

Our Industry Super Fund

annual report | **2009**





'Good news follows the toughest year for investment markets'

Chairman's message

As HIP Chairman it is disappointing that I report to our members that 2008/2009 has seen the Fund's assets diminish due to the severe economic conditions experienced for most of the year. However, the rebound in HIP's investment performance in recent months is a pertinent reminder that investment markets are cyclical in nature and to get the most out of your superannuation members need to take a long-term perspective.

Already this improvement in market conditions has seen a good deal of the negative impact of 2008/2009 off-set by strong gains earned in the last four months of the financial year and continuing into the first four months of 2009/2010.

Markets rebound

Indeed, HIP's default strategy, the Growth Option has returned approximately 10.0% (unaudited) from July to October 2009 which has gone a long way to offsetting the declared return of -15.5% for the 2008/2009 financial year. The return for the Capital Stable and Cash Options were -3.5% and 4.4% for the financial year respectively.

As a Trustee Board this long-term perspective is even more relevant as we seek to position the Fund to

perform well over the working life of our members. This is why HIP has constituted our default strategy with a longer-term growth allocation. HIP also offers investment choice for members with a shorter time horizon or a more conservative risk profile.

HIP, like all superannuation, funds was not immune from the far reaching effects of the Global Financial Crisis but the HIP Trustee Directors are working diligently with the assistance of our asset consultant, JANA Investment Advisors, to ensure our members do well as investment markets return to more normal conditions and individual economies strengthen out of recession.

While it is generally accepted that the worst is behind us, economists and investment analysts are still a little reticent to declare a smooth ride ahead a certainty. It is likely that we will see some volatility return to investment markets during the coming financial year and HIP Directors have been progressively adding greater diversification to the portfolio, in particular, with the addition of global infrastructure investment including the acquisition of good quality distressed companies on the secondary

markets to reduce the absolute correlation of growth assets with the vagaries of equity markets.

Stay connected to your super

We have just been through the most adverse economic conditions since the introduction of compulsory superannuation in Australia. A quite testing time for members and Trustees alike. This experience really underlines the message that it is important to take an active interest in your superannuation and retirement not matter how far off that might be. I urge HIP members to register your email address with HIP so that we can provide you with more regular updates on the progress of your investment and what is happening at HIP.

I look forward to speaking with you in near future with a further update on how HIP has performed during this global assault on economic recovery.

Anthony Wallace
Chairman

Managing your super expectations

With the advent of compulsory superannuation in the mid 1980's and the move away from defined benefit to accumulation style (contribution based) schemes, the general feeling was that an annual return of an average 8.0 to 8.5% over your life in your superannuation fund was a reasonable objective.

This level of return coupled with an average inflation rate expectation of 2.5 to 3.0% would provide an average real return of between 5.0% and 6.0% per annum.

This longer term view remains relevant and realistic today. With the key word being realistic. It is easy to be seduced by extended runs of exceptional returns, as we have seen in the not too distant past, and then become a little paranoid when the economic cycle works against us for a short while.

The average return HIP's Growth (default) Option since Fund inception in 1987 has been on average 8.0% per annum with the Consumer Price Index for that period being just under 3%.

Is 8% realistic?

Obviously, the return on the Fund has been negative over the last two financial years and this has severely impacted on shorter-term analysis. However, it is important to note that the description of the Growth Option includes reference to seeking a 'high level of growth over the longer-term with a return objective to exceed inflation by 3.5% in most rolling 5 year periods. Included is a risk notification of 'the likelihood of a negative return in no more than 9 times in 35 years'.

Notwithstanding, the recent results, these expectations for the Growth Option have been met. In simple terms, those members with a growth perspective to building their retirement nest should be around long enough to absorb the lows and take advantage of the highs.

All this is very much underlines the cyclical nature of investment markets and global economic influences. It must always be

acknowledge that this is the very environment that all superannuation funds operate in assisting members to build their retirement benefits. In the most recent example no superannuation fund was immune from the effects from what we now refer to as the Global Financial Crisis. However, likewise, it is incumbent on superannuation funds to not be left behind when the global economic recovery swings into effect.

During 2008/2009 we saw the apparent low point of equity markets in early March and a return to growth during the last four months of the financial year.

This growth has added to 4.4% to the Growth Option (default) since March and continued into the new financial year and has continued to flow through strongly well into the new financial year.

Choose the investment thats right for you

It should always be remembered that HIP offers investment choice. This provides the opportunity for members to select the investment option which best suits their time horizon and risk appetite.

Some members may be closer to retirement and not wish to risk the prospects of a negative return with sufficient time to recover any loses. While others may simply be risk adverse either because of their personality or already having a higher risk exposure through other investments.

With the choice of investing in the Cash or Capital Stable options rather the Growth (default) option, there also the opportunity to mix and match a combination of each choice, to construct a portfolio which best suits your own individual circumstances.

Please refer to pages 7 and 9 to get a better understanding of the risks and objectives of each the investment option and the growth/defensive ratio achieved in working your own combination of investment options.

'Good news for HIP Super members:

8% pa

on average return since inception'

Tax-effective long-term savings

Times have been tough in investment terms but the one upside has been that this environment has refocused many members on their superannuation needs and planning for the future. Superannuation remains a very tax effective vehicle to facilitate your retirement nest egg and HIP is certainly well placed to assist you in achieving your aspirations for retirement.

The key is to remember that superannuation is a long-term investment and to take a reasonable approach in setting your expectations. You must not look at one years return in isolation. It is alright to be pleased to received high double digit returns but we should not set such numbers as an expected return year on year.

DID you know?

HIP has been awarded a AAA rating from Selecting Super and Gold Status from Super Ratings, which are independent organisations. HIP is also a member of ASFA, the peak superannuation industry body in Australia.

Market commentary 2008/09

The financial year just past was indeed remarkable for investment markets, but for all the wrong reasons. What is now known as the Global Financial Crisis resulted in the worst financial upheaval and global recession since the 1930s.



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The sub-prime loan issues of 2007 developed into the worst credit crisis in history, which saw the collapse of iconic US financial institutions, including the investment banks Bear Stearns and Lehman Brothers. The collapse of Lehman Brothers in particular led to the widespread contraction of lending worldwide. Lack of available credit and subsequent liquidity issues in turn triggered a collapse in economic activity around the world.

There were many comparisons to the Great Depression. However, there was a major difference – the amount of government and central bank intervention across the world. There has been an unprecedented amount of stimulus by the central authorities, with record amounts of fiscal stimulus. All of this has been necessary to offset what would potentially have been a much worse outcome. On the brighter side, one of the consequences of the slack economic growth and low interest rates is that inflation is unlikely to be an issue for some time. This huge level of government support has managed to stabilise economic activity, though there is no expectation for growth to rebound back to previous levels in the near future.

Against this backdrop domestic and global equity markets posted some of the worst returns in nearly 80 years principally driven by falls in the Financials sector and Resources sector following the drop in commodities prices in the latter half of 2008. However, the share market has rallied significantly since March, such that the MSCI World ex Australia Index finished the year down 27.9% (in local currency

terms) while the Australian market (as measured by the S&P/ASX 300 Index) fell -20.34%. The year was also particularly volatile for the Australian dollar which climbed to a high of US 98c in July 2008 before declining over 30% in the following three months. The dollar has since climbed to finish the year at US 80c.

Bond markets were also particularly volatile, with Government bond yields falling to record low levels early in 2009, followed again by a large sell-off where rates rose by almost 2% in very short time. Despite this, the return on bonds was comparatively good, with both Australian and global bond indices returning close to 11% over the year.

Property has seen a wide divergence between the returns of Listed Property Trusts (LPT) and Unlisted Property Trusts, with the first half of the year seeing LPTs off 60% before staging a partial recovery to be 42% lower over the financial year, while Unlisted Property performed relatively well in the first half, before rising capitalisation rates and downward revaluations saw a reversal in the second half of the financial year.

During 2008/09 HIP's Growth Option returned -15.5% for the year. The Fund acknowledges that this is a disappointing outcome for members, but emphasises the focus on the longer term for superannuation. Pleasingly, returns over the 5-year period to 30 June 2009 for the Growth Option are ahead of the median fund of other Australian superannuation funds (as measured by the SuperRatings Default Option survey).

Outlook

Every market retraction has a natural bottom and at this stage that would seem to be the beginning of March 2009. Equity markets have continued to rally since then and well into the new financial year.

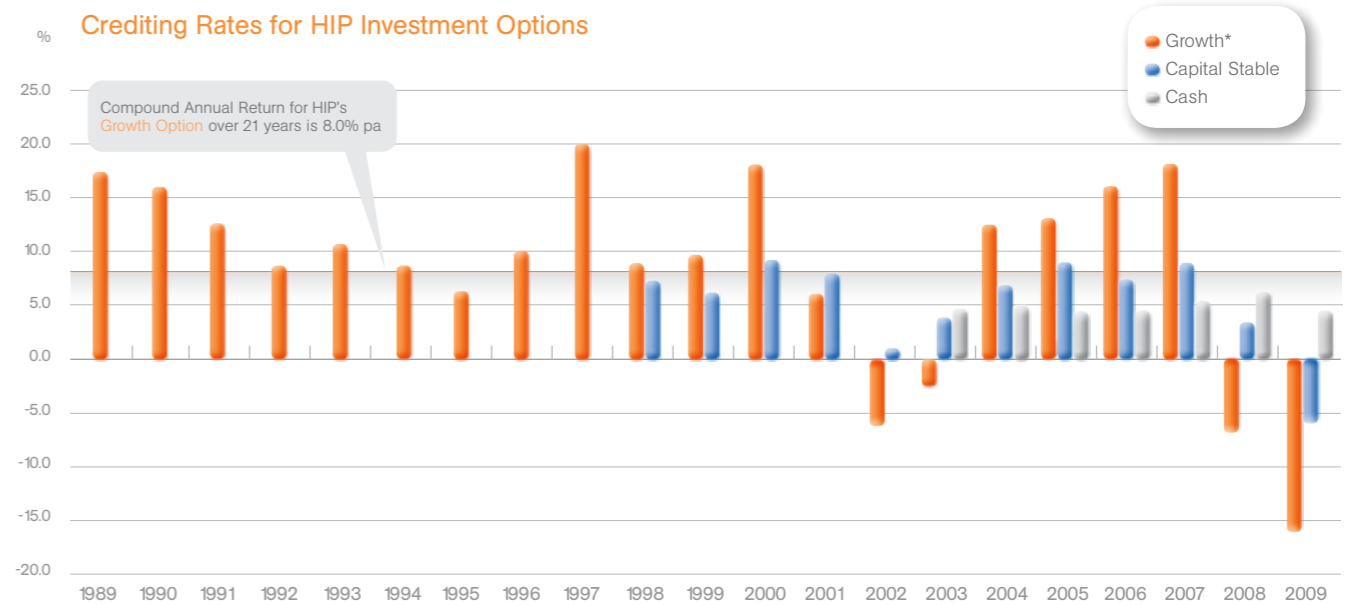
Historically, in terms of economic cycles, markets tend to run ahead of absolute recovery-factoring in future positive influences. For this reason, we have seen major equity market progressions before the return to strong economic growth.

In Australia, we have fared better than most developed countries and have not experienced the higher levels of unemployment and corporate collapse seen in USA and Europe.

The global commitment to the delivery of stimulus packages has come at a cost with governments across the world, including our domestic position, racking up high levels of debt to fund stimulus and buy out packages to stave off a collapse from recession into depression. This debt will need to be recovered and this repatriation

process has the capacity, itself, to impact negatively on the future economic environment.

While most analysts agree that the worst appears to be behind us, there is a question of whether this recovery is truly supported by a return to strong fundamental indicators. There is some reasonable likelihood that we will have periods of significant volatility as markets seek to find comfort in the sustainability of the recovery. Still the economic world is a far more optimistic place than this time twelve months ago.



*Note that prior to 1997, the default HIP Option (Growth) was called the Balanced Option.

'I like the fact we have specialists for each asset class managing our investments'

Investment managers	Date appointed	HIP assets managed* \$ m
Australian Equities		
Ausbil Dexia (AUS)	Oct 05	35.8
Barclays Global Investors (BGI)	Oct 03	14.6
Integrity Investment Management	Jan 09	26.4
Northward	Jan 07	39.1
State Street Global investors	Apr 05	35
International Equities		
JANA – Global Long/Short	Nov 07	10,
JANA Emerging Markets		
JANA High Alpha Global Share	Nov 07	18
JANA Global Core Hedged	Nov 07	27.3
Marvin & Palmer	Nov 07	15.2
Marathon	Aug 03	21.3
MIR Investment Management	Dec 07	6.9
Property		
AMP Capital Investors	Jul 03	28.6
DEXUS Property Group	Jul 03	8.9
International Bonds		
Blackrock Asset Management	Oct 02	1.1
PIMCO	Oct 02	1.3
Australian Bonds		
UBS	Jan 04	1
Alternatives		
AIF Capital (AIF)	Feb 07	3.2
Harbourvest Dover VII (Secondary)	Sep 08	2.2
Barclays Global Investors	Nov 04	14.6
Credit Suisse Currency Hedge	Dec 03	6.6
GMO Multi-strategy Hedge Fund	Aug 03	23.7
Harbourvest	Dec 02	22.1
ING China Real Estate	Dec 06	13.8
Japara	May 07	5.5
JANA Triplepoint	Jan 08	8.7
Partners (Secondary)	Oct 08	3.4
Partners Group (European Buyout)	Jan 08	3.2
RARE Global Listed Infrastructure	May 07	9.6
Cash		
MLC	Jan 02	29
IMCU	Nov 08	3

HIP's Investment Managers

HIP appoints specialist investment managers for each asset class and reviews these appointments continually.

The following Managers were terminated in 2008/09:

- MLC (International Equities)
- PM Capital (Alternatives)
- SSgA Asia Pacific Market Neutral

The following managers were appointed in 2008/09:

- Integrity Investment Management (Australian Equities)
- Partners (Secondary) (Growth Alternatives)

Investment Performance

Each option distributes its funds across different asset classes in different amounts to reduce exposure to risk.

If you do not elect to choose an investment option then your superannuation will be invested in the Fund'd default Growth Option. The Growth Option is a default as it is likely to produce the highest returns over the long term.

HIP offers three different investment options which are designed to offer members a choice between varying levels of risk and return.

Growth Option

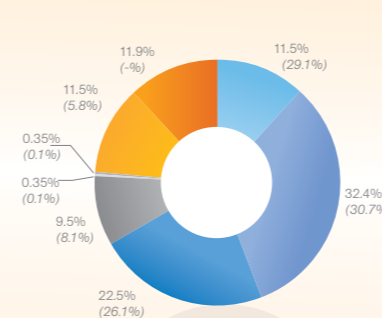
For people who are seeking a high level of growth over the long term.

Objective

To exceed inflation* by at least 3.5% per year over most rolling 5-year periods.

Risk

Includes the likelihood of negative return no more than 9 times in 35 years.



Crediting rate for 2008/09 financial year
Super Fund -15.5% (Pension -17.0%)

Financial year	Crediting rate	CPI	Real Growth
2009	-15.5	1.5	-17.0
2008	-6.5	4.5	-11.0
2007	17.8	2.1	15.7
2006	15.9	4.0	11.9
2005	12.6	2.5	9.7

Compound average return

Period	Return	CPI	Real Growth
3-year	-2.5	2.7	-0.2
5-year	4.0	2.9	1.1
7-year	4.2	2.8	1.4
10-year	4.2	3.2	1.0

Returns vs objectives

Has exceeded inflation by 1.1% per year over the 5-year period to 30 June 2009. This return is 2.4% below the objective of this option.

Capital Stable Option

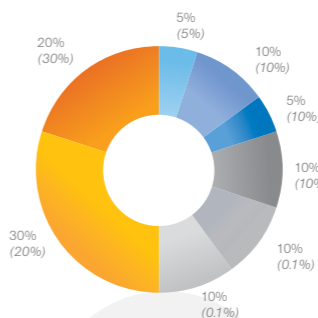
For people who are risk-averse, seeking greater security for their super in the short term.

Objective

To exceed inflation* by at least 1% per year over most rolling 5-year periods.

Risk

Includes the likelihood of negative return no more than 3 times in 35 years.



Crediting rate for 2008/09 financial year
Super Fund -3.5% (Pension -4.0%)

Financial year	Crediting rate	CPI	Real Growth
2009	-3.5	1.5	-5.0
2008	2.9	4.5	-1.6
2007	9.0	2.1	6.9
2006	7.2	4.0	3.2
2005	9.1	2.5	6.6

Compound average return

Period	Return	CPI	Real Growth
3-year	2.7	2.7	0.0
5-year	4.8	2.9	1.9
7-year	5.0	2.8	2.2
10-year	5.3	3.2	2.1

Returns vs objectives

Has exceeded inflation by 1.9% per year over the 5-year period to 30 June 2009. This return is 0.9% above the objective of this option.

Cash Option

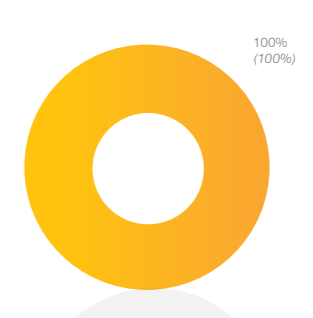
For people who are seeking security for their super in the short term.

Objective

Is to exceed inflation* over most 1-year periods.

Risk

While it is not guaranteed, the Cash Option is not expected to produce a negative return.



Crediting rate for 2008/09 financial year
Super Fund 4.4% (Pension 5.3%)

Financial year	Crediting rate	CPI	Real Growth
2009	4.4	1.5	2.9
2008	2.9	4.5	-1.6
2007	9.0	2.1	6.9
2006	7.2	4.0	3.2
2005	9.1	2.5	6.6

Compound average return

Period	Return	CPI	Real Growth
3-year	5.2	2.7	2.5
5-year	5.0	2.9	2.1
7-year	5.0	2.8	2.2
10-year	n/a**		

Returns vs objectives

Has exceeded inflation by 2.1% per year over the 5-year period to 30 June 2009. This return is 2.1% above the objective of this option.

*at 30 June 2009

*As measured by the movement of the Consumer Price Index (CPI). Past performance is no indication of future performance.
** Cash Option commenced in 2003.

Choose how your money is invested

If your HIP account is more than \$1000 you can choose how your superannuation is invested, by selecting one of three options, or a combination of these options.



'Choose the investment stream that suits you or mix and match to suit you best'

High risk/High return

Growth Option

For people who are seeking a high level of growth over the long term.

Objective

To exceed inflation* by at least 3.5% per year over most rolling 5-year periods.

Risk

Includes the likelihood of negative return no more than 9 times in 35 years.

Capital Stable Option

For people who are risk-averse seeking greater security for their super in the short term.

Objective

To exceed inflation* by at least 1% per year over most rolling 5-year periods.

Risk

Includes the likelihood of negative return no more than 3 times in 35 years.

Cash Option

For people who are seeking security for their super in the short term.

Objective

Is to exceed inflation* over most 1-year periods.

Risk

Whilst it is not guaranteed, the Cash Option is not expected to produce a negative return.

Low risk/Low return

Grow and manage your super

The majority of HIP members have over 15 years until they retire and start drawing down on their super. Many members will also continue to keep their super invested upon retirement and draw down their super rather than cashing it out and this are also taken into account when determining a longer term investment strategy.

For these reasons HIP's investment strategy is to have a higher level of exposure to growth assets such as Australian and international shares, property, defensive growth assets through the default investment strategy, the Growth Option. While growth assets may fluctuate over the short term, they are expected to provide higher retirement benefits over a longer term.

If you wish to invest your money more conservatively the Capital Stable Option or Cash Option is available.

Invested in Growth

When you join HIP your contributions are automatically invested into the default option – Growth. Once your HIP account is more than \$1000 you can choose how your superannuation is invested, by selecting one of the three options, or a combination of these options. You can change your investment option and also choose a different investment strategy for your current account balance and future contributions. The choice is yours.

One free switch per year

HIP members have one free 'switch' between investment options each calendar year of their current account balance. You can make additional changes if desired, but you will incur a small fee (\$20) per additional switch. There are no fees and no limit on the number of switches you can make to future contributions.

Your Super. Your Choice.

Investment Stream					Mix & Match
Growth		Capital Stable	Cash		% growth/defensive
100%	+	NIL	+	NIL	= 85/15
90%	+	10%	+	NIL	= 80/20
80%	+	20%	+	NIL	= 75/25
70%	+	30%	+	NIL	= 70/30
50%	+	20%	+	30%	= 50/50
Nil	+	100%	+	NIL	= 35/65
30%	+	10%	+	60%	= 30/70
NIL	+	NIL	+	100%	= 0/100

The above calculations are approximate and are based on the benchmark growth/defensive allocations as set out in HIP's investment policy. These benchmark positions are Growth Option: 85%/15%, Capital Stable: 35%/65% and Cash Option: 0/100%. These allocations, with the exception of the Cash Option, may vary from time to time by plus or minus 10%, due to market movements or Trustee Board asset allocation decisions in response to market movements.

You can change your investment option online at hipsuper.com.au.

You will need your membership number as well as a PIN. Contact us on **1300 654 099** for your PIN.

Being a member has additional benefits



HIP Credit Union

HIP understands that a holistic approach to member's finances is essential for financial wellbeing. We want to assist you in achieving a financially secure retirement and we also want you to experience financial wellbeing right now.

HIP Credit Union can offer you a wide range of competitive financial products and services, including:

- Home loans
- Personal loans (for any worthwhile purpose, including debt consolidation)
- Car loans (accompanied with a free car buying service)
- Financial Planning
- Overdrafts
- Savings and investments accounts
- Term Deposit accounts
- Travel money with Travelex
- Life insurance
- 24/7 access to funds via phone banking or internet banking

What makes your Credit Union different?

Unlike banks, credit unions are mutual organisations. This means that our members are both customers and shareholders. All profit is returned to our members through lower fees and charges, competitive interest rates and a wide range of additional services.

Talk to us about:

- Our competitive loans for homes, cars or personal loans
- Savings and investment accounts
- Convenient services such as Internet and Phone Banking, BPAY, Visa debit card, and travel money for that overseas holiday.
- A competitive insurance quote for building, contents or motor vehicle.

Special rates on Health Insurance

Thanks to HIP's partnership with Manchester Unity, all members receive special rates on Manchester unity's range of health covers.

Manchester Unity has recently merged with HCF. HCF is Australia's third-largest health insurer, with a strong reputation for efficient operations and member service and an extensive branch network. Manchester Unity, a mutual company with more than 90,000 members, is Australia's ninth-largest health insurer. It also owns and operates retirement and aged care facilities.

Value, choice and peace of mind

As a member of HIP you can take advantage of specially negotiated rates and receive:

- Value for money when you claim on extras like dental and physio for the provider of your choice
- Your choice of doctor and hospital for treatment as a private patient, when and where you need it
- Peace of mind knowing you and your family are covered if you ever need medical treatment.



Call HIP Credit Union today on 02 8843 0023 or visit www.hipcu.com.au

For more information call 1800 622 559 or email hip@manchesterunity.com.au



Flexible insurance to suit you

The simplest and most tax effective way to protect your family and investments can be to make sure you have appropriate insurance cover through your super fund.



'The cover I need at the price I can afford'

Cover you can afford

- Low cost premiums are deducted from your regular employer contributions each month.
- Members have the option of increasing their cover at any time to suit their needs (subject to meeting the insurer's requirements).

Income Protection Insurance

What would you do if you were unable to work? Could you manage without your regular income?

Income protection cover provides a monthly income benefit, for up to two years while you are unable to return to your usual employment.

Upon joining HIP members who are permanently employed and have their employer contributions going into their HIP super account can be automatically covered for up to four units of income protection.

One unit of income protection provides a monthly benefit of \$770 and is only 91 cents per unit per week.

Members can choose income protection that provides cover for up to 75% of their income for up to 2 years.

You can apply to increase your level of income protection cover at anytime. Simply download a copy of the HIP Insurance booklet or call **1300 654 099** for a copy to be sent to you (subject to insurer accepting application).

If, when you joined HIP, you were not employed as a permanent employee and your employment status has now changed to permanent you will need to complete an application form.

Death Insurance

As a member of HIP you automatically receive one unit of death cover.

You can increase the amount of cover anytime by completing an application to increase your cover. Extra insurance can provide more for your family if the unexpected happens. This cover will continue for as long as you have a super account with HIP*.

If you die your benefit is calculated as your account balance plus your insurance cover which depends on your age at the time of death.

The benefit table right shows the amount of cover one unit of Death insurance provides, based on the members age next birthday. Each unit costs \$1 per week and is deducted from member's accounts.

HIP Death Insurance Premiums

Age next Birthday	Sum Insured	Age next Birthday	Sum Insured
16-36	\$128,800	51	50,100
37	\$122,400	52	46,300
38	\$115,900	53	\$41,200
39	\$110,700	54	\$37,300
40	\$105,600	55	\$32,200
41	\$99,100	56	\$28,300
42	\$94,000	57	\$25,800
43	\$88,800	58	\$23,100
44	\$82,300	59	\$19,300
45	\$77,900	60	\$16,700
46	\$72,100	61	\$14,100
47	\$66,900	62	\$11,500
48	\$63,000	63	\$7,700
49	\$59,200	64	\$5,100
50	\$54,100	65	\$2,500

*Refer to the Product Disclosure Statement available at www.hipsuper.com.au or call 1300 654 099 to request a copy of the HIP Insurance booklet to be sent to you. Check your HIP member statement to see how many units of cover you currently have. To change the level of cover for any of your insurance please complete an application form which can be found in the HIP Insurance Booklet.

Total and Permanent Disability Insurance

HIP also has optional total and permanent disability cover.

For full details please refer to the HIP Insurance Booklet.

Remember if you change your employer, provided that your new employer's super contributions are going into your HIP account your insurance cover will continue. Be sure to check that the level of cover is appropriate for your needs.

HIP's insurance is provided by ING Life Limited (ABN 33 009 657 176).

For more information and to apply for TPD, please refer to HIP's Insurance Booklet.

For a copy of the HIP Insurance booklet you can download of the HIP website www.hipsuper.com.au or call **1300 654 099** for a copy to be sent you.

Take HIP with you wherever you go

You can take your HIP account with you if you change your employer, even if you decide to pursue a career outside the health industry – once you become a member you can remain so for life.



'On balance I'm better off with HIP as my super fund'

Changing your job doesn't necessarily mean changing your super

You can continue to enjoy all the benefits HIP offers including flexible investment choice, excellent insurance, low fees and access to all the additional benefits offered.

HIP members receive automatic income protection* and death insurance as well as other benefits with their membership. By leaving HIP you could leave yourself uninsured or be forced to pay high premiums to take up new insurance at your current age, medical history and other factors.

For those members approaching retirement HIP offers transition to retirement options as well as the HIP Super Pension – these options allow you to draw down part of your super investment and maintain your HIP account and continue your investment.

The value of advice

While many think that growing money is the main purpose of seeking financial advice, it is often the non-financial benefits such as peace of mind and gaining control over your finances that we value the most. As a HIP member you have access to financial planning through the HIP Credit Union as well as one of the most reputable financial service providers in Australia – Switzer Financial Services.

If you take financial advice, don't accept it without considering if it is the best option for you and remember that whilst it might be in their interest to recommend a particular strategy, it might not be in your interest. Ask for simple specific information such as: why are higher administration fees, additional asset or trustee operating fees in my best interest? Additional fees can significantly reduce your retirement nest egg.

Ask for simple specific information

Ask what fees, commissions or other benefits your advisors receive if your super moves. Ask them to give you a total dollar amount as well as what monies they will receive in future. Advisers may set their own fees and charge in various ways – a proportion of investments, upfront flat fees, an hourly rate and a commission on the amount you invest. You can negotiate and it could be cheaper to agree to an upfront fee for advice and retain your HIP super account as part of your retirement or investment strategy.

HIP offers the services of external financial planning advisers to assist you in taking control of your financial future, through the HIP Credit Union and Switzer financial services. Visit the HIP website where you can also access online calculators, fact sheets and other tools to assist you in planning for your retirement.

HIP Pension

HIP looks after you into your retirement

Taking your super as an income stream, rather than as a lump sum upon retirement can be an effective way of managing your retirement money. You can keep your super investment, so that while you aren't using it, your investment has the ability to generate returns over the period of your retirement. The returns that your investment generates are also tax free.

Starting an income stream

When you start an income stream it is similar to receiving a wage because you receive money out of your super at regular intervals. HIP Super Pension is highly flexible as it allows you to select the frequency of your payments as well as the amount that you are paid (above the required minimum amount by legislation).

You can also still take a portion of your super as a lump sum if this suits your needs.

You can end your pension at any time and take the remaining money as a lump sum (known as commuting your super pension).

And as with your HIP super account you still have the same flexible investment choice options to choose from and can combine these to select a strategy to suit your retirement needs.

Transition to retirement

This option is available for people aged over 55 who would like to begin to access their super in the form of a super pension whilst still working and ease their way into retirement. HIP members can employ transition to retirement strategies by opening a HIP pension and continuing to make contributions into their HIP super account.

Strategies like this allow flexibility and offer generous tax concessions. Refer to the legislative updates on page 19 for details. And remember, pension payments after age 60 are completely tax free.

KEY FEATURES OF THE HIP Super Pension

Low fees

Regular payments

Flexible income stream – frequency and amount*

Strong investment performance over the long term**

Tax effectiveness

Investment choice

Transition to retirement options

No fees to start or exit HIP Super Pension

Access to HIP's additional member benefits

* legislative minimum amounts apply

**past performance should not be taken as an indication of future performance

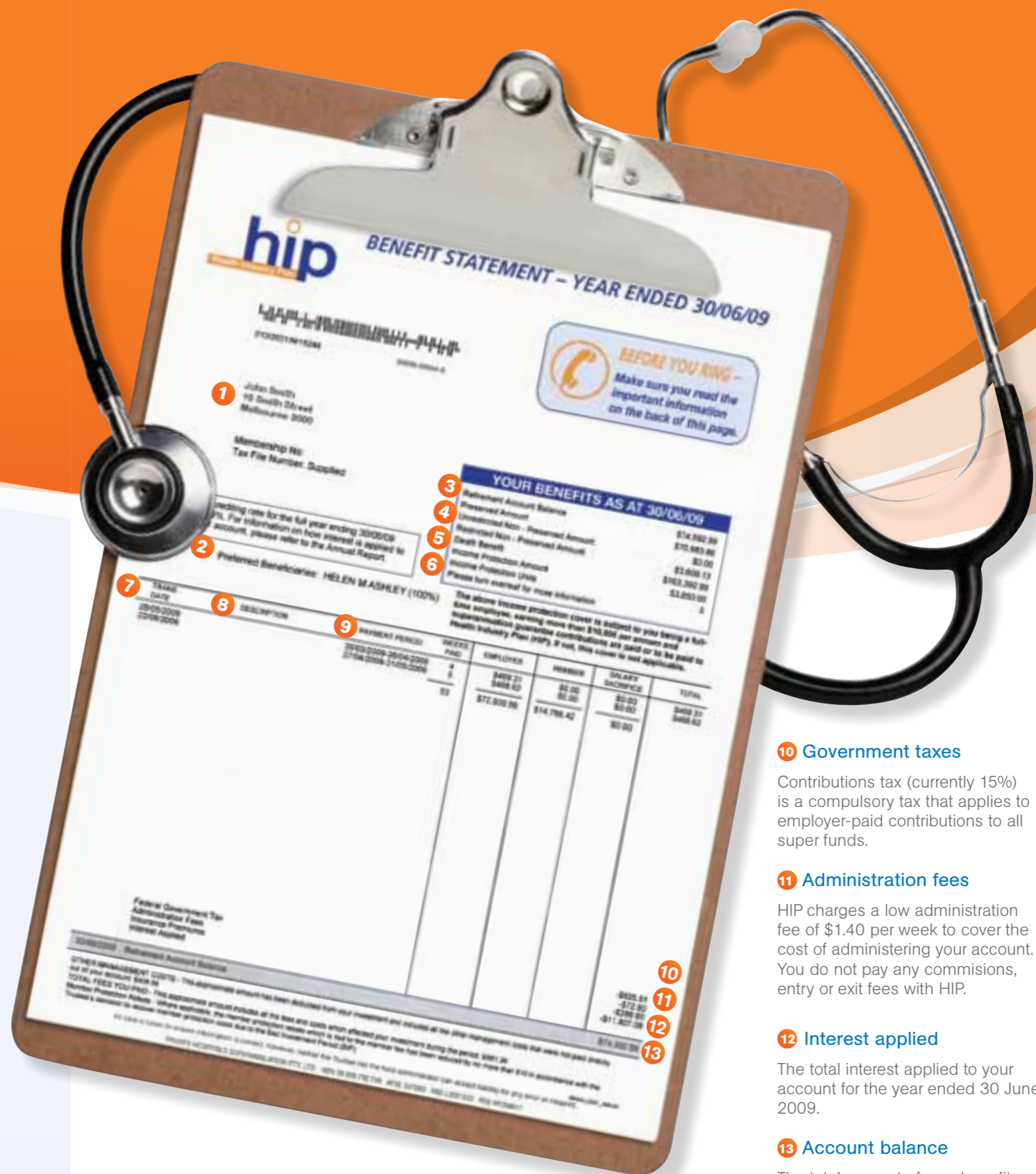
Source – based on Australian Securities and Investment Commission's publication *Don't Kiss your money goodbye – how to choose a financial planner.*

*Refer to the relevant Product Disclosure Statement for full details.

Visit the HIP website to www.hipsuper.com.au for more information.

Your 2009 HIP Annual Statement

This guide will help you read your HIP Statement and understand how your super has performed this financial year



1 Your details

HIP's current record of your details. Please check these details and contact HIP on 1300 654 099 if they need updating.

2 Preferred beneficiaries

The people you would like to receive your benefit in the Fund if you die. It's important to keep this information up to date every three years or if your circumstances change.

3 Preserved amount

The member and employer contributions to your account that are preserved (ie they must be kept in a super fund until you retire or reach your preservation age).

4 Non-preserved amount

Non-preserved contributions are either restricted contributions or unrestricted. Generally, restricted contributions can be taken in cash before preservation age but only when you leave the employer who pays your SG contributions. All contributions after 30 June 1999 are preserved, so the only non-preserved contributions you can have are those made before 1 July 1999.

5 Death benefit

The amount of your insurance cover as at 30 June 2009 and it includes your account balance. You have the option to add to this amount by taking out extra insurance.

6 Income protection

The number of income protection units you have. The insurance will help you manage financially if you become disabled. You may have the option to add to this amount by buying extra insurance (see page 14).

7 Trans Date

The date HIP received your member, salary sacrifice or employer contributions.

8 Description

The name of your employer who made the contributions to your super account.

9 Payment period

The dates you worked with the employer who made the contributions.

10 Government taxes

Contributions tax (currently 15%) is a compulsory tax that applies to employer-paid contributions to all super funds.

11 Administration fees

HIP charges a low administration fee of \$1.40 per week to cover the cost of administering your account. You do not pay any commissions, entry or exit fees with HIP.

12 Interest applied

The total interest applied to your account for the year ended 30 June 2009.

13 Account balance

The total amount of your benefit at 30 June 2009, including all contributions and less any fees, insurance premiums and government taxes.

Please check your details and contact HIP on

1300 654 099

if they need updating.

Financial summary

	2009 (\$000s)	2008 (\$000s)
Statement of Change in Net Assets		
Opening balance at 1 July	531,647	544,331
<i>Plus income</i>		
Contributions received – employers	55,116	53,343
Contributions received – members	4,023	9,032
Transfers	6,785	15,680
Investment income	82,384	(39,606)
Other income	1,474	1,049
Total Income	11,655	39,498
<i>Less expenses</i>		
Government taxes	2,096	1,861
Insurance costs	2,284	2,454
Administration costs	3,975	3,821
Benefits paid	31,897	44,046
Total Expenses	40,252	52,182
Net Assets at 30 June	479,740	531,647
Statement of Assets and Liabilities		
Investments	468,381	525,163
Current assets	16,678	12,799
Total Assets	485,059	537,962
Benefits payable	992	764
Taxation	3,285	4,589
Other liabilities	1042	962
Total Liabilities	5319	13,188
Net Assets at 30 June	479,740	544,331

	Administration Reserve	Crediting Rate Allocation Reserve	Insurance Reserve	RSE Reserve	Total \$
2009	380,078	438,729	119,922	n/a	938,729
2008	401,927	50,132	98,073		550,132
2007	902,547	444,612	88,975	n/a	
2006	607,195	675,195	80,621	100,000	1,463,011

'The lesson – and it's one that has stood the test of time – is that it's not timing the market, but time in the market.'

Peter Switzer, economics writer,
Switzer Financial Services

HIP's Financial summary

The 2009 results shown are from the final audited accounts for 2008/09. Please contact the HIP Administrator if you would like a copy of the audited accounts for 2009, or a copy of the auditor's report.

Administration Reserve

The Administration Reserve supports the cost of administering HIP. From time to time the Trustee may choose to make allocations from the Administration Reserve to members' funds. No such allocations were made last financial year.

Crediting Rate Allocation Reserve

The amount that is left over after the crediting rates have been determined to one decimal point goes into the Crediting Rate Allocation Reserve. This reserve belongs to members and will be used when calculating future crediting rates.

Insurance Reserve

The Insurance Reserve covers any additional administration costs arising from the provision of member insurance. The HIP Trustee Directors have decided that total reserves shall not accumulate to be more than 1.0% of the Fund's assets or fall below \$500,000.

Legislative changes

Changes to super in 2009

There have been a number of changes to super made by the Federal Government in 2009. Below is a short list of changes which may be relevant to you.

Limits on contributions from
1 July 2009

Concessional contributions

A limit of \$25,000 per year (indexed) applies to concessional contributions (usually those made by your employer). A transitional period applies for people aged 50 and over who can make concessional contributions up to \$50,000 without exceeding the cap per member, rather than per fund. Contributions made to other funds and superannuation guarantee contributions are included in this limit. Contributions in excess of the cap will be taxed at the top marginal rate (plus Medicare levy).

Non-concessional contributions

Personal contributions that are not tax deductible (known as non-concessional) are limited to \$150,000 (indexed) per annum. From 1 July 2010 the non-concessional contribution cap will be six times the relevant concessional contribution limit (indexed) discussed above. Effectively this means that the non-concessional contributions cap after 1 July 2010 will be \$150,000 per annum for those below age 50, or \$300,000 per annum for those above age 50, up to 30 June 2012.

What happens if I exceed the concessional contributions limit?

If the total of your concessional contributions exceeds the contribution cap in a financial year, the excess will be taxed at 31.5% (plus Medicare levy) - that's on top of the 15% tax already paid on receipt of the concessional contributions by HIP. This applies if you exceed the \$25,000 limit (or \$50,000 if aged 50 or over). The excess concessional contributions will then be counted towards your non-concessional contributions of \$150,000.

HIP will report all concessional contributions to the Australian Tax Office (ATO). The ATO will notify you if you exceed the contributions cap.

Co-contribution scheme

From 1 July 2009 the maximum amount contributed by the Federal government under this scheme fell from \$1.50 to \$1.00.

The Federal Government will contribute an amount equal to 100% of their personal after-tax contributions made in a year by eligible people earning up to \$30,342 (in assessable income plus fringe benefits) to a maximum of \$1,000. The co-contribution rate is reduced for every dollar you earn over \$30,342, and cuts out altogether if you earn more than \$60,342.

Transition to Retirement strategies are unaffected by the budget other than the reduction in the maximum amount of pre-tax income that can be contributed to super. Salary sacrifice has also been affected in the reduction of pre-tax (concessional) contributions limits.

Working longer

The qualifying age for the age pension is being gradually increased to 67. Men are eligible for the age pension from 65, while eligibility for women ranges from 63.5 to 65, depending on when they were born.

Under the changes announced in the budget, those born between 1 July 1952 and 31 December 1953 will have to wait until age 65.5 before qualifying for the age pension.

The qualifying age for those born later is stepped up in six-month increments. For those born on 1 January 1957 and later, the new qualifying age is 67. The Government has also increased the income level at which people can access the age pension so fewer of the well-off will qualify for a part-age pension and pensioner concessions.

Presently, provided they meet the assets test, a couple can have annual income of up to \$72,423 before their age pension cuts out. From September 20 this year, that income level will be lowered to \$59,228.

Temporary residents

From 1 April 2009 if a temporary resident does not request a Departing Australia Superannuation Payment (DASP) benefit within 6 months of their temporary residence expiring and their leaving Australia, HIP may be required to pay the balance of their account to the Australian Taxation Office and they will no longer be a HIP member. Any insurance cover the former member had with HIP will cease. HIP members who are or were temporary residents should contact the Australian Taxation Office for more information www.ato.gov.au.

'HIP's low fees make good sense to me.'



Managing your Fund

(From left)

Tony O’Grady

(Appointed February 2005)
Member Director
Manager,
Projects and Compliance
NSW Nurses’ Association

Catherine Thorpe

(January 2009)
Member Director
(formerly Employer Director:
August 2005–January 2009)
Senior Adviser,
David and Goliath Consultancy
Pty Ltd

George Toemoe

(January 2000)
Employer Director
Chairman,
Australian Private Hospitals
Association NSW

Ross Bernays

CEO HIP

HIP is managed by the Trustee company, Private Hospitals Superannuation Pty Ltd ACN 006 792 749.

The Trustee company has two shareholders: the nominee of the NSW Nurses’ Association representing members’ interests, and the nominee of the NSW Private Hospitals Association representing employers’ interests.

The two shareholders can each appoint one or more Directors as long as the Board has the same number of Directors representing members and employers. Likewise, they have the power to remove their appointees. Once appointed, Directors can hold office for up to three years and are eligible for re-appointment.

Directors are expected to attend up to six Board meetings per year, an annual strategic planning conference as well as various other meetings and conferences. Directors are also compensated for additional time in undertaking mandatory ongoing education and training. Directors are paid \$20,000 per year, with the

Chairman receiving an additional \$20,000. The Fund also has two standing committees – an Investment Committee and an Audit and Risk Committee, with committee members receiving an additional \$6,000. Directors fees are paid on an actual attendance basis in addition to superannuation contributions in line with the minimum level required by legislation.

Trustee insurance

HIP has taken trustee indemnity insurance to protect the Trustee, the Directors and the Fund. The policy provides for payment of legal costs and for replacement of fund assets in the event of a successful claim, up to an aggregate of \$20 million per annum.

Trust Deed

The Trust Deed is a legal document governing how the Fund operates and what benefits can be paid to members. During the year the Trust Deed was not amended.

Service providers

Administration
Superpartners

Auditor/Tax Agent
Deloitte Touche Tohmatsu

Bank
National Australia Bank

Investment Consultant
JANA Investment Advisors

Debt Collection
Industry Funds Credit Control

Custodian
BNP Paribas

Insurer
ING Life Limited

Solicitor
Corrs Westgarth Chambers

(From centre to right)

Anthony Wallace

(September 1994)
Chairman,
Employer Director
Executive Director,
The Healthcall Group.

Harry Maratheftis

(September 1995)
Member Director
Industrial Relations Officer,
NSW Nurses’ Association.

Arthur Brotherhood

(August 1999)
Member Director
Director,
IBIS Care Holdings Pty Ltd.

Steve Rubic

(February 2005)
Employer Director
CEO,
St Vincent’s Private Hospital
& Mater Health Sydney

Bob Whyburn

(January 2009)
Member Director
Consultant,
Maurice Blackburn Lawyers

Attendance table	Trustee Board meetings	Investment Committee meetings	Audit and Risk Management Committee meetings
Anthony Wallace	7/7	6/6	6/6
Arthur Brotherhood	7/7	6/6	6/6
Harry Maratheftis	6/7	n/a	n/a
Tony O’Grady*	4/7	n/a	2/6
Keith Richardson**	2/7	n/a	n/a
Steve Rubic	6/7	n/a	n/a
Catherine Thorpe	7/7	5/6	6/6
George Toemoe	6/7	6/6	6/6
Bob Whyburn***	3/7	2/6	n/a

* Tony O’Grady appointed to Audit and Risk Management Committee, February 2009

** Keith Richardson retired as Trustee Director, January 2009

*** Bob Whyburn appointed as Trustee Director, January 2009



Our website has information that will help you during every stage of your long-term partnership with HIP.

www.hipsuper.com.au

At HIP, we take pride in offering a personalised approach to looking after your super.

We've been taking care of members since 1987, so we have a good idea of what members want from their super fund.

As an industry fund, our fees are low and all profits are returned to members. Our mission is to provide you with the opportunity to achieve a financially secure retirement.

HIP comes to you

HIP regularly visits workplaces of members to conduct seminars, meet HIP members and answer questions. If your workplace is interested in arranging a HIP workplace seminar, simply contact us on **1300 654 099** or email hipsuper@superpartners.com.au.

Regular communication

HIP members can register their email address to receive regular updates about HIP's performance and to receive the member newsletter Inform, electronically. HIP also issues the Inform newsletter to members periodically throughout the year.

Inform keeps you up to date with news about what's happening in super and your HIP account. It features Fund updates, details about member benefits, legislative changes and educational fact sheets.

To read the latest issue of Inform, go to the 'forms and publications' section of www.hipsuper.com.au and download a copy.

We also keep you up to date by sending information about your HIP account every six months. We send an interim statement detailing the contributions made to your account for the six months ending 31 December, as well as your HIP statement annually, which lists your account transactions in the twelve months prior to June 30.

YOU CAN ALSO USE THE WEBSITE TO:

[access your account 24 hours a day, 7 days a week](#)

[download forms](#)

[update your personal details](#)

[keep up with the latest news in super](#)

[access super calculators](#)

[find out more about member benefits](#)

[read about the insurance cover available to you.](#)

Stay in touch

New address?

We keep you informed about your super by sending you HIP Statements, annual reports and newsletters. If you leave, we will send you information about how to receive your benefit and if you change address, it's in your best interest to let us know. You can update your details online at hipsuper.com.au or call us on **1300 654 099**.

Information on request

This report, your HIP Statement and your Product Disclosure Statement provide important information about your benefits and HIP. Other documents you can ask to see include the HIP Trust Deed, investment policy and risk management statements, audited accounts and reports, Australian Prudential Regulation Authority annual returns, rules for the appointment and removal of Trustee Directors, and enquiries and complaints procedures. If you would like more information about your benefits, HIP Super or would like to access information about your account balance, phone us on **1300 654 099** or visit www.hipsuper.com.au

Transfers to Eligible Rollover Funds (ERFs)

If your account has not received a contribution in the last two years and your account balance is less than \$500, your benefit may be transferred to an ERF. HIP uses Australia's Unclaimed Super Fund – AUSfund. AUSfund takes a low annual fee of \$10 per year. However, AUSfund has no death or disability insurance cover. If your benefit is transferred to AUSfund, you will no longer be a member of or have any rights under HIP. Please note that the investment structure of the ERF may not suit your particular needs. You can write to:

**AUSfund
Locked Bag 999,
Carlton South VIC 3053
or phone 1300 361 798**

Enquiries and complaints

If you wish to make an enquiry about HIP, or if you have any concerns about its operation or management, please contact us on **1300 654 099**. In most cases you'll receive an immediate reply, but some issues may need further investigation. We will promptly acknowledge any written enquiry or concern and in most cases respond within 28 days. HIP strives to provide outstanding service to its members. However, if you are not satisfied that your enquiry or complaint has been satisfactorily answered you should write to the:

**Complaints Officer,
HIP Locked Bag 23,
Haymarket NSW 1236**

You can expect a decision from the Trustee within 90 days.

Register your email address online at www.hipsuper.com.au

Superannuation Complaints Tribunal

If you are not satisfied with the Trustee's decision on your complaint, you may be able to take the matter further by writing to the Superannuation Complaints Tribunal (SCT). The SCT is an independent body set up by the Federal Government to help members and their beneficiaries resolve superannuation complaints. You must follow HIP's complaints procedure set out above before you can take your complaint to the SCT.

You should then call the SCT to find out whether they can handle your complaint and what information you will need to provide. If the SCT accepts your complaint, it will try to help you and the Trustee reach an agreement. If this is not successful, the SCT will make a decision that is binding on all parties. For more information, you can contact the SCT on **1300 780 808** or visit www.sct.gov.au

Melbourne

Level 26, Casselden Place
2 Lonsdale Street
Melbourne VIC 3000

Sydney

Level 5
477 Pitt Street
Sydney NSW 2000

Brisbane

Level 11
120 Edward Street
Brisbane QLD 4000

Adelaide

Level 2
104 Frome Street
Adelaide SA 5000

Perth

Level 2
12 St Georges Terrace
Perth WA 6000

Hobart

Level 2
119 Macquarie Street
Hobart TAS 7000

HIP Contacts

We've made it easy for you to contact us whether you live in a remote outback location or one of our busy cities. We have an office in every state and provide you with 24 hour, 7 day a week access to your account via our website.

If you'd prefer to talk to us, you can call the number below from anywhere in Australia free of charge.

Call

1300 654 099
anywhere in Australia

Info

www.hipsuper.com.au

Email

hipsuper@superpartners.com.au

Mail

Locked Bag 23,
Haymarket
NSW 1236

The information in this annual report is of a general nature only. It does not consider your specific needs so you should look at your own financial position and requirement before making any investment decision. You may want to consult an adviser to do this.

This annual report is issued by the Trustee of the Health Industry Plan, Private Hospitals Superannuation Pty Ltd, ABN 59 006 792 749, AFSL 247063, RSE License Number L0001533, RSE Registration Number R1056617.