

Annual Report **2009/10**  
**Taking you inside our story**

Prepared September 2010



“I am very proud of the progress Health Super has made over the past 12 months as we continue to shape the Fund around the needs of our members and employers.”

Chris Clausen  
Chief Executive Officer

*Chris Clausen*

## How to contact us

If you have any questions or would like to discuss how Health Super can help you, please call us on **1800 331 719** or via email at [enquire@healthsuper.com.au](mailto:enquire@healthsuper.com.au). Employers can call **1800 133 050** or contact your dedicated account manager for assistance.



The Annual Report is issued by Health Super Pty Ltd ABN 97 084 162 489 AFSL 246492 the Trustee of the Health Super Fund ABN 88 293 440 675 (Health Super). The information contained in this document is of a general nature only. It should not be considered as a substitute for reading Health Super's Member Guide (Product Disclosure Statement) that contains detailed information about Health Super products, services and features. Before making a decision about a Health Super product, you should consider the appropriateness of the product to your personal objectives, financial situation and needs. It may also be beneficial to seek professional advice from a licensed financial planner or adviser. A Health Super Member Guide (Product Disclosure Statement) is available at [healthsuper.com.au](http://healthsuper.com.au) or by calling 1800 331 719.



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# Message from the CEO

Chris Clausen



## Global economic conditions

The Australian economy remains resilient and continues to have strong exports to Asia, particularly China. The strength of economic conditions is further evidenced by reasonable corporate profit results and low unemployment statistics. However, weaker economies in the US, UK and Europe, and high debt levels in some countries continue to lead to market volatility across the globe.

## Federal Budget and more

The Henry Tax Review, the Federal Budget and the Government's response were delivered in May 2010. The major recommendation relating to superannuation was the gradual rise of compulsory super to 12% by 2019. While the impost on employers must be acknowledged, Health Super naturally sees this as a positive outcome for our members as it should provide them with a better retirement outcome in the long-term.

We continue to see reforms and possible changes within superannuation. The Cooper Review of Superannuation was released in July 2010. While at this stage the Cooper Review might not mean a lot to our employers and members, the 177 recommendations which relate to the operation, governance and structure of superannuation will no doubt have a lasting and ongoing effect on all super funds.

Detailed information about these reforms will be available on the Health Super website as soon as available, and we will write to all employers and members about any changes as and when appropriate.

new  
better

“A big part in our ongoing success will hinge on our ability to listen to the needs of our members, employers and other stakeholders.”

### Fund's investment performance

Financial markets rebounded during the 2009/10 financial year, although volatility remained high. In particular, strong share markets saw positive returns for superannuation fund members after two years of negative returns. Positive returns were recorded across all of Health Super's Member Investment Choice options, with Long-Term Growth, Medium-Term Growth and Balanced all recording double digit returns.

Health Super performed strongly in comparison to its peers during the 2009/10 financial year, with all Member Investment Choice options ranked in the top half of the SuperRatings survey<sup>1</sup>. Longer term performance also remains strong with four out of five Member Investment Choice options in the top 25% of all superannuation funds in the June 2010 SuperRatings survey over three and five years.

<sup>1</sup> The SuperRatings Fund Crediting Rate Survey is an investment survey of major multi-employer superannuation funds in Australia. SuperRatings is an independent research company. Visit <http://www.superratings.com.au>

### Great progress

I am very proud of the progress Health Super has made over the past 12 months as we continue to shape the Fund around the needs of our members and employers. Along with our new brand, we have introduced our new website, enhanced online servicing, and revamped our suite of easy-to-read publications – thanks to all those that have provided constructive feedback. This has been backed up by a fresh approach to service, and a range of initiatives that will lead to better outcomes for members, and more efficient administration for employers.

I am looking forward to announcing further details about our improved insurance offering and other product and service enhancements over the coming financial year.

### We listen to our members and employers

A big part of our ongoing success will hinge on our ability to listen to the needs of our members, employers and other stakeholders. Health Super continues an ongoing program of field research to assess the experience and satisfaction of members and employers. This helps us quickly identify any issues. Also, we have a renewed focus on our website and call centre to provide a streamlined service. An email newsletter program will start soon.

### Onsite visits

Last year our member and employer account management team had direct contact with over 20,000 members and made 2,900 onsite visits to employers.

Our aim is to be the Industry Fund for the people who care. To do that, we need to listen. I assure you we are listening, and acting whenever appropriate.

On behalf of the Fund and its Trustees, I thank you for your ongoing support, as we strive to improve the retirement outcomes of our members.

### Thank you

In late March 2010, the Board farewelled trustee director Richard Walter, AM. On behalf of the Chairman and all of us at Health Super, we would like to thank Richard for over nine years of diligent and wise contribution to the Health Super Board, including many as Chair of the Audit, Risk and Compliance Committee.

We welcome Gary Thomas as the nominee of the Victorian Healthcare Association to the Health Super Trustee Board.

### Chris Clausen

Chief Executive Officer

brand enhanced online servicing  
retirement outcome  
ongoing success

# About Health Super

**Health Super is an industry super fund with over 40 years experience growing and protecting members' retirement savings. We offer low cost super services to all those in the Health, Community Services and Aged Care sectors.**

Our super products and services are designed to meet the needs of our members and their spouses throughout their working life and beyond. These include accumulation accounts, spouse accounts, defined benefit<sup>1</sup> and pension products.

For employers, we offer high quality, personalised service to ensure the smooth administration of your super obligations. Health Super Employers can be confident that by choosing Health Super, they have made a good choice for both their employees and their business.

over  
**40**  
years  
experience

Unlike many other super funds, our administration is not outsourced to a third party. That means we offer responsive and efficient service built around the needs of our members and employers.

The people in our administration and service teams are Health Super employees; when members or employers call, they are talking with fellow members.

Health Super Financial Services Pty Ltd Trading as Health Super Financial Planning (HSFP) is a wholly owned investment of the fund. HSFP provides financial planning advice to all members at discounted and affordable rates on a fee-for-service basis. We believe that access to quality financial planning makes a significant difference to the retirement outcomes of our members.

Our account management team is dedicated to providing leading service to employers and assisting members with their super needs.

**Our aim is to deliver consistent, strong returns over the long term to maximise the retirement savings of our members.**

Consistent long term strong returns

<sup>1</sup> closed to new members

Health Super Financial Services Pty Ltd ABN 37 096 452 318, AFSL 240019 trading as Health Super Financial Planning (HSFP) is a wholly owned investment of the Health Super Fund (ABN 88 293 440 675) (Health Super), the Trustee of which is Health Super Pty Ltd (ABN 97 084 162 489 AFSL 246492). The Trustee pays HSFP half of the annual 1% account-keeping fee collected on all Health Super Account Based Pensions. The Trustee also pays a variable monthly amount (calculated on a cost recovery basis) to HSFP to conduct member seminar programs. The Trustee is not a representative of HSFP and receives no commissions when making referrals to this service. To obtain further information about the services provided by HSFP, contact HSFP direct by telephoning 1300 780 223. Alternatively, visit HSFP's website at [hsfp.com.au](http://hsfp.com.au)

# In the community

**Health Super is keen to live the values of good corporate citizenship. We care for the people that care. Accordingly, we consider the interests of our membership in areas broader than financial services.**

**We seek partnerships that support community initiatives which are valued by our membership.**

## Sponsorship partners

Health Super's partnership with Vision Australia's Carols By Candlelight® Live Site event helps raise funds to provide services to visually impaired people, as well as providing a free event for members and their families.

Health Super sponsors 'The Yooralla Great Vic Trek', which was launched last year to raise funds for one of Australia's oldest providers of practical solutions for more than 30,000 Victorians with disabilities.

The Leadership in Nursing and Midwifery Awards in association with Deakin University provide independent recognition of leaders within health services. We're proud of our ongoing relationship with Deakin University, which nurtures the employees, carers and leaders of tomorrow.

## Supporting students

Our Student Club supports students who intend working in the Health, Community services and Aged Care sectors. Membership is free. Through the Club, we provide education and career resources and advice to those at the very beginning of their careers.

## Committed to the environment

Our staff are also keen to make their contribution. Our recently formed Green Committee has already made improvements to our workplace so that we can reduce our environmental footprint. Health Super staff are also regular participants, contributors and donors to charities and other not-for-profit organisations.



## UNPRI - Investment Practices

We are proud to have been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since November 2007. The principles provide a framework for incorporating environmental, social, and corporate governance (ESG) issues into the investment analysis and decision-making process.

In practical terms, Health Super is strengthening relationships with investment managers who share our commitment to ESG issues. We are working with them to develop procedures that take into consideration ESG issues and are looking for other ways to integrate ESG issues into our ownership practices.

“We’re proud of our successful partnerships with community groups.”

## Major sponsorships



**DEAKIN**  
UNIVERSITY AUSTRALIA



# Health Super Board

## **The Health Super Trustee Board ensures that Health Super is operated and managed in the best interests of all members and in accordance with the Fund's Trust Deed.**

The Board is comprised of an independent Chairperson, four member representatives and four employer representative Directors. The Board meets at least 10 times a year to oversee the operations of the Fund. The Trustee takes its responsibilities to members and employers very seriously. It operates within a corporate governance framework which supports the regulatory, prudential and commercial management of the Fund.

The Trustee of the Health Super Fund is Health Super Pty Ltd (ABN 97 084 162 489, AFSL No. 246492). The sole purpose of the company is to manage the Health Super Fund in the best interests of its members. The Board complies with equal representation rules prescribed in the Superannuation Industry (Supervision) Act 1993.

To facilitate the smooth operation of the Fund, the Board maintains a Committee-based approach to manage its responsibilities.

Health Super's Committees are:

- Audit, Risk and Compliance Committee
- Investment Committee
- Benefits and Claims Committee
- Remuneration Committee
- Marketing and Business Development Committee

## **The Trust Deed**

Health Super Pty Ltd manages Health Super in accordance with the Fund's Trust Deed, a legal document that details the rules by which the Fund should be managed, including members' benefits.

## **Complying fund**

Health Super is a complying superannuation fund for taxation purposes. All necessary returns and certificates have been lodged with the Australian Prudential Regulation Authority (APRA). Once the audit of Health Super's Financial Statements are complete, returns for the year to 30 June 2010 will also be lodged with APRA.

## **Indemnity insurance**

The Trustee has obtained professional indemnity insurance to protect the Trustee, its Directors and officers, and the Fund from claims to the full extent permitted by law and under the policy's terms.

The indemnity insurance policy includes cover for claims related to the provision of services by third parties and its Health Super business operations. The Trustee reviews its indemnity insurance coverage annually to ensure that it meets its ongoing legislative and risk management requirements. The ability for Health Super Pty Ltd to make a claim under its professional indemnity insurance policy is subject to terms and conditions stipulated in the policy.

## **Conflict management policy**

Health Super has conflict management procedures in place to effectively manage conflicts of interest that may arise wholly or partially in relation to activities undertaken by the Trustee.

## **BOARD MEMBERS**

**The Board brings together wide experience in business administration, the law, financial services and the health and community services sector.**

### **Garry Richardson Independent Chair**

Garry holds various non-executive director roles and is chair of several Board committees external to Health Super.

He has held a wide variety of directorships since retiring from his career at National Mutual where he held several senior management roles including General Manager Group Business Services (1989-1990) prior to being appointed Managing Director National Mutual Health Insurance Pty Ltd (1991-1997).

Garry is a Fellow of the Australian Institute of Company Directors.

### **David Langmead Nominated by Health Services Union (National Executive)**

David Langmead holds a Bachelor of Laws from Melbourne University. He was admitted as a Barrister and Solicitor of the Supreme Court of Victoria in 1986, and after practising as a solicitor went to the bar in 1998. Prior to practising law, he was an industrial officer with a trade union.

David's practice as a barrister includes: industrial and employment law; constitutional law; immigration and refugee law; administrative law; discrimination; rules of organisations; superannuation; defamation; and contract.

### **Trevor Carr Nominated by Victorian Healthcare Association**

Trevor is the CEO of the Victorian Healthcare Association (VHA) and holds an Executive MBA from the Australian Graduate School of Management. He has worked in the Victorian healthcare system for over 30 years and was formerly the CEO of a rural health service.

Trevor's particular interest is the impact on health services of an ageing community and he was awarded a Churchill Fellowship in 2006 to evaluate technologies that will assist older Australians to retain their independence.

## Board Members

**Back:** (L – R) Brendan Soraghan, David Langmead, Anne McDonald, Gary Thomas, Trevor Carr.

**Front:** (L – R) Belinda Morieson, Garry Richardson, Graham Shotter, Peter Mylan.



### Anne McDonald

#### Nominated by St Vincent's Health Australia Ltd

After being a partner at Ernst & Young for 15 years, Anne has pursued a non-executive career since 2005. She has broad business experience working with international and local companies, on audit, due diligence, regulatory and accounting matters. She has also advised many domestic and international companies in the investment and fund management sector, thus gaining exposure to private equity, infrastructure and property funds.

Anne is a non executive director of St Vincent's Health Group, the Westpac Insurance business (comprising Westpac Life Insurance Services, BT Life Limited, Westpac General Insurance, St George Life, St George Insurance, Westpac Mortgage Lenders Insurance), Specialty Fashion Group, Spark Infrastructure Group and the GPT Group.

### Belinda Morieson

#### Nominated by Australian Nursing Federation (Victoria)

Belinda Morieson, a Registered Nurse, served the Australian Nursing Federation (Victorian Branch) from 1986 to 2001, initially as a Professional Officer, gaining a broad knowledge of issues across the health system, and then as Branch Secretary with responsibility for administration and policy direction. She is chair of the Victorian Nurses Health Program and a director of the Emergency Services Telecommunications Authority.

Belinda has a Graduate Diploma in Health Education and a Graduate Diploma in Health Administration.

### Peter Mylan

#### Nominated by Health Services Union (National Executive)

Peter joined the Health Services Union (HSU) in 1988 as an organiser. In 2002 he was appointed a member of the HSU National Executive and the HSU National Finance Committee. His appointment to Assistant Secretary of the HSU (NSW) followed in 2003.

Peter is very active in representing the HSU. He is an Executive member of Unions NSW, a member of the Union Consultative Committee of the NSW Premier's Department and a member of the WorkCover NSW Health & Community Services Industry Reference Group.

### Graham Shotter

#### Nominated by Aged and Community Care Victoria Ltd

Graham began his career in Aged Care in 1989 as Director and Treasurer of Aged Care Victoria Inc. Since 1995, he has been the Managing Director and CEO of the Royal Freemasons' Homes of Victoria, a major not for profit aged care provider. He has also served as President of Aged and Community Care Victoria Ltd, the peak body for aged care in Victoria, representing nearly 500 organisations.

Graham's previous positions included Group General Manager, Retirement Villages Australian Unity, and Director of the Royal Melbourne Zoological Gardens, and he has been involved in several community oriented organisations.

### Brendan Soraghan

#### Nominated by Australian Nursing Federation (Victoria)

Brendan Soraghan is employed by the Australian Nursing Federation (ANF) (Victorian Branch) as an Industrial Officer and has responsibility for all superannuation matters for ANF's Victorian members. He has held these responsibilities since he started work with the ANF in 1996.

Brendan holds a Graduate Diploma in Labour Relations Law and a Bachelor of Education from the University of Melbourne.

### Richard Walter, AM (resigned 31/3/10)

#### Nominated by Victorian Healthcare Association

### Gary Thomas (appointed 1/4/10)

#### Nominated by Victorian Healthcare Association

Gary has Master of Taxation and Bachelor of Business (Accounting) degrees. He is currently Principal in charge of tax consulting and valuation services at WHK in Western Victoria.

WHK provide accounting, tax and financial services to small to medium sized enterprises in Australia and New Zealand.

His governance roles include past board member and president of Stawell Regional Health, Independent Director of VHA and Chair of VHA's Audit & Finance and Business Development Committees. He is currently the Independent Chair of Stawell Regional Health Audit Committee and Director of Pastoral & General Holdings Pty Ltd.

# Managing your Fund



## Meetings attended by directors as at 30 June 2010

Director	No. of meetings	Meetings attended
Garry Richardson	11	11
Peter Mylan	11	10
David Langmead	11	10
Belinda Morieson	11	11
Brendan Soraghan	11	9
Anne McDonald	11	10
Graham Shotter	11	9
Trevor Carr	11	10
Gary Thomas*	3	3
Richard Walter*	8	8

## Remuneration

### Trustee directors' remuneration as at 30 June 2010<sup>#</sup>

Salary Ranges	No. of directors
\$0 - \$49,999	0
\$50,000 - \$99,999	8
\$100,000 - \$149,999	1

## Executive Management Team

Health Super's executive management team as at 30 June 2010 was:

- Chris Clausen  
Chief Executive Officer
- Brendon Shepherd  
Chief Investment Officer
- Carol McKelson-Timmins  
Chief Operations Officer
- Gary McGrath  
Chief Governance Officer
- Graeme Lawrie  
Chief Financial Officer

## Remuneration

### Executive remuneration as at 30 June 2010<sup>#</sup>

Salary Ranges	No. of executives
\$0 - \$249,999	3
\$250,000 - \$499,999	2
\$500,000 - \$749,999	0

\* The number of meetings held during the tenure of these Directors on the Health Super board for the 2009/2010 financial year.

<sup>#</sup> Employment Costs for the 2009/2010 financial year are Cash, Superannuation and Salary Sacrifice.

# Health Super Account Management

**Health Super's Account Management team work directly with employers and members to help them meet their super needs.**

They are trained and experienced in all aspects of super, including super administration, and visit workplaces throughout the country. It's a unique model: employers can enjoy personalised account management, and members can access a trusted source of information and guidance. And the statistics show, more and more members and employers are taking advantage of face-to-face servicing.

To see how Health Super can make a real difference to your workplace, call to arrange a discussion with your account manager. Simply call 1800 331 719 (members) or 1800 133 050 (employers).

Over the past year, the Account Management team have been involved in:

**2,900** employer visits

**3,090** one-on-one interviews with Health Super members

Seeing **10,000** new employees at workplace orientations

Seeing **1,188** members at workplace superannuation seminars

Seeing **1,225** members at workplace retirement seminars

Presenting **155** evening seminars attended by over 4,000 members

“That adds up to personal contact with up to

**20,000 members**  
and **2,900 employers!**

It's a unique point of difference for Health Super.”



# Return on investments

**Health Super offers five 'Standard' investment options and four 'Socially Responsible Investment' (SRI) options. All options aim to maximise returns for a given level of risk and invest across a diverse range of asset classes, managers, industry sectors and securities.**

In the case of the SRI options, various labour standards and environmental, social and ethical factors are also considered in selecting, retaining and realising investments in Australian and international shares. This may include applying 'positive' screens to invest in those companies with responsible practices, including high degrees of governance and ethics, sustainable practices and product quality. 'Negative' screens can also be applied to exclude unacceptable industries, such as tobacco, armaments, uranium or gaming. For more information about how these factors are taken into account, refer to the Member or Pension Guide (Product Disclosure Statement).

Many members prefer to leave investing to the experts. As a result, the 'Lifecycle Strategy' is Health Super's default investment option.

**The Lifecycle investment strategy automatically invests members into different investment options based on their age:**

**Aged less than 50:  
Long-Term Growth**

**Aged 50 to 59:  
Medium-Term Growth**

**Aged 60 and over:  
Balanced**

We write to members before any change to their strategy is made. Members can change their investment option at any time<sup>2</sup>.

## Accumulation returns

Investment option	Performance from 1 July 2009 – 30 June 2010		Compound average performance over 5 years ending 30 June 2010		Compound average performance over 10 years ending 30 June 2010	
	Standard %	SRI %	Standard %	SRI %	Standard %	SRI %
Long-term growth	11.32	10.70	3.87	3.72	3.87	n/a
Medium-term growth	10.89	10.47	4.34	4.17	4.29	n/a
Balanced	10.62	10.35	4.48	4.34	n/a	n/a
Short-term conservative	8.95	8.82	4.50	4.37	4.39	n/a
Stopover	3.57	n/a	4.98	n/a	5.06	n/a

## Pension returns

Pension option	Performance from 1 July 2009 – 30 June 2010		Compound average performance over 5 years ending 30 June 2010		Compound average performance over 10 years ending 30 June 2010	
	Standard %	SRI %	Standard %	SRI %	Standard %	SRI %
Long-term growth	13.05	11.55	4.64	4.36	4.57	n/a
Medium-term growth	12.58	11.54	5.20	4.92	5.06	n/a
Balanced	12.30	11.61	5.38	5.15	n/a	n/a
Short-term conservative	10.43	10.09	5.42	5.24	5.33	n/a
Stopover	4.44	n/a	5.95	n/a	5.97	n/a

Investment returns cannot be guaranteed as investment markets can be volatile. As a consequence, returns can be positive or negative. Furthermore, past investment performance is not a reliable indicator of future performance.

n/a: These returns are not available because these options were not in existence at the time.

## Return on investments

Returns for Health Super's investment options are shown above. These returns are net of fees, costs and taxes. Due to their tax treatment, the Pension returns are gross of tax. Members can refer to their Member Statement for details about how these returns are applied to their account.

For regular investment commentary, visit the Health Super website [healthsuper.com.au](http://healthsuper.com.au)

<sup>2</sup> The effective date is the first day of the month after a switching request is received unless a partial payment is processed before the final return is declared, in which case the switch is effective the day after the partial payment is processed and an interim rate may be applied.

# Investment options

## Investment Options for Accumulation and Pension Accounts

### Long-Term Growth

Standard and SRI Options

#### Investment Objective

To achieve a return that exceeds inflation by:

**5% p.a.** (measured over rolling 5 year periods)

Expectation of a negative return: 1 year in 5

Investment period: 7 years +

#### Asset Allocation Range

Australian shares	30 – 40%
International shares	30 – 40%
Alternative growth	16 – 24%
Alternative defensive	5 – 15%
Fixed interest	0 – 5%
Cash	0 – 5%

### Medium-Term Growth

Standard and SRI Options

#### Investment Objective

To achieve a return that exceeds inflation by:

**4% p.a.** (measured over rolling 5 year periods)

Expectation of a negative return: 1 year in 7

Investment period: 5 years +

#### Asset Allocation Range

Australian shares	20 – 30%
International shares	20 – 30%
Alternative growth	16 – 24%
Alternative defensive	6 – 14%
Fixed interest	16 – 24%
Cash	0 – 5%

### Balanced

Standard and SRI Options

#### Investment Objective

To achieve a return that exceeds inflation by:

**3.5% p.a.** (measured over rolling 5 year periods)

Expectation of a negative return: 1 year in 10

Investment period: 5 years +

#### Asset Allocation Range

Australian shares	12.5 – 22.5%
International shares	12.5 – 22.5%
Alternative growth	11 – 19%
Alternative defensive	6 – 14%
Fixed interest	36 – 44%
Cash	0 – 5%

### Short-Term Conservative

Standard and SRI Options

#### Investment Objective

To achieve a return that exceeds inflation by:

**2.5% p.a.** (measured over rolling 3 year periods)

Expectation of a negative return: 1 year in 20

Investment period: 3 years +

#### Asset Allocation Range

Australian shares	5 – 15%
International shares	5 – 15%
Alternative growth	6 – 14%
Alternative defensive	6 – 14%
Fixed interest	36 – 44%
Cash	16 – 24%

### Stopover

Standard

#### Investment Objective

To achieve a return that exceeds inflation by:

**1% p.a.** (measured over rolling 3 year periods)

Expectation of a negative return: Negligible

Investment period: up to 3 years

#### Asset Allocation Range

Australian shares	0%
International shares	0%
Alternative growth	0%
Alternative defensive	0%
Fixed interest	0%
Cash	100%

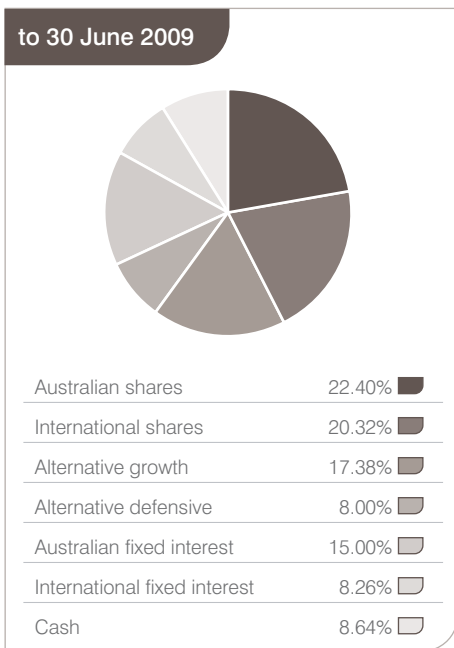
## A note about SRI options

The investment objectives for SRI options are the same as the Standard options but underlying investments may be different for Australian and international shares. The objective of Health Super's SRI options is to deliver maximum investment returns (within a given level of risk) over the long-term.

Health Super's SRI options may carry a higher level of investment risk than the Fund's Standard options, including risk of short-term volatility or negative returns. This is because the same level of diversification cannot be achieved in the underlying investments and managers used for SRI options compared to the Standard options.

## Health Super's 'whole of Fund' asset allocation

How funds were invested –



## How returns are allocated (accumulation and pension accounts)

Investment returns are calculated and allocated on a monthly basis after the deduction of taxes (if any) and Other Management Costs such as investment managers' fees and any asset fee (if applicable).

Details of fees and costs deducted directly from an account are provided on the member benefit statement. Interim crediting rates apply in some situations (e.g. if a member leaves the Fund or an investment option before a final declared rate has been determined). The dollar amount of returns allocated is based on declared rates and will depend on:

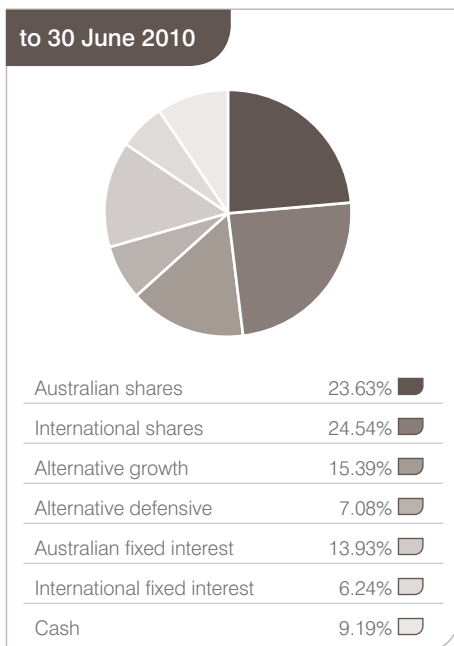
- the period for which a member is invested in a particular investment option;
- the timing of any contributions and withdrawals during the year; and
- any investment switches made during the year.

Investment returns can be positive or negative depending on the performance of underlying assets. Refer to the applicable Member or Pension Guide for information about the allocation (the process varies depending on the type of account held) and any fees, costs and taxes that are deducted prior to the determination of investment returns.

## Investment returns for Defined Benefit and Deferred Benefit members

Members with Defined Benefit and Deferred Benefit accounts should refer to the explanatory notes on their statements for information about returns that may be relevant to their benefits. The benefit may be a pre-determined amount defined according to a formula in the Trust Deed without regard to fluctuations in investment returns. In this case, the employer bears the risk of negative investment performance.

In some cases the benefit will be calculated by reference to fluctuations in investment returns taking into account relevant fees and taxes. Refer to the Annual Member Statement for further details.



accu  
retu

“At least once a year, Health Super’s actuary conducts a review of the financial position of Health Super’s Defined Benefit Scheme.”

### Managing Defined Benefits

At least once a year, Health Super’s actuary conducts a review of the financial position of Health Super’s Defined Benefit Scheme. The actuarial review as at 30 June 2010 indicated that the Defined Benefit Scheme had a small shortfall relative to the total defined assets (including Lifetime Pensions) of the Scheme. The reversal of the funding position during the year resulted primarily from the use of improved data in the actuarial calculations and due to a revision of long term assumptions to better reflect recent investment experience.

Despite the shortfall, Health Super’s actuary has advised the Trustee to maintain current contribution rates which will enable the Trustee to return the Defined Benefit Scheme to a fully funded position within two years.

### Defined Benefit and deferred accounts

#### Defined Benefit Scheme

##### Investment Objective

Maintain a balance between reducing long-term costs and reducing the volatility of the required employer contribution rate

##### Asset Allocation Range

Australian shares	0 – 20%
International shares	0 – 20%
Alternative growth	0 – 20%
Alternative defensive	0 – 30%
Australian inflation linked fixed interest	20 – 40%
Cash	10 – 40%

The asset allocation and ranges act as a guide only over the long-term. Actual allocations may fall outside the ranges due to market movements or timing of rebalancing in the short-term.

### Derivatives policy

Health Super’s investment managers may use derivatives in managing the Fund’s assets. In line with Australian Prudential Regulation Authority (APRA) guidelines, Health Super prepares a Derivatives Risk Management Statement. This Statement identifies where derivatives are used within the Fund’s investment structure. Where the management of investment portfolios is outsourced, Health Super also reviews investment manager controls. Health Super requires its investment managers to ensure that derivatives are:

- 1 Fully covered by cash, cash-equivalents or appropriate securities;
- 2 Limited to a maximum in accordance with specific contractual commitments; and
- 3 Not used to leverage portfolios.

The investment managers must also prepare a Derivative Risk Statement. These statements are reviewed by Health Super annually to ensure they comply with relevant regulations and the Fund’s guidelines. Health Super’s custodian also provides Health Super with a Compliance Report on a weekly basis.

multiplication accounts  
pension

# Investment managers

The Trustee is assisted by qualified and experienced investment managers to manage Health Super's investments. The Trustee regularly monitors the performance of each investment manager against established criteria and may terminate the services of individual investment managers for underperformance or other reasons.

## Health Super's investment managers as at 30 June 2010 were:

### Australian shares

- Acorn Capital Ltd
- Eley Griffiths Group Pty Ltd
- GMO Australia Ltd
- Hyperion Asset Management Ltd
- Independent Asset Management Pty Ltd
- Lazard Asset Management Pacific Co
- Schroder Investment Management Australia Ltd

### International shares

- Colonial First State Investments Ltd (Emerging markets)
- Independent Franchise Partners, LLP
- IronBridge Capital Management, L.P.
- Lazard Asset Management Pacific Co
- State Street Global Advisors Australia Ltd
- Trilogy Global Advisors
- Vanguard Investments Australia Ltd
- Veritas Asset Management (UK) Ltd

### Alternative growth

- AEW Capital Management
- Bridgewater Associates, Inc.
- MGPA
- Macquarie Topst Management Ltd
- Morgan Stanley Investment Management Ltd
- Perennial Investment Partners Ltd
- RARE Infrastructure Limited
- Franklin Templeton Investments Australia Ltd
- Invesco Australia Ltd
- Wilshire Australia Pty Ltd (Australian Private Equity)
- Wilshire Global Advisors Ltd (International Private Equity)

Health Super also invests in a range of Australian private equity managers.

### Alternative defensive

- AMP Capital Investors Ltd
- Colonial First State Property Ltd
- Dexus Property Group
- Lend Lease Real Estate Investments Ltd
- Quadrant Real Estate Advisors
- Queensland Investment Corporation

### Fixed interest

- Aberdeen Investment Management Australia Ltd
- Queensland Investment Corporation
- Vianova Asset Management Pty Ltd
- Wellington International Management Company Pte Ltd
- Goldman Sachs Asset Management & Partners Australia Pty Ltd
- Western Asset Management Company Ltd

### Currency

- BlackRock Asset Management Australia Ltd

### Cash

- Colonial First State Investments Ltd
- Health Super Pty Ltd

The underlying investment managers for Health Super's SRI options are the same as shown, except for investments in Australian and international shares. The investment managers for these assets are:

### Australian shares

- Perennial Investment Partners Ltd

### International shares

- AMP Capital Investors Ltd

Investment managers are shown for information purposes only. The managers used by Health Super may be changed at the discretion of the Trustee. Members have no ability to choose underlying fund managers.

## Investments representing a value greater than 5% of the total value of all assets in Health Super

to 30 June 2009	
<b>Australian inflation linked fixed interest</b>	9.12%
Credit Suisse Asset Management (Aust.) Ltd	
<b>Cash</b>	8.64%
Health Super Pty Ltd	
to 30 June 2010*	
<b>Australian inflation linked fixed interest</b>	7.85%
Aberdeen Investment Management Australia Ltd	
<b>Cash</b>	9.19%
Health Super Pty Ltd	

\* These are unaudited figures

# Important information

## External service providers

The Trustee has retained the services of a number of external service providers to assist in Health Super's operations.

### Service providers as at 30 June 2010 were:

#### Actuary

Mercer (Australia) Pty Ltd

#### Asset consultant

Towers Watson Australia Pty Ltd

#### Auditors - External

KPMG

#### Auditors - Internal

PricewaterhouseCoopers

#### Custodian

JP Morgan Chase Bank N A

#### Insurer

AIA Australia Limited

#### Legal advisors

Greenfields Financial Services Lawyers; Holding Redlich Lawyers; Allens Arthur Robinson

#### Taxation consultant

PricewaterhouseCoopers

## Surcharge tax

The Surcharge Tax was abolished from 1 July 2005 however, Health Super does from time to time still receive assessments from the Australian Taxation Office relevant to members affected by the surcharge in prior years. If a surcharge is payable, it is deducted from a member's Health Super account.

## Enquiries and complaints

If you have a complaint, call 1800 331 719. If Health Super is unable to satisfactorily resolve your issue over the phone, you may be asked to put your complaint in writing. If you make a complaint, Health Super will endeavour to properly consider and deal with your issue and notify you of the decision in writing within 30 days of receipt of the complaint.

If Health Super does not settle your complaint to your satisfaction within 90 days or if you are dissatisfied with Health Super's decision, you may contact the Superannuation Complaints Tribunal (SCT) at:

Locked Bag 3060  
Melbourne VIC 3001  
Telephone: 1300 884 114

The SCT is an independent tribunal established to resolve disputes between super funds and their members and/or potential beneficiaries. The SCT only has jurisdiction to deal with a complaint once it has been through the Fund's internal dispute resolution process.

## Reserving policy

Health Super maintains an Administration Reserve Account (ARA) which is used to fund Health Super's administration costs. The balance of any remaining account keeping fees and asset fees for the reporting period are allocated to the ARA. Funds from the ARA account can only be used for purposes permitted by the Trust Deed. This includes meeting anticipated expenses in future years, unexpected and extraordinary expenses; and the payment of compensation relevant to an error or omission arising from a reportable breach. The Trustee has a formal policy governing the management of the ARA. Health Super does not maintain any other reserves.

### The value of the ARA at 30 June was:

2008	\$8.65 million
2009	\$7.95 million
2010*	\$6.97 million

\* These are unaudited figures

### The ARA balance for the year ended 30 June 2010 are:

Opening balance	\$ 7.95 m
- Administration expenses	(\$26.56 m)
+ Administration fee recovery	\$19.55 m
+ Asset Fee recovery	\$ 6.03 m
Closing Balance	\$ 6.97 m

# Financial summary

A summary of Health Super's unaudited financial statements for the year ending 30 June 2010 is shown in the following table.

Health Super's audited financial statements and auditor's report will be available from Health Super's website from 31 October 2010.

Alternatively, you can request a copy by calling 1800 331 719.

The 2009 financial results have been updated to reflect the audited financial statements which incorporate changes in tax expenses and classification/disclosure of derivative assets and liabilities.

Statement of changes in net assets of the fund	2009 \$'000s	2010 \$'000s
Net market value of assets available to pay benefits (as at 1 July)	7,628,079	7,261,531
<b>Revenue</b>		
Member contributions	94,928	113,540
Employer contributions	689,317	651,391
Transfer from other fund	75,765	89,072
Investment income	(821,047)	803,269
Insurance proceeds	17,649	19,298
Other income	151	21
Total revenue	56,763	1,676,591
<b>Expenses</b>		
Benefits paid	(397,877)	(413,501)
(Tax expense) / Benefit	23,821	(198,235)
Administration expenses	(24,469)	(27,952)
Superannuation surcharge	(71)	(66)
Insurance premiums	(24,715)	(24,300)
Total expenses	(423,311)	(664,054)
Net surplus (deficit)	(366,548)	1,012,537
Net market value of assets available to pay benefits (as at 30 June)	7,261,531	8,274,068
<b>Statement of Net Assets of the Fund</b>		
<b>Net assets</b>		
Investments	7,271,965	8,550,080
Current assets	53,081	24,508
Total assets	7,325,046	8,574,588
(Tax liability) / Asset	63,805	(27,554)
Other liabilities	(127,320)	(272,966)
Total liabilities	(63,515)	(300,520)
Net assets available to pay benefits	7,261,531	8,274,068

## Account Manager contact details

# Our Account Managers are here to help you.



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For all NSW enquiries, please contact  
**Ken Cross**  
0417 346 437  
kcross@healthsuper.com.au

## We're here to help

It's important to get your super right. We understand that everyone has different needs. Contact us to see how we can help you make the most of your super.

**1800 331 719**

Monday to Friday 8:30am – 6.00pm AEST

**[enquire@healthsuper.com.au](mailto:enquire@healthsuper.com.au)**

Log on to our eSuper service

**[healthsuper.com.au](http://healthsuper.com.au)**

Locked Bag 2900

Collins Street West VIC 8007

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## We're an industry fund



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## We're recognised



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## We care



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