

# YOUR

# FUTURE



LOCAL GOVERNMENT®  
SUPERANNUATION SCHEME

LOCAL GOVERNMENT SUPER  
Retirement and Defined Benefit Schemes - ABN 28 901 371 321

Financial year ending June 2010

## Message from Peter Lambert, CEO



At Local Government Super we are really pleased about the positive returns for this financial year after a disappointing result in 2009, and we will continue to drive the delivery of quality returns at a low cost for all members.

A real focus for me in the coming months will also be on operational

matters, as Local Government Super takes direct control of most of the services we offer to members.

This structural change has occurred off the back of the merger proposal initiated by the Energy Industries Superannuation Scheme (EISS) and submitted to the NSW State Government without our knowledge.

The Board examined this proposal, but was of the opinion that the merger would not be in the best interests of our members. In order to better focus on member services we also decided to sell our share in FuturePlus Financial Services to EISS and establish our own team of financial planners and member service staff.

This way all our staff will have a thorough understanding of the Local Government industry and how to improve service levels for our member base.

You won't see any immediate changes to the way we work with you, but I will ensure that our unique closeness to local government employers and members translates into superior, tailor made service.

## The markets and you



**Craig Turnbull,  
Chief Investment Officer**

Markets tend to move in cycles of upswings and downturns and one way of looking at the cause of the global financial crisis is to see it as a part of that ongoing market cycle. Of course the stages of the cycle can vary in intensity and everyone would

acknowledge that this downturn was exceptionally severe and its consequences were felt in all sections of the economy and the community.

**So the question you might ask is where in the cycle are we now?**

To answer that we need to return to the trigger of the global financial crisis and with hindsight that trigger can be summarised in one word: debt.

Looking back, it is clear that while the crisis was sparked by the collapse in the US housing market it was sustained because overconfident individuals and corporations had overextended themselves and then found themselves increasingly unable to service their loans as the crisis deepened. This in turn put pressure on the banks and the financial services sector generally.

The collapse in the private sector forced governments around the world to become heavily indebted themselves as they embarked on stimulus programmes and bailout packages in order to promote economic growth and stabilise the financial system. In the last year these measures have proved to be fairly successful with a recovery in the markets and an improvement in economic

growth and business confidence which has led to improved returns for members.

However, the recovery was achieved at a cost, and that cost was the transfer of the debt problem from the private sector to the government sector. It is this level of government indebtedness that presents the greatest risk for the world economy at the moment.

While Greece is currently the most prominent example, much of the developed world is carrying worryingly high levels of debt and the manner in which these countries reduce or manage these debt levels will determine how quickly and how durable the recovery is likely to be. To avoid defaulting on their debts these countries will need to reduce government spending (which will include limiting or cancelling their stimulus packages) and while this may restore confidence in the bond markets it will also dampen economic growth generally.

While it's impossible to say exactly where we are in the economic cycle it's our view that the shadows cast by the US and European debt problem will constrain world economic growth. That said, we still expect positive returns in the share market this year, although they're likely to be lower than last year. In general terms we believe that a well diversified portfolio with a moderate exposure to shares continues to be the right approach but we are watching the global economy closely as the risks remain significant.

I would like to emphasise that this is a general view and not personal advice as it does not take into account your personal objectives, financial situation or needs. If you have any questions about your personal investments you should speak to a financial planner who can give you advice tailored to your individual circumstances and personal needs.

# Practical environmental leadership

## LGS launches 1,000sqm solar installation



In July Local Government Super (LGS) launched the installation of 1,000sqm of solar photovoltaic panels on one of its commercial office buildings in Macquarie Park, New South Wales.

Generating some 15-20% of the required base building energy, the solar panels will significantly reduce the grid energy required by the building, reduce emissions and provide a leading example of how renewable energy can be applied in office buildings.

The solar power installation is just one of a number of initiatives LGS is undertaking as part of its wider environment investment strategy.

LGS has a long-standing commitment to environmental leadership and, in particular, the sustainable upgrade of existing buildings.

Many property owners in the commercial sector have been pursuing sustainable strategies but for the most part this has primarily been focused on new buildings, with existing buildings considered too expensive to upgrade or too difficult to implement.

LGS has however been able to demonstrate that there are cost-effective ways in which to upgrade existing buildings through

the use of leading Australian technologies and a solid tenancy engagement strategy.

This solar panel project along with other LGS initiatives provides strong energy efficiency results. More importantly however it is a clear demonstration to the property industry that energy reduction is a reasonable and reachable target for all buildings in Australia, not only new ones.

Over the past 18 months, LGS has upgraded five of its commercial properties with the support of AusIndustry Green Building Fund grants.

Upgrade works have included the installation of leading Australian technologies including e1 lighting, the Shaw Method of Air Conditioning, solar panels, and a further exemplar project is looking to implement a tri-generation system powered by the multi fuel capable Bennett Clayton engines.

The results of these upgrades have already exceeded expectations, with the buildings targeted to move to a NABERS energy rating of 5 stars, in line with new building performance.



## Thinking about retiring?

If you're considering retirement in the foreseeable future, here is a handy checklist to see how prepared you are. If you answer "no" to any of these questions, it's a good idea to make an appointment with a FuturePlus financial planner. Just call **1300 883 788**. And remember, because you're a member of Local Government Super, your consultation is free.

### Retirement Planning Checklist

Have you got enough money to retire on?

Yes  No

Do you know what retirement options are available?

Yes  No

Do you know if you are eligible for Centrelink benefits on retirement and how to maximise them?

Yes  No

Do you have insurance to protect your income?

Yes  No

Do you have insurance to protect your family in the event of you becoming physically incapacitated or if you die?

Yes  No



Do you have a formal or informal financial plan in place?

Yes  No

Do you know what investment strategy suits you best?

Yes  No

Do your investments provide you with the appropriate mix of growth and income?

Yes  No

If you answered "no" to any of these questions, it might be a good idea to make an appointment to see one of our financial planners. Just call **1300 883 788**. Remember, because you're a member of Local Government Super, any consultation is at no additional cost.

# Frequently asked questions

## What is an Account-Based Pension?

The Account-Based Pension Plan offers a flexible and tax-effective way of receiving your superannuation entitlements as an income stream instead of one lump sum. They pay regular income payments to cover your day-to-day living expenses while giving you the flexibility to make larger withdrawals when you need them. Payments are generally made until the balance of your account has been exhausted.

Investing your superannuation in an account-based pension keeps your benefit in the super environment, so you pay no tax on investment income including realised capital gains. Also, if you are over age 60 your income payments will be tax free if you have satisfied a condition of release. You may also qualify for additional Aged Pension entitlements and pay less tax on your investments outside superannuation.

## How do Account-Based Pensions work?

- You (or your dependants) receive regular income or lump sum payments until your capital runs out
- Minimum annual payment amounts apply and range from 4% for people under 65 to 14% for those over 95. There is a 50% reduction in the minimum rates for the 2010-2011 financial year, as recently announced by the Federal Government
- No maximum pension requirements apply

- Your pension or lump sum can be transferred to a dependant or your estate when you die.

For more information on Account-Based Pensions and whether they might be appropriate for you, call **1300 369 901**.

## Why can't my spouse's name appear on my statement as the beneficiary?

The Trust Deed that governs Local Government Super has specific rules about the payment of death benefits. Under the Deed, members can choose to make a binding nomination of beneficiary or not.

If you choose not to make a binding nomination of beneficiary, your death benefit will be paid to your spouse, if you have one. If you do not have a spouse, as defined in the Trust Deed, your death benefit will be paid to your estate.

If you choose to make a binding nomination, then the Trustee must pay the death benefit in accordance with your instructions. Binding nominations expire every three years and must be renewed in order to remain valid.

Either way, the Rules under which Local Government Super operates do not allow us to list a nominated spouses name on the member statement as the beneficiary.

Visit our website at [www.lgsuper.com.au](http://www.lgsuper.com.au), where you will find a Fact Sheet with further information about Nominating Beneficiaries.

# Bonus interest on ME Bank term deposits for LGS members

Here's some great news for Local Government Super members from ME Bank. If you take out a term deposit, Local Government Super members receive a bonus 0.25% interest on top of the normal rate!

For example, a term deposit of 7 months duration would get you 6.35% pa, PLUS 0.25% bonus. Or for three months, the rate would be 6.0% pa PLUS 0.25%.

To find out more, visit [www.lgsuper.com.au](http://www.lgsuper.com.au) and follow the ME Bank links.

ME Bank is a licensed Australian bank, owned by some of Australia's leading Industry Super Funds and was formed to provide great value in financial services to their members.

Your membership of Local Government Super gives you access to a discounted home loan with the Super Members Standard Variable Rate Home Loan. You'll benefit from a discounted variable interest rate and won't pay an application fee, any ongoing account keeping fees or fees to fix, split or top up the loan. The discounted rate and low fees can really make a difference to how much you'll pay over the life of the loan.

Other products available from ME Bank include the Online Savings Account, the InterestME Savings Account (a two-in-one transaction and savings account), Term Deposits with 3, 6, 9, 12 or 24 month terms, the First Home Saver Account, a low rate Personal Loan and the low rate MasterCard.

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.

# What's your risk profile?



One of the most important things to do when making an investment decision or strategy is to determine what sort of return you hope for and how willing you are for the value of the investment to go up and down; in other words what is your risk profile?

There is, in general, a trade-off between risk and return. The greater the return the more likely it is that the value of the investment will fluctuate. The lower the expected return the more likely it will be for the investment return to be stable. A risk profile attempts to determine where an investor sits on the spectrum between these two extremes: conservative and stable at one end and aggressive and volatile at the other.

## So how do you determine your risk profile?

There are many ways to do this but if you were to see a financial planner they would do it by getting you to fill out a questionnaire and then extensively discussing the results with you. The following list is not exhaustive but should give you an idea of the types of questions you'd expect to find in a standard risk profile questionnaire:

- How familiar are you with investment markets?

## We can help you with more than just your super

- Would you like to build an investment portfolio?  
**We can help you.**
- Interested in gearing?  
**We can help you.**
- Looking to maximise your Centrelink and other Government entitlements?  
**We can help you.**

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

- How long have you been investing, not counting your own home, superannuation or bank type deposits?
- For how long do you intend to keep these investments?
- Historically, the share market has experienced rapid rises and falls in value. If the share component of your portfolio fell by 40% over a short period, such as a month, what would you do?
- If you unexpectedly received \$100,000 what would you invest it in? Would you choose a term deposit, shares, fixed interest, property or a mixture?
- How much of a fall in the value of your superannuation can you withstand before deciding to switch to cash?

Based on the answers you provide to these questions and following subsequent in-depth discussions, your financial planner would place you in one of the following risk profile categories:

## Investor risk profile descriptions

**Cash** – Risk must be low and investor willing to accept lower returns to protect their money. As long as the initial investment is protected the investor will accept negative risks such as inflation.

**Conservative** – This investor wants better than basic returns but with low risk. The value of the investment over the medium to long term must be stable.

**Moderate** – A moderate investor is willing to accept a balanced portfolio and a strategy that will cope with the effects of tax and inflation. Calculated risks are acceptable.

**Assertive** – Such an investor is prepared to accept higher volatility and moderate risks in the pursuit of higher returns which include capital growth. A balanced portfolio is suitable but with some aggressive investments to accumulate assets over the medium to long term.

**Growth** – Growth investors are usually acquainted with investment markets and focus on long-term capital growth using an aggressive but not unbalanced strategy. They are willing to take short-term risks for long-term rewards.

**Aggressive** – Wealth accumulation is the focus for this type of investor and they are happy to pursue a highly aggressive strategy with a high level of risk to achieve higher long-term returns.

Once you've worked out what sort of investor you are and what your financial goals are a financial planner can then advise you about the best approach to investing for you.

If you're unsure about your risk profile or uncertain about whether your current investment approach matches your appetite for risk, you can speak to one of our financial planners and as a member of Local Government Super you can do so at no additional cost. Just call **1300 883 788** to get in contact with one of our financial planners about this or any other financial planning questions you might have.

# Fair Go

Chartis Travel Insurance



Chartis offers members great travel insurance, at a great price. With **savings of up to 50%\*** on travel insurance compared to buying from a travel agent, not only will you keep your travel agent's commission, you'll also have more money to spend on your next holiday.

#### Members have access to the following policies:

- International
- Domestic
- Frequent (Annual) Travellers
- Travellers aged over 70

#### Benefits include:

- Unlimited overseas medical & hospital expenses
- Cover for lost or stolen luggage such as your camera or your iPod
- Cover for trip cancellations and flight delays
- Access to Travel Guard pre trip and emergency assistance

#### And lots more!

Visit <http://www.lgsuper.com.au/fairgo/insure.asp> for more information, quotes and to purchase your insurance online.

\*Terms & Conditions apply.

## Seminars



Would you like to have a better understanding of how to manage your money, increase your savings, improve your investment portfolio or ensure you have enough on which to retire?

As a valued member you can attend a **FREE** seminar. To view our full calendar of forthcoming seminars, visit [www.lgsuper.com.au/Seminars/seminarcalendar.asp](http://www.lgsuper.com.au/Seminars/seminarcalendar.asp)

## Annual Reports online



In an effort to reduce both costs and our carbon footprint, LGS has decided not to mail printed copies of this year's annual report to members. Rather, the report will be available for viewing and download at our website [www.lgsuper.com.au](http://www.lgsuper.com.au)

If you would prefer a printed copy, please call us on 1300 369 901.

## 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 369 901 to make an appointment.

# How have investment markets performed?



The 2009/10 financial year was a year of two halves. After a fantastic first six months where the Australian share market was up over 25%, the next six months saw it retreat back 10% to finish the year with a positive return just over 13%. Coming off the back of one of the worst financial years in history, at first glance a 13% return would appear to be reassuring, but there are underlying problems that need to be resolved if markets are going to advance from here.

Australia emerged from the global financial crisis (GFC) better than any developed nation. The Reserve Bank of Australia started to raise interest rates from as early as last October (bearing in mind that the US, UK and Europe still haven't begun). Consecutive rate rises followed with the overnight cash rate reaching 4.5% by June 2010. Further to this, unemployment continued to fall; going from a level of 5.8% in July 2009 to 5.2% in June 2010. Add to this an annual inflation rate of 2.9% and annual GDP growth at 2.7% and it is easy to see why Australia has been the envy of the world in an economic sense.

The Australian Dollar (AUD) was closely watched by traders throughout the year and displayed its capacity for volatility by peaking at around 94 US cents and falling to 81 US cents within the space of two months as investors lost confidence and became concerned about the supposedly risky nature of the AUD preferring the seemingly 'safer' US Dollar.

The US economy still looks shaky and didn't really achieve any real stability throughout the year. US unemployment rose in the first half of the year, peaking at a rate of 10.1% before dropping down to 9.7% by June 2010. This left the Federal Reserve (the US central bank) with very little choice but to leave cash rates

at close to zero for the entire year, and it indicated that this is likely to be the case for an extended period of time. Despite this stimulus, there was little in the way of inflation indicating that consumers are just not willing to spend while unemployment remains a real threat.

Like Australia, it was a financial year of two halves for world markets. The first half started where the last one left off with significant positive monthly returns for five of the first six months. Investors responded to the sell-down of the previous 18 months during the GFC, which saw shares trading at valuations that were too cheap to ignore. From January onwards, though, it was a different story as broader economic factors, such as unemployment, inflation and growth forecasts, drove markets down.

As the recovery began to falter, concerns emerged that some European nations would be unable to repay their debt obligations and might require bail-outs from the European Central Bank and the International Monetary Fund. This sparked a lot of fear in financial markets as investors were concerned about the effects that this would have on the European banking system and corporate access to credit. These fears dampened returns in the last quarter of the financial year and until they are addressed may continue to weigh on investor confidence.

## Investment performance 12 months to 30 June 2010

### Retirement Scheme Contributor Financed Benefit

Strategy	%
High Growth	13.6
Growth	10.4
Balanced Growth	13.0
Balanced	12.4
Conservative	11.8
Cash	5.0

### Defined Benefit Scheme

Strategy	%
Growth	10.4

All returns are shown to one decimal place.

Investment returns shown are historical and future performance cannot be guaranteed. Investment returns can go up and down and past performance is not a reliable indicator of future performance.

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to Local Government Super refers to Local Government Superannuation Scheme Pool A and Pool B as the context requires. Local Government Super is a registered business name of LGSS Pty Limited.

Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information. Prior to making any investment decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your membership and seek professional investment advice.

