



For further information about the methodology used by Chant West, see www.chantwest.com.au



VISSSF 2019 Annual Report

The Victorian Independent Schools Superannuation Fund

ABN 37 024 873 660 RSE Registration Number R1000436

MySuper Authorisation 37024873660599

Trustee: VIS Nominees Pty Limited

ABN 11 006 586 367 AFS Licence Number 235097

RSE Licence Number L0000321

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CHAIRMAN'S MESSAGE

Welcome to VISSF's 2019 Annual Report.

As the cornerstone of Australia's retirement system, superannuation is in the constant glare of personal, government and media scrutiny.

Just when you thought there couldn't be any more super news, the Productivity Commission report released in January this year, and more recently the Banking Royal Commission report, has shone a timely light on some of the shortcomings within the \$2.7 trillion superannuation system.

VISSF is a profit-to-member super fund, dedicated to servicing all employees who work in the education industry. So, it was pleasing to note the findings recognised that profit-to-member super funds have typically outperformed their retail counterparts and furthermore, that the current industry default system has provided stronger member protections¹.

As an education industry fund, we welcome any changes that will provide better outcomes for our members and believe these key findings reinforce the important role we play in safeguarding your retirement savings.

Our mission is to protect the futures of our members, who support and nurture our younger generations. We strive to deliver value that goes beyond your super or pension balance. For the second year in a row, Chant West has rated our efforts by awarding our super and pension fund with a High Quality 4 out of 5 Apples Rating.

This rating reaffirms our ongoing commitment to: deliver strong investment returns to members; maintain a low fee environment; provide relevant financial advice; offer appropriate insurance benefits; while continuing to enhance member services.

For further information about the methodology used by Chant West, see www.chantwest.com.au.

If you have any questions about your super or pension investment, you can call our friendly Client Services Team on 1300 660 027 weekdays.

Sincerely,

Peter Sharples

¹ <https://www.industrysuper.com/media/productivity-commission-proposal-leaves-consumers-exposed/>

FUND MANAGEMENT

Trustee

VIS Nominees Pty Limited

- Manages VISSF and ensures it is run in accordance with any legislative requirements, the Trust Deed and members' best interests.
- The nine directors meet most months and are elected for a two year term, with half retiring each year. They can stand for re-election and, if unopposed, be re-appointed.
- To learn more about who elects directors and how, please visit www.vissf.com.au/publicly-available-information
- The Trustee holds indemnity insurance cover for their role and there were no penalties imposed on responsible persons of the Trustee under the Superannuation Industry (Supervision) Act during the reporting period.

Investment management

Russell Investment Management Limited ABN 53 068 338 974

- Invests in multi-manager funds specialising in particular asset sectors, which are used to form VISSF's four investment options.
- These funds include a number of different independent investment managers, which Russell Investment may change at any time in order to meet VISSF's objectives.

Directors year ended 31 January 2019

Member Representative	Employer Representative
Susan Paice (Deputy Chair) Korowa	Peter Sharples (Chair) Ruyton
Peter Buckingham Tintern	Ian Benskin Mentone Girls'
Anne Saunders Lowther Hall	Christopher Malkin Tintern
Gwendoline Zammit Arcare Appointed 25.10.18	Susan Johnston Westbourne Appointed 25.10.18
Independent Director	
Shane McMahon Appointed 25.10.18	

Policy committee

- Each VISSF school can appoint two representatives – one from the school's governing body and one from members at the school.
- Employer representatives on this committee elect four of their number to act as employer directors on the Trustee board, and member representatives elect four of theirs as member directors.

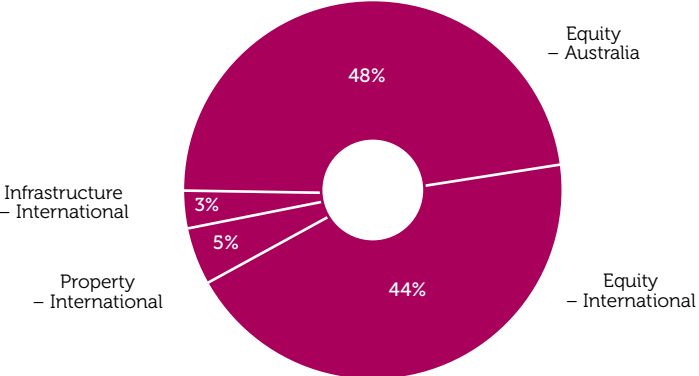
Policy Committee Members year ended 31 January 2019

VISSF Employer	Employer Representative	Member Representative
Arcare	-	Gwendoline Zammit
Australian International Academy	-	Ian Coulter
Fintona	-	Julie Goldsworthy
Firbank	Scott Feehan	-
Girton	-	Debbie Adams
ISV	Warren Allan	Kerrie Knopp
Korowa	-	Susan Paice
Lauriston	Sarah Barton	-
Lowther Hall	-	Anne Saunders
Mentone	Ian Benskin	-
MLC	James Berry	-
PLC	Hamish Blair	-
Ruyton	Peter Sharples	-
Shelford	Brenton Smith	-
Tintern	Christopher Malkin	Peter Buckingham
Westbourne	Susan Johnston	Caron Condie

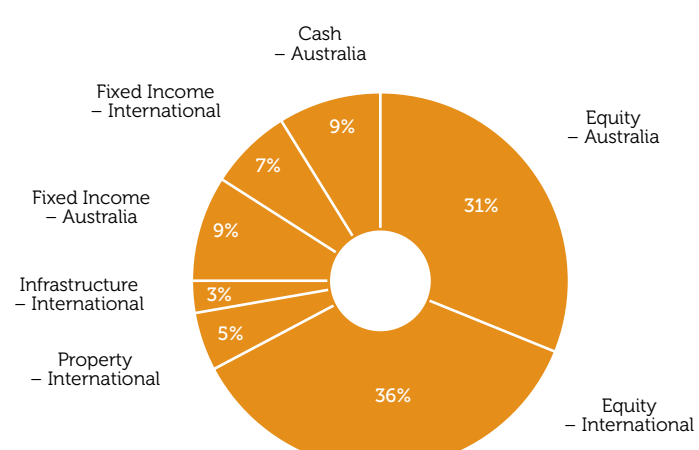
INVESTMENT OPTIONS

VISSF offers four investment options, including a Balanced Option, which is an authorised MySuper product. The other investment options are All Growth, Conservative and Cash. Member’s can choose one option or a combination of different options. Where they don’t make a choice, or their choice is unclear, their super will be invested in the Balanced Option.

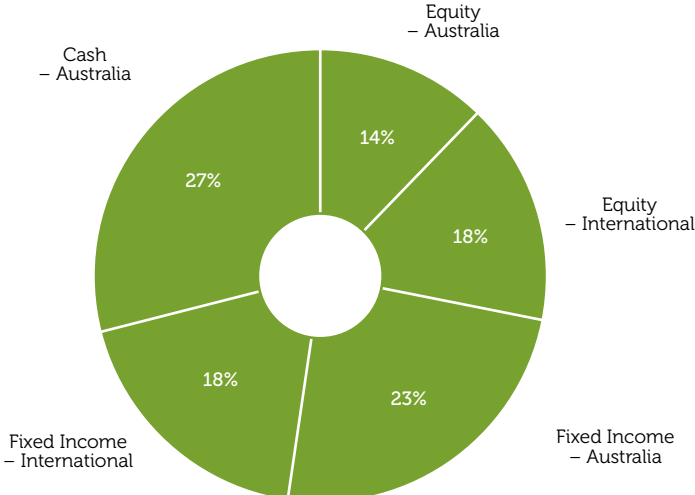
All Growth Option

<p>Description of option and type of investors for whom it is intended to be suitable</p>	<p>In the All Growth Option, 100% of your super is invested in growth assets such as shares and property.</p> <p>Generally an investor in this type of option is likely to be looking for higher investment returns over the long term. They have got the time to ride out investment fluctuations – even watching their benefit go through large ups and downs in performance.</p>																														
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<p>Investment return objectives</p>	<p>The All Growth Option aims to:</p> <ul style="list-style-type: none"> • achieve over rolling seven year periods, a rate of return, after expected tax and fees, in excess of CPI + 3.5%; • achieve over rolling seven year periods, a rate of return in excess of the median of our relevant peers, as measured by a relevant growth fund investment survey; and • maximise the after tax rate of return above inflation, as measured by CPI, over rolling seven year periods, subject to the following constraints: <ul style="list-style-type: none"> • recognising a greater risk of experiencing a negative return in any one year than the Balanced Option; and • maintaining sufficient liquidity to enable VISSF to meet its commitments. 																														
<p>Minimum suggested time frame for holding the investment</p>	<p>7 years</p>																														
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Balanced Option

<p>Description of option and type of investors for whom it is intended to be suitable</p>	<p>In the Balanced Option (authorised MySuper product), approximately 75% of your super is invested in growth assets such as shares and property and approximately 25% in income assets such as bonds and cash.</p> <p>Generally an investor in this type of option is likely to be looking for high investment returns over the medium to long term. They have still got the time to ride out investment fluctuations.</p>																																								
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Conservative Option

<p>Description of option and type of investors for whom it is intended to be suitable</p>	<p>In the Conservative Option, 32% of your super is invested in growth assets such as shares and property and 68% in income assets such as bonds and cash. Generally an investor in this type of option is likely to be looking for fairly stable investment returns over the medium to long term. They know long term investment returns are likely to be lower than the higher risk options of All Growth and Balanced but they also know there is less chance of reducing the value of their benefit in the short term.</p>																																				
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Total Income Assets	66 – 70%	67.9%	68.0%																																		
<p>Investment return objectives</p>	<p>The Conservative Option aims to:</p> <ul style="list-style-type: none"> • achieve over rolling three year periods, a rate of return, after expected tax and fees, in excess of CPI + 1.5%; • achieve on a rolling three year basis, a rate of return in excess of the median of our relevant peers, as measured by a relevant conservative fund investment survey; and • maximise the after tax rate of return above inflation, as measured by CPI, over rolling three year periods, subject to the following constraints: <ul style="list-style-type: none"> • expecting to earn a positive rate of return over most 12 month periods; and • maintaining sufficient liquidity to enable VISSF to meet its commitments. 																																				
<p>Minimum suggested time frame for holding the investment</p>	<p>3 years</p>																																				
<p>Standard Risk Measure: Risk Band and Label</p>	<p>Risk Band: 4 Risk Label: Medium</p>																																				
<p>Estimated number of negative annual returns over any 20 year period</p>	<p>2 to less than 3</p>																																				
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Cash Option

Description of option and type of investors for whom it is intended to be suitable	<p>In the Cash Option, 100% of your super is invested in Australian cash.</p> <p>Generally an investor in this type of option is likely to be looking to protect the capital value of their superannuation and achieve stable returns. They know long term investment returns are likely to be low compared to other options but they are seeking to protect their investment from the chance of any negative returns in the short term.</p>		
Asset class		ALLOWABLE RANGE	ACTUAL ALLOCATION 31.1.19 31.1.18
	Cash - Australia	100%	100% 100%
	Total Income Assets	100%	100% 100%
Investment return objectives	<p>The Cash Option aims to provide exposure to a diversified portfolio of investment grade cash and cash equivalent securities, providing a total return, after costs and tax, in line with the Bloomberg AusBond Bank Bill Index over the short term.</p>		
Minimum suggested time frame for holding the investment	Short Term		
Standard Risk Measure: Risk Band and Label	<p>Risk Band: 1 Risk Label: Very Low</p>		
Estimated number of negative annual returns over any 20 year period	Less than 0.5		

INVESTMENTS

	As at 31 January 2019 \$'000	As at 31 January 2018 \$'000
Russell Managed Investment Funds		
Australian Bond Fund Class A	9,959	9,587
Australian Cash Fund Class A	4,928	3,834
Australian Shares Fund Class A	12,016	12,128
International Bond A\$ Hedged Class A	7,727	7,436
International Shares Fund Class A	5,550	5,587
International Shares A\$ Hedged Class A	6,956	6,829
Australian Opportunities Fund	11,934	12,217
International Property Securities A\$ Hedged	3,095	3,069
Global Opportunities Fund	5,622	5,902
Australian Cash Enhanced Fund Class A	10,760	10,562
Emerging Markets Fund Class A	2,097	2,082
Global Opportunities Fund \$A Hedged Class A	6,973	6,569
Global Listed Infrastructure Fund \$A Hedged Fund Class A	1,744	1,764
Russell Pooled Superannuation Trust		
International Shares Unit	48,441	50,449
International Shares Unit A\$ Hedged	60,156	62,732
Australian Bond Unit	53,657	52,968
International Bond Unit \$A Hedged	42,143	40,881
Australian Cash Unit	22,911	17,388
Australian Opportunities Unit	110,300	114,793
International Property Securities \$A Hedged	32,101	30,703
Global Opportunities Unit	49,795	51,410
Emerging Markets	20,821	23,093
Australian Cash Enhanced Unit	55,748	54,729
Global Opportunities Unit \$A Hedged	60,173	62,315
Global Listed Infrastructure Unit \$A Hedged	18,786	17,869
After Tax Australian Shares Unit PST	111,000	114,229
Total Investments	775,393	781,125
Cash at Bank – National Australia Bank Limited	3,646	3,081
Total Cash and Investments	779,039	784,206

PERFORMANCE

The amount of earnings, whether positive or negative, applied to your VISSF Super or Pension Account depends on the investment option/s you are in and how underlying investments perform. Investment fees, indirect costs and any applicable taxes are deducted from the investment earnings when calculating the crediting rates.

Past performance is not a reliable indicator of future performance. There is no guarantee of the performance of any of VISSF's investment options and your account balance may rise or fall with movements in investment markets.

Accumulation Section crediting rates for the years ended 31 January

	2015 %	2016 %	2017 %	2018 %	2019 %	Compound average % per annum	
						5 year	10 year
All Growth	12.9	-2.5	16.6	16.3	-1.2	8.1	10.5
Balanced	11.8	-1.2	12.7	12.9	-0.2	7.0	9.2
Conservative	8.7	0.5	7.4	7.1	1.3	4.9	6.5
Cash	1.8	1.6	1.4	1.1	1.2	1.4	2.2
Defined Benefit	12.0	-1.0	13.0	13.2	0.1	7.3	9.4
Inflation CPI	1.7	1.7	1.5	1.9	1.8	1.7	2.1

Minimum benefit members' crediting rates, are set out in their annual statement. From 1 February 2011 to 31 January 2015 crediting rates were slightly lower than those for non-minimum benefit members while a minimum benefit reserve was being established. As of 1 February 2015, this reduction was removed as the minimum benefit reserve reached a satisfactory position.

Defined benefit members

The Trustee aims to keep the value of assets in the defined benefit sub-plans exceeding the value of vested benefits in each plan. Each defined benefit employer has agreed to contribute at the rate of contributions recommended by VISSF's independent actuary.

Pension Section crediting rates for the years ended 30 June

	2014 %	2015 %	2016 %	2017 %	2018 %	Compound average % per annum	
						5 year	10 year
All Growth	20.0	12.8	0.0	17.7	13.4	12.5	8.0
Balanced	16.5	11.3	1.4	13.4	10.4	10.5	7.9
Conservative	10.5	8.0	3.4	7.2	6.2	7.0	7.2
Cash	2.4	2.4	2.0	1.6	1.6	2.0	3.0
Inflation CPI	3.0	1.5	1.0	1.9	2.1	1.9	2.1

Transition to Retirement Pension crediting rates for the years ended 30 June

	2014 %	2015 %	2016 %	2017 %	2018 %	Compound average % per annum	
						5 year	10 year
All Growth	20.0	12.8	0.0	17.7	11.6	12.2	7.8
Balanced	16.5	11.3	1.4	13.4	9.1	10.2	7.8
Conservative	10.5	8.0	3.4	7.2	5.4	6.9	7.2
Cash	2.4	2.4	2.0	1.6	1.4	2.0	3.0
Inflation CPI	3.0	1.5	1.0	1.9	2.1	1.9	2.1

Applying earnings

Your Member Account is updated with earnings:

- at 31 January (30 June for pensions) each year;
- when all or part of your benefit is paid from VISSF;
- when you make an investment switch; or
- when all or part of your benefit is transferred to or from the Pension Section.

Generally, the Trustee determines crediting rates each week. Earnings are applied to transactions in your Member Account based on the number of days invested.

Crediting rates are applied to:

- your opening account balance at the start of the year;
- contributions, transfers or rollovers received; (where applicable) and
- adjustments for any amounts, such as surcharge assessments paid to the ATO, Family Law Splits, administration fees, insurance premiums and taxes, that are deducted from your account.

ADDITIONAL INFORMATION

Eligible Rollover Fund

VISSF reserves the right to transfer any 'inactive' member with a benefit less than \$200 in the Retained Benefits Section to the appointed Eligible Rollover Fund (ERF). A member is deemed to be 'inactive' where no contributions or transfers have been paid into their account in the previous financial year. Where possible, VISSF will give you 30 days' notice before any such transfer. The ERF used by VISSF is:

SuperTrace ERF

Locked Bag 5429 Parramatta NSW 2124

Telephone: 1300 788 750 Facsimile: 1300 700 353

Website: www.supertrace.com.au

The SuperTrace ERF ABN is 73 703 878 235.

If your benefit is transferred to the ERF you will no longer be a member of VISSF and therefore will have no further entitlements in VISSF. It is important you note the ERF will not provide any insured benefits and the level of fees and number and types of investment options may be quite different from VISSF. The Trustee reserves the right to change the nominated ERF. If this happens, members will be advised of the change.

Derivatives policy

The Trustee does not undertake day to day management of derivative instruments. However, VISSF may be exposed to derivative instruments through its investment in the underlying funds. The main objective of derivatives is to more efficiently manage the assets of the underlying funds.

Super Surcharge

While the surcharge does not apply to contributions paid on or after 1 July 2005, assessments in respect of contributions and payments for the year ended 30 June 2005 and prior years may continue to be issued by the Australian Taxation Office and remain payable. If VISSF is required to pay surcharge tax in respect of contributions made for you, the tax will be deducted from your Member Account or final benefit. Your annual member statement will disclose any surcharge tax that has been deducted.

Privacy

Australian Privacy Principles in the Privacy Act regulate the way VISSF collects, uses, discloses, secures and gives members access to their personal information.

Information collected in administering your account will only be used for the purpose for which it was supplied and will not be disclosed to a third party unless required by law or authorised by you. If you want another party such as your spouse or financial adviser to access information regarding your benefits, you need to give VISSF written authority to release it.

To obtain a copy of VISSF's Privacy Policy visit www.vissf.com.au/privacy-policy

RESERVES

VISSF maintains three reserves:

- The **benefit and expense reserve**, invested in the Balanced option, is used to meet unexpected expenses and timing differences between deductions and payments. It may help contribute to the minimum benefit reserve and/or the operational risk reserve as determined by the Trustee.
- The **minimum benefit reserve**, invested in the Balanced option, is mainly funded through a reduction in earnings attributable to minimum benefit members. This reserve is used to help meet any minimum benefit payment owing to a minimum benefit member, that is not covered by their own account balance.
- The **operational risk reserve**, invested in the Balanced option, is required by legislation. The Trustee must maintain adequate financial resources to address losses arising from operational risks that may affect its business operations.

Where a reserve arises in VISSF's defined benefit section, the reserve applicable to each defined benefit school, as determined by the actuary, is applied to manage the funding of benefits by that employer.

FINANCIAL REPORT

Abridged financial information	Year ended 31 January 2019 \$'000	Year ended 31 January 2018 \$'000
Statement of Financial Position		
Assets		
Cash and cash equivalents	3,646	3,081
Receivables and other assets	121	98
Investments	775,393	781,125
Deferred tax assets	9	68
Total assets	779,169	784,372
Liabilities		
Payables	(292)	(587)
Income tax payable	(858)	(1,101)
Total liabilities excluding member benefits	(1,150)	(1,688)
Net assets available for member benefits	778,019	782,684
Member benefits		
Member liabilities	(753,233)	(754,787)
Unallocated to members	(3)	(16)
Total member liabilities	(753,236)	(754,803)
Net assets	24,783	27,881
Equity		
Benefit and expense reserve	(4,081)	(4,497)
Minimum benefit reserve	(4,883)	(5,281)
Operational risk reserve	(2,383)	(2,387)
Defined benefits that are (over) or under funded	(13,436)	(15,716)
Total equity	(24,783)	(27,881)
Income Statement		
Superannuation activities		
Interest and other income	2	56
Investment income	(558)	90,412
Total superannuation activities income	(556)	90,468
Administration and operating expenses	(2,644)	(2,054)
Other expenses	(254)	(150)
Total expenses	(2,898)	2,204
Net profit from superannuation activities	(3,454)	88,264
Net change in benefits allocated to member accounts and member liabilities	(393)	(87,871)
Profit/(loss) before income tax	(3,847)	393
Income tax benefit	(749)	(659)
Profit after income tax	(3,098)	1,052

If you would like a copy of VISSF's audited financial accounts and auditor's report, available after 30 April 2019, please telephone 1300 660 027. Members can visit www.vissf.com.au/publicly-available-information to obtain copies of other documents such as the Trust Deed and Rules, procedures for appointment and removal of Directors, and VISSF's actuarial report.

	Year ended 31 January 2019 \$'000	Year ended 31 January 2018 \$'000
Statement of Changes in Member Benefits		
Opening balance as at 1 February	754,803	678,643
Contributions	38,554	43,890
Transfer from other superannuation plans	10,574	6,909
Government contributions	259	323
Income tax on contributions	(4,611)	(4,955)
Net after tax contributions	44,776	46,167
Benefits paid	(46,059)	(56,581)
Insurance premiums charged to members' accounts	(1,852)	(1,865)
Death and disability insurance benefits credited to members' accounts	1,176	567
Benefits allocated to members' accounts	(1,887)	88,000
Net change in benefits allocated to member accounts and member liabilities	2,280	(128)
Closing balance as at 31 January	753,237	754,803

	Year ended 31 January 2019 \$'000	Year ended 31 January 2018 \$'000	Year ended 31 January 2017 \$'000
Statement of Changes in Reserves			
Benefit and Expense Reserve			
Opening Balance	4,497	4,560	4,829
Transfer (to)/from member accounts	-	-	-
Transfers between reserves	-	(197)	-
Profit/(loss)	(416)	134	(269)
Closing Balance	4,081	4,497	4,560
Minimum Benefit Reserve			
Opening Balance	5,281	4,662	4,242
Transfer (to)/from member accounts	(398)	20	(121)
Transfers between reserves	-	-	-
Profit/(loss)	1	599	541
Closing Balance	4,884	5,281	4,662
Operational Risk Reserve Reserve			
Opening Balance	2,387	2,019	1,991
Transfer (to)/from member accounts	-	-	-
Transfers between reserves	-	197	-
Profit/(loss)	(4)	171	28
Closing Balance	2,383	2,387	2,019
Over/(under) funding of defined benefits			
Opening Balance	15,716	15,588	12,716
Transfer (to)/from member accounts	-	-	-
Transfers between reserves	-	-	-
Profit/(loss)	(2,280)	128	2,872
Closing Balance	13,436	15,716	15,588



The Victorian Independent Schools Superannuation Fund

Phone 1300 660 027

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The Trustee provides this annual report to give you all the information you would reasonably need for the purpose of understanding the management, financial condition and investment performance of VISSF for the year ended 31 January 2019.

This Annual Report is a summary of significant information and contains a number of references to important information. You should consider information contained in the Product Disclosure Statement (PDS) before making a decision about investing in The Victorian Independent Schools Superannuation Fund (VISSF).

The information provided in this Annual Report is general information only and does not take into account your personal financial situation or needs. You should consider obtaining advice that is tailored to suit your personal circumstances.

You can obtain a copy of this and previous Annual Reports, the PDS and any of the reference documents, including the Member Guide and Insurance Guide, free of charge from our website www.vissf.com.au/pds-documents or by telephoning us on 1300 660 027. When requesting by telephone, the Trustee is required to provide the information to you within 8 business days.

The information contained in this Annual Report is up-to-date at its preparation. However, some of the information can change from time to time. If there is a material change, inaccurate statement or omission, the Trustee will inform you as required or provide updated information on its website. If there is any disagreement between the Trust Deed and this report, the Trust Deed will be the final authority.

This Annual Report is issued on 30 April 2019 by the Trustee of The Victorian Independent Schools Superannuation Fund (ABN 37 024 873 660, RSE Registration number R1000436, MySuper Authorisation 37024873660599) VIS Nominees Pty Ltd (ABN 11 006 586 367, AFS Licence number 235097, RSE Licence number L0000321).