you were born between 1 July 1952 and 31 December 1953, the Age Pension age is 65 years and 6 months. See the table below to check your Age Pension age.

Period within which a person was born	Pension age
1 Jan 1949 - 30 June 1952	65 years
From 1 July 1952 to 31 December 1953	65 years and 6 months
From 1 January 1954 to 30 June 1955	66 years
From 1 July 1955 to 31 December 1956	66 years and 6 months
From 1 January 1957 onwards	67 years

AGE PENSION ASSET TEST LIMITS

The Government has set limits to how much a person's assets can be worth before it affects their Age Pension amount. From 1 July 2018, the Asset Test Limits for the Age Pension were changed as follows:

Levels for:	Full Pension	Part Pension (Assets Below)
Single – Homeowner	\$258,500	\$564,000
Single – Non Homeowner	\$465,500	\$771,000
Couple – Homeowners	\$387,500	\$848,000
Couple – Non Homeowners	\$594,500	\$1,055,000

Pensioners will be subject to a taper rate of \$3 for every \$1,000 above the new assets test-free areas.

The Department of Human Services website has full details on Age Pension eligibility criteria, including age and asset test limits.

Visit www.humanservices.gov.au and go to the 'Age Pension' section.

SIGNIFICANT EVENTS NOTICE

First Super experienced no significant events to report in the 2017/18 financial year.



GENERAL INFORMATION

Contacting First Super

Members

If you are a First Super member and need more information about the Fund or help with your account, contact our Member Services Team.

In person: Level 3, 200 Arden Street
North Melbourne, VIC 3051

Mail: PO Box 666, Carlton South,
VIC 3053

Phone: **1300 360 988**

Fax: **1300 362 899**

Email: mail@firstsuper.com.au

Website: firstsuper.com.au

Employers

If you are an employer offering First Super to your employees, you can get help by phoning our Employer Services Team on **1300 943 171** or emailing employers@firstsuper.com.au

Keep your details up to date

Be sure to let us know if you change any of your contact details: your address, phone number or email address. You can tell us about any changes easily by phoning our Member Services Team on **1300 360 988**.

Updating your contact details means that you will continue to receive your Annual Statement, other regular communications, and important information from First Super. Doing this will also prevent you being classified as a "lost member".

Superannuation surcharge

The superannuation surcharge payable by high income earners on contributions and termination payments made on or after 1 July 2005 has been abolished. However, the ATO continues to send assessments relating to prior years. Should First Super receive such an assessment, we will deduct the charge directly from your account.

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

Transfer of accounts

First Super is bound by law to transfer super accounts that are "lost" or "inactive" to the Australian Taxation Office (ATO).

Government legislation sets out that a member is generally considered 'lost' if at least two written communications sent by a fund to the last known address were returned unclaimed.

In addition, a super account may be considered inactive if it has not received a contribution or rollover for two years.

On occasion, First Super uses an Eligible Rollover Fund – AUSfund – for transfers. We will not transfer your super account to the ERF without your consent.

You can claim amounts sent to AUSfund using the following contact details:

AUSfund Administration
Locked Bag 5132, Parramatta
NSW 2124

T: **1300 361 798**

E: admin@ausfund.com.au

W: www.ausfund.com.au

Neither AUSfund nor the ATO offer insured benefits in the event of death or disability. Once transferred, the money may be invested differently to First Super.

Temporary residents permanently leaving Australia

If a former temporary resident employee has left Australia and their visa has expired or been cancelled, First Super is required to pay their benefit to the ATO if it has not been claimed from First Super within 6 months of departure. Once transferred, the ATO will need to be contacted to make any claim. First Super relies on the Australian Securities & Investment Commission's relief from notifying or supplying an exit statement to a non-resident in these circumstances.

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

First Super, 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.

The SCT will continue to take enquiries and complaints until 31 October 2018.

You can contact the SCT at:

Superannuation Complaints Tribunal

Locked Bag 3060 Melbourne VIC 3001

T: **1300 884 114**

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: **1800 367 287**

W: fos.org.au

Australian Financial Complaints Authority

From 1 November 2018, if an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA will provide free, fast and binding dispute resolution to superannuation fund members. AFCA is an independent external dispute resolution scheme authorised by the Minister for Revenue and Financial Services.

GPO Box 3, Melbourne, VIC 3001

T: 1800 931 678

E: info@afca.org.au

W: afca.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

Privacy and compliance

First Super has always placed a very high priority on the protection of the privacy of our members and employers, and the security and use of personal information provided to us.

During the year there were no breaches of the Privacy Act 1988 as determined by the Privacy Commissioner, and there were no losses of member or employer data. First Super has not been subject to any significant fines or other sanctions for failure to comply with laws or regulations.



Contact us

If you require more information or assistance with your First Super account, please contact our Member Services Team.

In person Level 3, 200 Arden St
North Melbourne
VIC 3051

Mail PO Box 666
Carlton South
VIC 3053

Phone 1300 360 988

Fax 1300 362 899

Email mail@firstsuper.com.au

Website firstsuper.com.au

This report was prepared by First Super Pty Ltd (ABN 42 053 498 472, AFSL 223988), Trustee of First Super Superannuation fund (ABN 56 286 625 181). 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. You should 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 2018 but may change without notice.

First Super would like to thank the management and employees at Australian Paper Group, Tessa Furniture, Winna Furniture and Woods Furniture for their participation in photography for this annual report.



You can obtain a hard copy or register to receive a hard copy of this annual report by calling 1300 360 988 or emailing mail@firstsuper.com.au

Issued by First Super Pty Ltd ABN 42 053 498 472, AFSL 223988,
Trustee of First Super ABN 56 286 625 181
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