

FINANCIAL PLANNING

NEWS



LOCAL GOVERNMENT®
SUPERANNUATION SCHEME

Local Government Super

March quarter 2010

Local Government Super wins gold

Local Government Super's Account-Based Pension has been awarded the SuperRatings' Gold rating for 2010.

SuperRatings reviewed 150 pension fund products, which together had over \$75 billion in retirement savings, and examined each on over 100 individual parts of their offerings.

SuperRatings aims to understand each fund's "Value for Money" proposition because it believes that the best value for money funds offer more potential to maximise their member's retirement savings.

Investment changes update



Craig Turnbull, Chief Investment Officer

You may remember that we wrote to you last August about the investment changes we were making at Local Government Super and I felt it was about time that we provided you

with an update on the progress of that programme.

I won't go into detail for every asset class but I will use two examples where the changes have been most pronounced to give you an idea of the type of work we've been doing for you and their results to date.

Let's look first at **International Equities**. During the course of the review we replaced six fund managers with five new ones who have expertise in particular areas of this asset class so that we could minimise the potential for overlap. 40% of funds in this asset class are now invested in a passive style which means that the fund managers attempt to imitate the composition of an index (like the ASX 200) rather than those that actively trade securities in an attempt to produce above-index returns (active).

As a result, fees have been reduced and the stability of returns has improved without any changes to the risk profile.

Welcome. In this issue of Financial Planning NEWS you will find information on:

- Investment changes
- Errol Umar, a member of our financial planning team
- Reviewing your financial plan
- Our gold rating from SuperRatings
- The latest from Fair Go
- Health and lifestyle tips

Investment performance in the current financial year has exceeded the benchmark we use to determine satisfactory performance.

In the **Absolute Return** area it is a similar story. The objective for these investments is reliable and steady returns with a low chance of negative performance but the global financial crisis highlighted weaknesses within our previous settings. Consequently we got out of our exposure to hedge funds and have switched to two investments which focus on high quality credit securities, specifically mortgage and corporate debt securities.

Like International Equities, the changes to this asset class have led to reduced fees and more stable returns. There has also been an improvement in liquidity (the ability to easily convert investments to cash), something whose significance was highlighted by the global financial crisis, and transparency which relates to the ease or difficulty with which an investment can be readily understood. Investment performance in the current financial year has been well above the benchmark.

In general, the changes we have made on your behalf have led to improved performance and lower fees. Indeed, in the case of Cash we have been the best performing fund so far this financial year (to the end of February), according to SuperRatings, the leading super fund ratings agency in Australia.

While this is a pleasing result it does not mean we are going to rest on our laurels. Our chief aim is to maximise returns for members over the long term and to this end we will continue to review our investment approach, our fund managers and our general performance to ensure that we achieve this goal.

How LGS helped Graham and Wendy prepare for retirement



Graham Prideaux worked for local government for 50 years to the day before retiring in 2009. He started in Molong Shire (now Cabonne) and then moved to Ashfield where he spent the rest of his working life.

About a year after he started working Graham joined the Retirement Scheme (or the Local Government Pension Scheme as it was then called). In the early days he did not pay much attention to his super and did not bother to contribute at a high rate. As he got older and realised his career would most likely be spent in local government he began to pay closer attention to his super. Partly as a result of his own investigations and in part because of discussions with LGS representatives who conducted interviews at his worksite he decided to increase his contributions to super to make sure he got the most out of his benefit.

At the same time as he began to think more seriously about retirement the global financial crisis hit. When he

made the appointment to see his planner, Ian Ornelas, he fully expected that the planner's advice would be to keep working for a few more years until the crisis had passed, but things turned out rather differently.

Ian, who understands all the byways and the peculiar features of the Retirement Scheme and its predecessors, was able to construct a plan that satisfied Graham's risk profile and which allowed him to retire immediately. This plan used a combination of pension types: an Account-based pension, which is available to all members, and the Lifetime pension which was an entitlement available to Graham (but not all Retirement Scheme members) and which Graham had never intended to use.

Graham's wife Wendy was initially pleased to be treated as an equal while her husband's affairs were being dealt with. Later she was so impressed with Ian's attention to detail, his thoroughness and his general trustworthiness that she has decided to entrust her external benefits, once they reach maturity, to Ian's stewardship.

Graham and Wendy have had a direct or indirect association with Local Government Super for more than 50 years and they look forward to that association continuing for many years to come.



Meet Errol Umar, a member of our financial planning team



Investment markets have been through challenging times in the past and the global financial crisis (GFC) was one of those times. The key to success is to have a solid financial plan in place and to stick with it.

That's the advice from Errol Umar, who was recently promoted to Client Relations and Advice Manager in our Sydney office.

"Recent events also highlighted the fact that many people were potentially not in an investment mix which complemented their risk tolerance. This is why it is important to seek help from a professional financial planner who will not only assist with structuring a plan, but will also be there to explain its settings should something like the global financial crisis occur in the future as well as review them as circumstances change over time" he says.

Errol has worked at FuturePlus Financial Services for the past nine years, most recently as a senior financial planner. In 2009 he competed in the Australian Financial Review

Smart Investor Masterclass for Financial Planning and he finished being ranked among the top 50 financial planners in Australia. Following his promotion, he leads a team of seven financial planners and two client relationship managers.

"I really enjoy working closely with such a group of very talented people to achieve great outcomes. It is extremely rewarding to share your thoughts and experiences with team members in a way which really promotes a positive environment," says Errol of his new role.

Before joining FuturePlus, Errol worked as a financial adviser at a major bank, but he says he now enjoys being in a not-for-profit super environment and the fact that the member truly comes first. "It is extremely satisfying to know that when members see us, we are acting in their best interests. We are on their team and want to see them achieve their financial aspirations," he says.

What upsets him most is seeing some members who rely on hearsay and rumours, or who simply go off what a friend has done with their money. "It's the members' hard earned money at risk here, so it's in their best interest to do their homework and that's where a financial planner is invaluable."

Fair Go Member Benefits Box Office

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Alternatively, phone your order through to the Member Benefits Box Office on **(03) 9822 9966** or **1800 352 600** outside of Melbourne. Don't forget to quote "Member Benefits".

The Member Benefits Box Office is owned and operated by SPENDLESS. Any credit card purchases will state SPENDLESS on your statement, not Member Benefits.

*Prices and terms and conditions are subject to change.

Help with digital TV



Between 2010 and 2013 analog free-to-air TV signals will be switched off and replaced with digital-only signals. The Victorian region surrounding Mildura and some areas of southern NSW will be first to switch to digital. After the switch, you will not be able to get television reception unless you have a digital television, set top box or a similar device.

To help you make the switch to digital, you may be eligible for the Australian Government's Household Assistance

Scheme. The scheme includes a free high definition set top box and installation. You may be eligible if you or someone in your household is receiving the maximum rate of one of the following payments, and you do not already have access to digital TV:

- Age Pension
- Disability Support Pension
- Carer Payment
- Department of Veterans' Affairs (DVA)
- DVA Income Support Supplement

Letters inviting eligible households to opt into the scheme will be sent out about six months before each region is due to switch over. The letter will invite you to contact Centrelink to check your eligibility.

For more information about the switch to digital TV, visit the Digital Switchover website at www.digitalready.gov.au or call **1800 201 013**.

Safer social networking

Social networking sites, like Facebook, MySpace, Twitter and those that cater specially for retirees and seniors, are fast attracting those who used to avoid the internet.



Their benefits are many. They allow you to stay connected with friends around the world, monitor what your children or grandchildren are up to and browse through photos of your friends' travels and anniversary parties. You can track down someone you lost contact with years ago and even make new friends with similar interests.

These sites are easy to join but you do need to exercise some caution when using them.

Firstly, be careful what you post. For example, you could find yourself cut off if you post comments that embarrass your teenage grandchildren on Facebook! And, posting a funny photo of yourself or friend may come back to haunt you later.

Secondly, there could be security dangers. Social network sites can be used by scammers to steal or use your personal information for identity theft or fraud.

So how can you protect yourself? Here are some tips:

- Don't do online what you wouldn't do in real life.
- Don't post personal information, such as your address, full date of birth or schedule.
- Remember that once you post information online, you can't retract it. You may remove it from a site, but saved or cached versions may still exist elsewhere.
- Be very cautious when interacting with people you don't know and remember that not everyone is who they say they are on the internet.
- Take advantage of a site's privacy settings. Many will allow you to restrict access to only certain people.
- Consider sending personal messages to friends' inboxes rather than posting it publicly on their walls.
- Don't post anything that could violate the privacy of your friends and family without asking them first.

Happy banking with ME Bank

ME Bank, the bank owned by some of Australia's leading Industry Super Funds, has once again earned the highest Net Promoter Score of all Australian banks in the independent Australian Retail Banking Tracker Report for January 2010.

Brand Management CoreData Tracker Report measures the number of customers who would recommend their bank to their family, friends and colleagues. In the three surveys undertaken so far, CoreData's Tracker Report found that ME Bank customers were more likely to recommend it to their loved ones than any of the major banks.

ME Bank was formed to provide great value in financial services to members. And, as a member of Local Government Super, you too have access to ME Bank's range of award winning banking products.

ME Bank's Online Savings Account won the Australian Financial Review Smart Investor Blue Ribbon Awards 2009, Overall Savings Account Category. In addition to a discounted home loan without the many fees other banks charge, ME Bank also offers highly competitive term deposits, a First Home Saver Account, a low rate personal loan and the low rate MasterCard.

For more information about ME Bank call **13 15 63** today or visit **mebank.com.au**



Terms, conditions, fees and charges apply. Applications for credit are subject to approval. This information does not take into account your situation and you should consider if these products are appropriate for you. Before you make any decisions about the First Home Saver Account you should review the Product Disclosure Statement and Terms and Conditions available from Members Equity Bank Pty Ltd ABN 56 070 887 679.

Local Government Super makes no representations as to the suitability of ME Bank's products. Any loan you take out or deposit you make with ME Bank is an arrangement between you and ME Bank and LGS has no liability to you in relation to that deposit or loan.

Is it time to review your financial plan?

A lot has happened over the last 18 months which may have affected your financial circumstances. So if you haven't reviewed your financial plan recently, we encourage you to take five minutes to answer these quick questions.

Is your investment strategy still relevant to your current situation? Yes No

Do you have the right investment mix to maximise your investment returns? Yes No

Are you in a position to benefit from the current trends in the markets? Yes No

Are you aware of all the Centrelink benefits you are entitled to? Yes No

Do you have an appropriate and valid estate plan in place? Yes No

Are you confident that you have enough funds to meet all your future financial needs? Yes No

If you answered 'no' to any of these questions it may be a good time to review your financial plan.

The global financial crisis has affected investment trends and your circumstances may have changed over time. The aim of a review is to ensure that your financial plan remains appropriate to your goals and that you are doing the very best you can to maximise your savings.

As our client, you can review your plan with one of our financial planners at no extra cost to you. You can come in and meet with one of our planners or we can easily talk with you over the phone if that's more convenient. Just call us on **1300 883 788** or send an email to reviews@futureplus.com.au to book a meeting.

We can help you with more than just your pension

- Looking for advice about investing? **We can help you.**
- Are your family members looking for a flexible home loan? **We can help you.**
- Looking to maximise Centrelink and other government benefits? **We can help you.**

Call **1300 883 788** for more information.

Seminars

If you haven't retired yet, or your partner is planning to retire, why not attend a free pre-retirement planning seminar? Also, if you have family or friends that you think may benefit, please feel free to invite them along too.

To view our full calendar of forthcoming seminars, visit: www.lgsuper.com.au/Seminars/seminarcalendar.asp

To attend one of our free financial seminars near you, call **1300 369 901**. Alternatively you can book a seat by emailing: info@lgsuper.com.au

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Regional office details:

Lismore

81- 83 Molesworth St

Newcastle

161 King St

Orange

187 Summer St

Parramatta

Suite 3, Ground floor, 10-14 Smith St

Sydney

28 Margaret St

Wagga Wagga

Shop 2/209 Baylis St

Wollongong

Shop 2/60 Burelli St

Albury*

621 Dean St

Office hours 8.30am - 5.00pm
Monday - Friday

*Bookings are essential. Phone 1300 883 788 to make an appointment.

How have investment markets performed?

Economic news for the first quarter of 2010 was largely positive. Domestically we saw unemployment continue to fall, reaching 5.3% by the end of March. This contributed to the growing optimism about the underlying strength of the Australian economy. The rate of inflation of 2.1% is within the target range of 2% to 3% and GDP growth for the year ended 31 December 2009 was 2.7% indicating that the Australian economy is growing at a reasonable pace. The significant government stimulus that was thrown into the economy throughout 2009 has now largely been removed and the economy looks to be sufficiently strong to support continued growth without it. If you add to this picture the increasing demand from China for Australian raw materials, the economy looks to be in good shape.

In the US, unemployment fell marginally through the quarter, but still remains at historically high levels with a current rate of 9.7%. There does appear to be some improvement with jobs data released in early April suggesting that companies are no longer being forced to cut staff at the same rate as before. This was very significant news as a full recovery is very difficult to achieve when you have so many people out of work or fearing for their jobs. World stock markets certainly saw this jobs data as positive news with a two-day rally of 1.5% following the release.

The US Federal Reserve has stated that they expect to keep interest rates at abnormally low levels of 0% to 0.25% for an extended period in order to provide further stimulus to the economy.

The market commentary below is provided to give an indication of the various factors affecting the investment performance of individual asset classes. It is based only on the gross performance of the relevant market index and no allowance is made for taxes or fees as they apply in your superannuation investment. It is provided merely as an indication of relative performance between asset classes and should not be used as a measure for judging the performance of your investment strategy.

Australian Equities

The Australian share market benchmark, the S&P/ASX200 Accumulation Index, returned 1.4% for the quarter. This was an impressive return given the poor start to the quarter

with a return of -6.2% in January. The following two months of the quarter, though, continued in a similar fashion to much of last year with excellent returns, driven by improving company earnings and an improving economic climate.

International Equities

Like the domestic market, international shares started poorly, but finished the quarter strongly with the benchmark for global shares, the MSCI World ex-Australia Index returning 1.1% on an unhedged basis. Adjusting this for currency movements (hedging) improves this further as the Australian dollar rose against all major currencies during the quarter and added a further 3.8% to the benchmark performance. Global share markets have gone some way to recovering the losses of the latter part of 2007 and 2008 with one year returns approaching 50%. However, there is still a fair way to go before we can declare that a full recovery is under way with a high level of economic instability in developed nations.

Cash and Fixed Interest

The Reserve Bank of Australia raised interest rates by a further 0.25% in March to take the overnight cash rate to 4% by the end of the quarter. (The RBA further raised rates in early April to 4.25% making it five rate rises in seven months). Many were surprised that rates were left unchanged in February, but Reserve Bank Governor, Glenn Stevens, justified the decision by stating that after three consecutive rises at the end of last year, it might have been a case of too-much-too-soon to have had a fourth consecutive rise in February.

Short-term money markets rallied with the UBS Bank Bill Index finishing up 1.0% for the quarter. Bond markets also reacted to the rate rise with yields rising and bond prices falling in March to bring the quarterly return back to 1.1%. Globally, government bond prices increased with the benchmark S&P/Citigroup World Government Bond Index (Hedged) returning 2.1% as interest rates in the majority of developed nations remain historically low.

Credit markets continued to rally in a similar fashion to shares with doubts over corporate debt slowly diminishing as the credit crisis eases. The benchmark for credit investments, the Barclays Capital Global Credit Index, returned 3.6% for the quarter.

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Local Government Super
Local Government House
Ground Floor
28 Margaret Street
Sydney 2000

Head Office
Ground Floor
28 Margaret Street
Sydney

Postal address:
PO Box N180
Grosvenor Place
NSW 1220

T: 1300 883 788
F: 02 9279 4130

www.lgssuper.com.au