



Part of your Community

Prime Super

employer report

for the year ended 30 June 2010



Port Hacking,
N.S.W., Australia



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Prime Super Pty Ltd ABN 81 067 241 016 AFSL 219723
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Message from the Chairman and CEO

Welcome to Prime Super's 2010 Employer Report where we keep you abreast of what's been happening at Prime Super and in the super industry for the last financial year.

And what a year it's been.

Australia has largely survived the global financial crisis unscathed. We avoided recession and although the aftershocks of the GFC continue to be felt across the world, particularly in the European Union, the panic and shock of the last two years has largely been replaced with renewed, albeit cautious optimism.

Of course volatility in global stock markets continues and the last few months of this financial year had some experts asking if we were about to experience GFC Mark II.

No-one is prepared to say one way or other what the future holds.

This uncertainty was a key driver in our conservative approach to managing our investments this year. This approach has resulted in some underperformance when our returns are compared to the market overall. We believe however that this will place the fund in a position to be able to take advantage of future positive movements in the markets.

Investments markets have always contained an element of unpredictability. Because superannuation is a long term strategy it is better placed than most other investment vehicles to ride out the storm. We have worked hard over the last couple of years to minimise the effects of fluctuating investment markets and look for new opportunities for positive growth. The strength of this approach has been reflected in a positive return across most of our investment options to 30 June 2010.

Member and employer benefits

But our focus hasn't just been on minimising the impact of the GFC. We've also remained committed to improving the benefits we provide to our employers and members; and to continuing our support of the communities and industries that support us.

Over the year these have included:

- Improved insurance benefits providing your employees with extra benefits for no extra cost.
- The launch of a new streamlined online underwriting application to allow members to apply for an increase in insurance cover online without the need to fill in paperwork.
- A new partnership with Industry Fund Financial Planning to provide quality independent financial advice to members and employers.
- Improved online services accounts including the introduction of BPAY to allow for faster and more secure contribution payments.
- A new online superannuation calculator to help you and your employees calculate how much super you're likely to have in retirement.
- The appointment of a Regional Manager to service New South Wales with plans to further expand.
- We're also in the process of redesigning our member and employer forms to make them more user-friendly.

For further information on any of these great improvements please contact our Customer Service Centre on 1800 675 839.



Part of your community

We continue to recognise the value of face-to-face communication and have remained committed to providing every member and employer with access to a dedicated Regional Manager. This year we were pleased to expand our team of Regional Managers further with the appointment of a manager to service New South Wales.

Through our numerous community partnerships and sponsorships we also seek to elevate and promote members' awareness of superannuation. We are proud to support the communities and industries in which we operate and are a proud supporter of many community initiatives and industry groups that work to improve the health, wellbeing and economic prosperity of rural and regional areas. In addition to our continued support of the Prime Super Northern Inland Innovation Awards, we have also teamed up with Awards Australia to sponsor the Prime Super Community Group of the Year awards in Victoria and Western Australia.

Looking ahead

As we look towards 2011 the super industry is on the cusp of significant change. The newly elected Federal Labor government has an extensive superannuation plan that could see some changes to our industry. Before the election, they had outlined a raft of changes as a part of the 2010 budget and their response to the Henry Tax Review.

The greatly anticipated Cooper Report has also outlined some dramatic recommendations to reform the super industry. These changes are being driven by a desire to see a more 'member focused' industry. As a not-for-profit super fund our priority has always been our members and we are confident that irrespective of what reforms the Government chooses to implement, we will be well positioned to respond swiftly.

On behalf of the entire Prime Super team we would like to take this opportunity to thank you for your ongoing support. We recognise that the strength of our Fund lies with our members and employers and we look forward to continuing to work with you in the future.

Barry Cochran
Chairman

Lachlan Baird
Chief Executive Officer

Investment Performance

It's pleasing to once again be providing our members with positive returns across most of our investment options in the wake of the global financial crisis. Our default option is now "back in the black" and our return reflects our cautious and steady approach to avoid the potential pitfalls that could have resulted from a GFC double dip recession.

Our performance over the last 12 months has been impacted by three core environmental factors:

- The volatility of the various investment markets we operate in,
- Our cautious approach to investing while the ongoing impact of the GFC remains uncertain, and
- Our investment style that sees our unlisted assets lag any strengthening in the markets generally.

Investing for our members' retirement remains a long term activity and results need to be viewed in the context of a whole working life and not just a couple of difficult years. We remain positive that the approach we are taking reflects our core values of security, caution and investing for the long term.

Super Fund

Investment Options	2010	2009	2008	2007	2006	Compound Averages
Pre-mixed options						
Default ¹	4.16%	-15.62%	-6.92%	15.20%	12.50%	1.18% p.a. over 5 years
Managed Growth	-3.18%	-23.04%	-7.85%	15.94%	15.03%	-1.74% p.a. over 5 years
Conservative ²	2.93%	-11.64%	-2.56%	6.63%	6.53%	0.13% p.a. over 5 years
Target Return Portfolio	-4.09%	-25.30%	-6.03%	-	-	-12.35% p.a. over 3 years ³
Sector options						
Australian Equities	9.83%	-20.58%	-12.57%	25.92%	7.83%	2.23% p.a. over 4.5 years ⁴
International Equities	2.16%	-20.25%	-14.76%	14.05%	3.05%	-3.40% p.a. over 4.5 years ⁴
Property	-4.56%	-22.16%	8.49%	17.81%	7.19%	1.76% p.a. over 4.5 years ⁴
Fixed Interest	7.19%	4.80%	4.79%	2.49%	0.63%	4.09% p.a. over 4.5 years ⁴
Cash	3.22%	4.36%	5.66%	4.93%	2.12%	4.49% p.a. over 4.5 years ⁴

¹ The Default option was previously known as the Balanced option.

² The Conservative option was previously known as the Capital Stable option.

³ Target Return Portfolio first opened to Members from 1 July 2007.

⁴ 54 month returns as options first offered from 1 January 2006.

Please note that past performance should not be taken as an indication of future performance.

Part of your community

Helping Lifeline help the community

It's not uncommon to experience some form of stress, anguish or hardship at some point in our lives. This is especially true for those people living in rural and regional communities who live with the daily reminders of the drought. During these times it's important to remember that there is help available, all you have to do is ask. This is where Lifeline Australia can help. Lifeline links all Australians to quality mental health support services regardless of where they live.

For almost 50 years Lifeline has been providing communities throughout the country with access to counselling, self-help resources, personal support and information about community services and training. In addition to this, they also operate a 24 hour counselling service, staffed by trained volunteers. Each year the service answers more than 450,000 calls from Australians seeking help and support in a time of need.

Prime Super is the proud sponsor of the Lifeline Information Service. The Information Service provides all Australians with access to a variety of self-help toolkits with information about issues such as mental illness, depression and suicide prevention.

For more information see www.lifeline.org.au or to access their 24 hour counselling service call 13 11 14.

Prime Super Community Group of the Year Awards

Community groups across Australia play a vital role in uplifting the social, economic, commercial and environmental prosperity of their region. United by a strong community spirit they are often the back bone of local events, restoration projects, special community services, programs or projects and they work tirelessly to enhance

the quality of life for current and future generations in their region. In an effort to recognise these unsung heroes, we have teamed up with Awards Australia to sponsor the Prime Super Community Group of the Year awards in Victoria and Western Australia.

The winner of the Victorian award will be announced on 16 October 2010 and the Western Australian winner will be announced on 12 November 2010.

Prime Super Business Innovation Awards

Without doubt business owners in rural and regional Australia face unique challenges. Through the 2010 Prime Super Northern Inland Innovation Awards we are once again proud to honour those businesses that are not only meeting these challenges but through creative and innovative thinking, actively demonstrate the many advantages to living and working in regional areas in New South Wales.

The Innovation Awards, run by the NSW Northern Inland Regional Development Board is in its fourth year and we are proud to once again be the major sponsor of the awards. The awards are designed to celebrate the power of creativity in business to bring about improvements in skills, products, methodologies and processes. They also give businesses at all levels the chance to demonstrate dynamic original thinking and recognise the valuable contribution regional businesses make to the economic prosperity and wellbeing of the communities in which they operate.

The winners of the awards will be announced on 13 November 2010.

Employer & member benefits

Extra cover at no extra cost

We consider insurance cover to be an essential element of our members' super. Insurance is the most assured means of protecting against the financial strain that serious illness, injury or death can cause. Our new arrangements with our insurer MetLife Insurance Ltd now means that your employees who are Prime Super members get more cover at no extra cost.

Some of the key benefits include:

- An increase in Death and TPD cover for all members at no extra cost.
- Reduced Income Protection premium rates for all members with the option to increase their benefit to 85% of their salary (where a member is insured for more than 75% of their wage, the extra 10% will be paid into their super).
- Online applications offering an easier and faster way to apply for new or increased cover.
- If a member has insurance cover with another fund, we will match it (up to certain maximums) if they consolidate their super into their Prime Super member account.
- Introduction of special 'life stage' events. This means when a member reaches a special life stage, like buying a house or having children, we'll make it easier for them to apply for extra insurance.

Launched in May 2010, the increase was automatic for members who already had insurance cover and met our eligibility criteria.*

All of our new insurance benefit scales are available on our website www.primesuper.com.au. If you'd like to speak to someone about what our new insurance arrangements mean for your employees, please contact your Regional Manager or call our customer service centre on 1800 675 839.

** Members will be considered to have met the eligibility criteria and qualify for the increased benefit if they were working or capable of working full time on the day the increase took effect. This will be assessed at time of claim.*

Pay your super obligations easier with BPAY

Have you been on the Prime Super website lately? If not take some time to drop in and check out some of the latest changes we've made. We've refreshed our online services facility to make it easier for you to manage your super obligations and have introduced BPAY so you can make your super payments more quickly and securely.

If you're not already registered for online services, you're missing out on the opportunity to manage your employees' super online. Once you're registered you'll be able to add and remove employees, update your details and pay contributions.

To register for online services, complete our online form or call us on 1800 675 839 for a username and password.

What could your super be worth in the future?

Have you ever been asked by an employee whether you think they'll have enough super when they retire? Have you ever wondered whether you'll have enough super when you retire?

Unfortunately we don't have a crystal ball so we can't answer those questions for certain, but we do have a handy new super calculator which can give you and your employees a sense of what your retirement balance is likely to be when you retire. All you

have to do is input a few details (eg. your age, yearly salary, super contributions and when you want to retire) and the calculator will assess the health of your super. It can give you an indication of what your balance is likely to be when you retire and how long your balance may last you in retirement. You can also adjust your info to see how making extra contributions may affect your end balance.

Our Regional Managers

We believe it's important to be actively involved in the communities in which we operate. That's why we have a team of highly skilled, friendly regional managers throughout Australia, with plans to grow. Our regional managers can provide personal service, help answer all of your super questions and present to your employees about issues affecting their superannuation.



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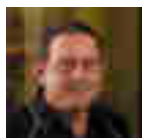
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Superannuation Clearing House

Superannuation Clearing House

The government's superannuation clearing house is up and running.

In November 2009, the Government announced that it would deliver a free superannuation clearing house service for small businesses through Medicare Australia.

The Small Business Superannuation Clearing House service began on 1 July 2010 and is now fully functional.

What is the Small Business Superannuation Clearing House?

The Small Business Superannuation Clearing House works like any other clearing house. It allows employers to pay their super contributions to a single location. The Government believes the service will reduce the time and costs associated with managing super obligations.

How does the service work?

The service works in a similar way as Prime Super's online services. Employers will need to register for the service and will also have to register each employee and their super fund.

You will still need to provide employee and contribution payment details but instead of making separate payments to each of your employees' different funds, you make just one payment to the Clearing House. They then distribute the money to the relevant funds on your behalf.

Am I eligible to use the service?

The service is a government initiative to support small businesses and as such, is only available to employers with less than 20 employees. For the purposes of the Clearing House, an employee is an individual who is employed on a full-time, part-time or casual basis and eligibility will be measured each time an employer uses the service.

How does this clearing house differ from other clearing houses?

Well for starters, the Small Business Clearing House is free to use. The other big difference is that an employer is considered to have met their super guarantee obligations when their contribution is received by the Clearing House, rather than when it is received by the super fund, as is the case for all other clearing houses.

For more information on the Small Business Superannuation Clearing House or to register for the service, visit www.medicareaustralia.gov.au/super

2010 Federal Budget - proposed changes to superannuation

The following are proposed changes to superannuation from the 2010 Federal budget. These changes have not yet been passed by Parliament.

Super Guarantee (SG)

The federal government has proposed an increase in SG from 9% to 12% by 2020. The increase will be incrementally phased in from 1 July 2013.

Increase in SG age limit

Currently employers are only required to make SG contributions on behalf of employees who are under 70 years of age. From 1 July 2013 the age limit will be increased to 75 years.

Refund of contributions tax to low income earners

The government is planning to refund the 15% contributions tax paid by low income earners who earn less than \$37,000. This could potentially mean an extra payment of up to \$500.

Increase in the concessional contributions cap for over 50's

Currently people aged 50 or over have a transitional cap of \$50,000 per year on their concessional contributions. From 30 June 2012 the cap will reduce to \$25,000. However over-50's with superannuation balances under \$500,000 will retain the \$50,000 concessional contributions cap.

Permanent reduction to the co-contribution matching rate

In 2009 the government announced it would temporarily reduce the co-contribution matching rate from 150% (where you received \$1.50 for every \$1.00 you contributed to your super) to 100% (dollar-for-dollar) until 2011-12. It has been proposed as part of the budget to make the reduced matching rate of 100% permanent from 2013 onwards.



The Cooper Review

The Cooper Review has been investigating the governance, efficiency, structure and operation of the super system, seeking an outcome that maximises retirement incomes for all Australians. On 5 July 2010, Chris Bowen, the then Minister for Financial Services, Superannuation and Corporate Law released the final report of the Cooper Review.

The report is divided into ten chapters with recommendations in each. The two main recommendations are MySuper and SuperStream.

MySuper

MySuper sits at the heart of the Review's recommendations. It is essentially a new low-cost default fund that is designed to boost the retirement savings of disengaged super members by cutting fees and commissions.

SuperStream

The report recommends a change to the back office system - called SuperStream - which would see greater use of Tax File Numbers and ecommerce to reduce costs and lost accounts.

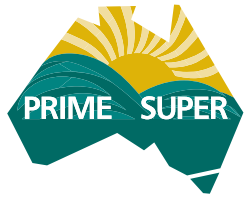
What the politicians are saying

The Government has yet to formally respond to the report but has shown early support for the MySuper and SuperStream recommendations. The Opposition is also considering the report and will announce its position in due course.

However with a minority Labor government in power and widespread industry consultation still required, we are unlikely to see any significant changes in the near future.

We will of course keep you informed as more information comes to light about how these changes may affect you and your employees.

For more information on the Cooper Review, including the MySuper and SuperStream proposals please visit the review website www.supersystemreview.gov.au.



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