



# in TOUCH

March quarter 2011

## LGS has made a few changes

Welcome to In Touch, our new look quarterly newsletter for members of the Rollover and Account-Based Pension Plans. We've made a few changes recently and along with this newsletter, there is also a new look to our website, making it clearer and easier for you to navigate your way around.

You will still find all of the helpful information you're used to accessing, along with some new features including an 'Investments' home page which outlines our sustainable investment initiatives and provides you with comprehensive information about our investment managers and asset classes.

If you haven't visited the website recently, now is a great time to log on and explore it at [www.lgsuper.com.au](http://www.lgsuper.com.au)

Despite the changes, our commitment to servicing members right across NSW continues and our new serviced offices are now open in Lismore, Orange, Parramatta and Wagga Wagga. Bookings are essential, so if you would like to make an appointment at one of these locations, call us on **1300 369 901**.

Remember that we still have offices in Sydney and Wollongong and our brand new Newcastle office is now open in Kotara.

### Welcome. In this issue of inTOUCH you will find information on:

- Investing in sustainable energy sources
- Risk and investment switching
- Centrelink and Income schedules
- Our new look website
- The latest from Fair Go

### The Newcastle office has moved

We've now moved into our new office in Kotara, just ten minutes from the Newcastle CBD.

You will now find us at: **Suite 2/76 Park Avenue, Kotara, 2289**

Our team of Financial Planners and Client Support Officers are available to help you with all your superannuation and financial planning needs.

If you need help completing paperwork or if you have any queries about your account, make an appointment to come in and see us today!



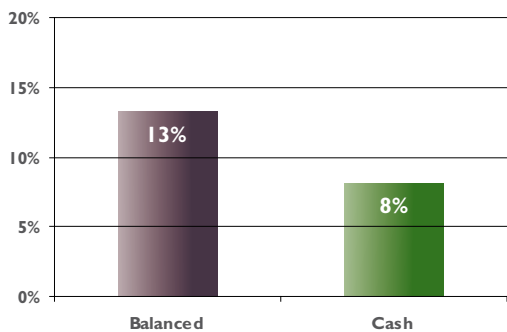
# Case study

## Risk and investment switching

Both Byron and Catherine are in their late 60s with almost \$500,000 in their Account-Based Pension.

Panicked a little by the global financial crisis, they switched the total balance of their pension from a 'Balanced' investment option into 'Cash' as they were very keen to avoid any further losses.

Account-Based Pension  
Returns from Oct 09 to Mar 11



### They missed out

But of course investment markets move in cycles and over the past 18 months the investment returns on the 'Balanced' option have easily outpaced the returns on 'Cash'.

In the end, Byron and Catherine have not only realised their losses (meaning they have literally lost that money forever) by selling at the lowest point of the investment cycle, they have also missed out on the recovery.

### Time to review their financial plan

Wisely they made an appointment to review their financial plan. They told their financial planner that one of their objectives was to leave as much money as possible in their estate for their children.

They admitted they were still wary of the investment markets but they knew that staying in 'Cash' may mean that inflation will slowly eat away at their retirement savings.

### Taking another look at their attitude to risk

As part of the review, their financial planner assessed their current risk tolerance by asking them to complete a Risk Profiler, which essentially asks a series of questions about attitude to investment risk.

The results were interesting. They revealed that they could tolerate up to a 50% exposure to growth assets such as shares and property. This is the asset allocation you would typically find in a 'Balanced' investment option, which of course was their original investment option.

### What their financial planner recommended

After a long discussion, rather than just putting all their funds back into the 'Balanced' option again, their planner recommended a split investment strategy.

The recommendation was to put 80% of their funds into a 'Conservative' investment option and the remaining 20% into a 'Balanced' option to take advantage of any future investment gains.

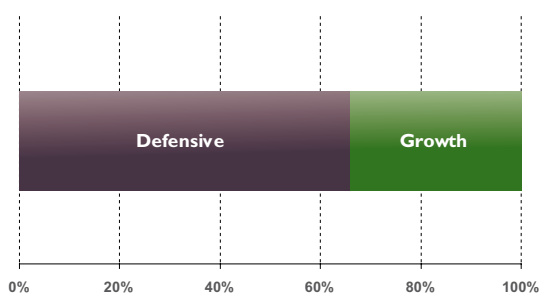
### Byron and Catherine make another switch

Byron and Catherine agreed with their planner's recommendation of a split strategy which resulted in an overall two-to-one ratio of defensive assets, such as cash and fixed-interest investments, to growth assets, like shares and property.

Both Byron and Catherine now feel more comfortable with an exposure to growth assets which more accurately reflects their long-term financial goals and their tolerance for risk.

## Things to remember!

- Panic may lead to impulsive decisions.
- Markets go up and down but you should always focus on the long term.
- Chopping and changing can end up costing you more than you think.



# Centrelink Income Schedules

## What you need to tell Centrelink about your Account-Based Pension

If you have an Account-Based Pension, Centrelink will regularly ask you to provide specific information about your pension income.

We can provide you with all the details Centrelink need to know about your pension on an up-to-date Income Schedule.

You may recall that when you set up your Account-Based Pension, you received an Income Schedule which you took to your local Centrelink office.

## When do you need to provide Centrelink with an up-to-date Income Schedule?

Centrelink requests are usually very specific about the information they need for their records and that's why it's important to provide them with an Income Schedule.

An Income Schedule provides all the information Centrelink need to know about your Account-Based Pension including:

- Super fund and product details
- Commencement date
- Commutations
- Gross annual payment
- Current value

Centrelink usually request information at the following times:

### 1. February

Each year at this time Centrelink sends a review letter to all their clients who receive the Age Pension, Disability Support Pension, Carer Payment, Wife Pension and Widow B Pension payments and their partners.

You will also receive the review letter if you or your partner have allocated and/or market-linked income streams purchased from a retail provider and your payments are asset tested, or income tested and are within \$10,000 of the asset test changeover point.

The February review letter lists your allocated and/or market-linked income stream products and requests the account balances of your listed income streams as at 31 December of the previous year, as well as the details of any commutations made in the current financial year.

If you do receive one of these requests, all you need to do is contact Member Services and we will provide you with an up-to-date Income Schedule which you can then take to your local Centrelink office.

### 2. August

This separate review letter is sent to most customers receiving a Centrelink payment (except if you hold a Low Income Card, Commonwealth Seniors Health Card and Family Tax Benefit) if you or your partner have allocated and/or market-linked income streams.

At this time, we automatically send an annual Income Schedule to Centrelink on behalf of all our clients with Account-Based Pensions which includes the account balance as at 1 July of that year.

We handle this so there is nothing you need to do.

### 3. Formal review every two years

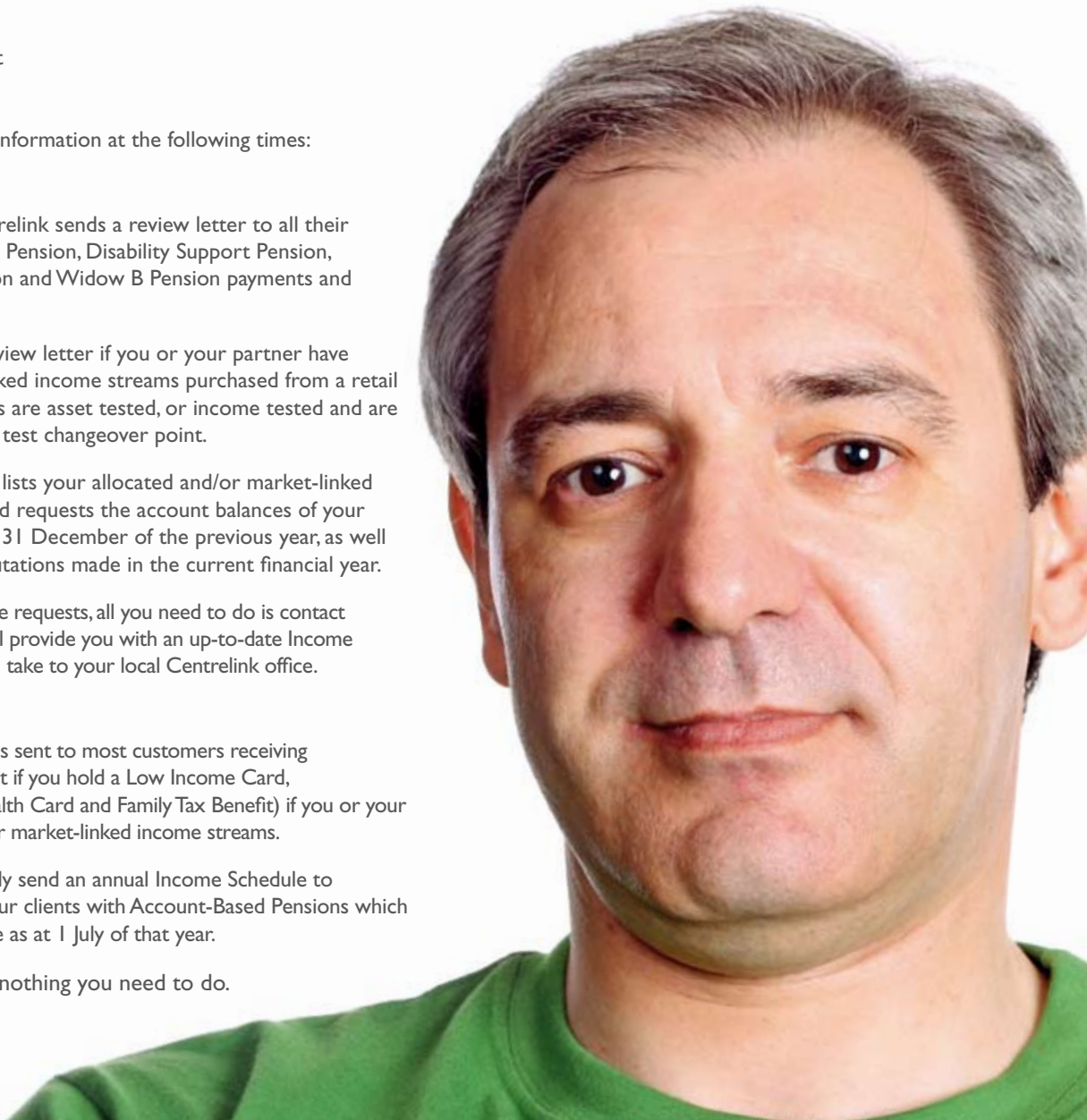
Centrelink will send you a review form asking you to provide them with an update of your current financial circumstances, including your income and the value of some of your assets.

The Centrelink form also asks you to get your super fund to complete and sign the 'Details of income stream product' section with details of your Account-Based Pension.

**Please note that you do not need us to complete this section of the form.**

All you need to do is ring Member Services and request an up-to-date Income Schedule and then take the schedule together with your form to your local Centrelink office.

Of course, if you have any questions about your Income Schedule or any other documents which relate to your Account-Based Pension, just call Member Services on **1300 369 901**.



# Take a look at our new website

Here's a quick guide on locating some of the essential details.

## Forms

To apply for the payment of your benefit, change your investment strategy or update your pension details, simply click the 'Member forms' link on the home page then select 'Rollover Plan and Account-Based Pension Plan' to print your forms.

## Logging in

To view details of your personal account including your current account balance and up-to-date investment and transaction details, simply use the 'Log in' link in the top right hand corner of the home page.

Don't have a login? Well you can apply for online access by clicking on 'Register for web access'. This option will appear when you run your mouse over the 'Log in' button.

## Investment performance

You can use the 'Investment Performance' menu to view daily unit prices, monthly performance figures and details on each investment strategy. To access this information, run your mouse over the 'Investment Performance' link and use the drop down menu to select 'Product performance' then either 'Account-Based Pension Plan' or 'Rollover Plan'

So if you haven't had a look for quite some time, now is a great time to log on and explore our new website [www.lgsuper.com.au](http://www.lgsuper.com.au)

If you have any questions about the new website or if you need help finding any information, please call us on **1300 369 901**.



## Would you like to earn a bonus 0.25% p.a. on your term deposit?



As a member of Local Government Super you can earn bonus interest of up to 0.25% p.a. with the Super Members Term Deposit\* from ME Bank.

With a guaranteed interest rate locked in for the life of your term deposit, your money is protected from fluctuations in the market, leaving you to simply sit back, relax and reap the rewards.

As well as up to 0.25% p.a. bonus interest, other features include:

- No account keeping fees
- Low minimum deposit of \$1,000
- For terms longer than 12 months, have the annual interest credited to your nominated account.

To find out more about the Super Members Term Deposit call ME Bank on **1300 309 374** or visit [mebank.com.au](http://mebank.com.au)

\*The Super Members Term Deposit interest rates are up to 0.25%p.a. more than the interest rates for a Standard Term Deposit. Terms and Conditions available on request. Only available to eligible super fund and union members. This is general information only and you should consider if this product is appropriate for you. Members Equity Bank Pty Ltd ABN 56 070 887 679.



## Investing in sustainable energy sources

### Just how much tax are you paying on your investments?

Not sure?

Might be a good time to review your financial plan to make sure you're not paying too much tax.

Just call us on 1300 369 901 to make an appointment with one of our financial planners.

In the last quarter we've seen a number of natural disasters in Australia and overseas. Despite their geographical location, the effects can resonate through investment markets everywhere and can have an impact on world growth. History has shown, however, that the economic impact is usually temporary as economies do recover.

We have seen this happen in Queensland already, where the clean-up and rebuilding process following the floods is well underway. In a sign of Queensland's economic recovery, the state has seen the highest growth in job advertisements in the country in the past year, up 15% on the previous year.

In Japan, the economic impact of the earthquake and tsunami will be significant in the short term but once the nuclear situation has been contained the focus should shift towards the clean-up process. Large manufacturing companies will re-open their production facilities and while growth will be slow in the short term, the rebuilding efforts will be a boost to the Japanese economy.

An important issue to come out of the disaster in Japan is a renewed awareness of the potential dangers of nuclear power. This is evident in recent falls in the price of uranium which has affected the profits of Australian uranium producers.

Investments such as uranium mining can be highly profitable in the short term, but they can cause lasting environmental and social damage in the longer term.

On the other hand, with the increasing push toward a low carbon future and an increasing awareness of climate change, companies which develop cleaner, environmentally sensitive technologies are more likely to grow their market share and increase their returns over the medium to long term.

While it's a fact that all investments carry some environmental, social and governance risks, commonly known as ESG risks, responsible investing is about how we manage these risks and still achieve strong long-term returns.

As part of our sustainable and responsible approach to investments, Local Government Super restricts its investment in companies that derive more than 10% of their income from nuclear power or uranium mining. This has helped protect the value of our investment portfolios in the wake of the situation in Japan.

We aim to achieve strong long-term sustainable returns, that's why we have a direct interest in clean, renewable sources of energy through Macquarie Clean Technology, such as wind farms, solar technology and Liquefied Natural Gas.

We remain positive on the global outlook and if the Japanese nuclear crisis draws attention to cleaner and safer forms of renewable energy production in which we invest, our investment portfolios will benefit further in the long term.

For more information about our sustainable and responsible, visit the sustainability section of our website at [www.lgsuper.com.au](http://www.lgsuper.com.au).

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## Contact details

**Newcastle** Suite 2/76  
Park Avenue,  
Kotara

**Sydney** 28 Margaret St

**Wollongong** Shop 2/60  
Burelli St

**Office hours 8.30am - 5.00pm  
Monday - Friday**

Offices in Lismore, Orange, Parramatta and Wagga Wagga are available on an appointment only basis.

Bookings are essential. Phone 1300 369 901 to make an appointment.

**Postal address:**  
PO Box N835  
Grosvenor Place NSW 1220

**Tel 1300 369 901  
Fax 02 9279 4131**

[www.lgsuper.com.au](http://www.lgsuper.com.au)

# What's happened in investment markets?

After a series of hurdles in the last three months, most asset classes managed to produce moderate returns for the March quarter. However, one noticeable feature was the overall weak performance of Emerging Markets, caused by uncertainty over the outlook for the Chinese economy and political unrest in parts of North Africa and the Middle East.

Bond markets improved, with a small decline in long-term interest rates and property markets continued to produce moderate returns. The outlook for the global economy is still good, although the Japanese economy has been affected by recent natural disasters.

Official interest rates were left unchanged for the quarter at 4.75% in a sign that the Reserve Bank of Australia (RBA) is comfortable that inflation is still within their target range of 2% to 3%. However, the RBA is conscious of the effect the continuing resources boom and strong labour market could have on driving up inflation.

The value of the Australian dollar (AUD) continued to rise over the quarter against all major currencies finishing at more than \$1.03 against the US dollar (USD). This was yet another all time high since the float of our currency in 1983 and the AUD has now appreciated by 60% against the USD since the recent low point in January 2009.

Rising commodity prices are helping drive up the value of the AUD with the RBA's Commodity Price Index rising by 5.3% in average currency terms over the quarter due to strong oil and coal prices.

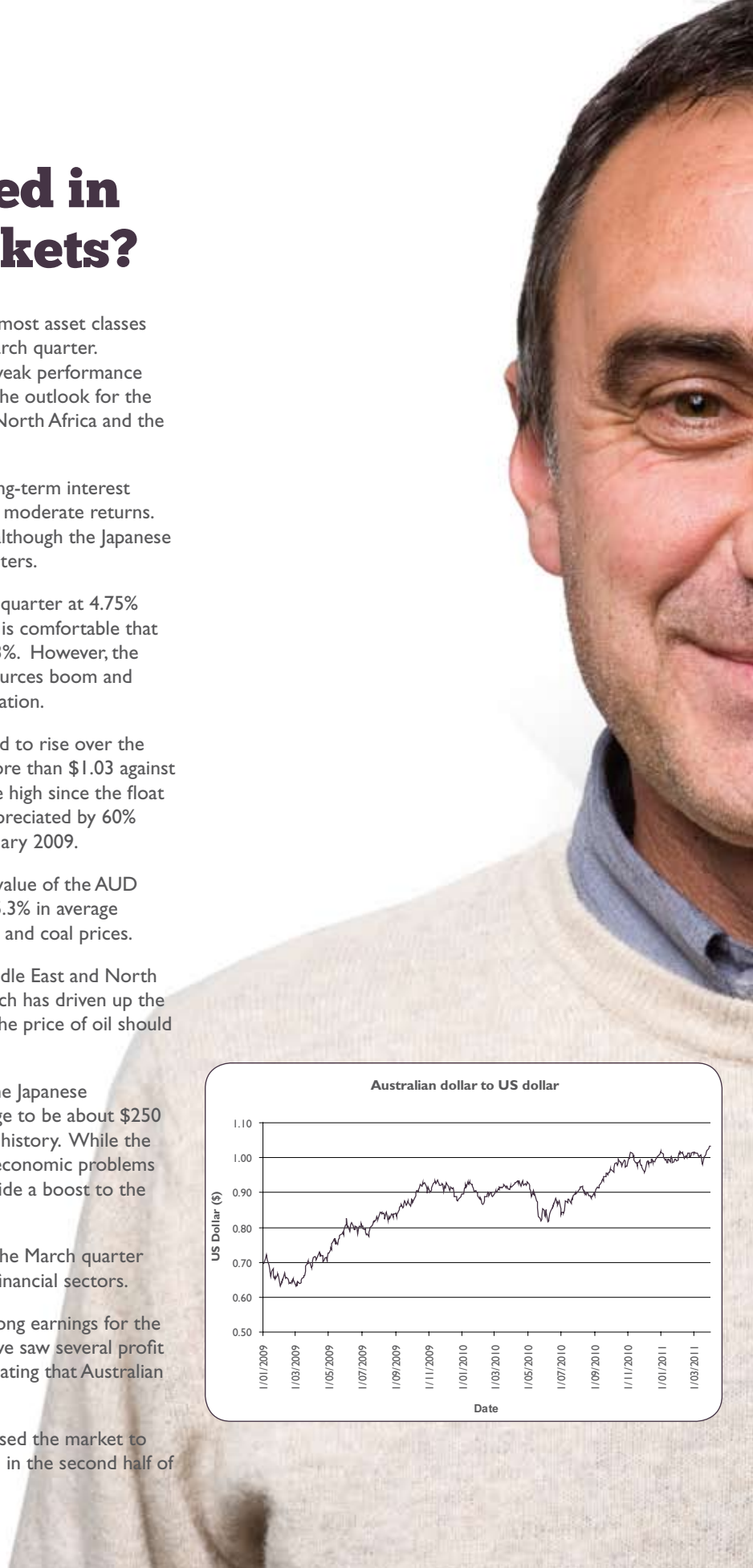
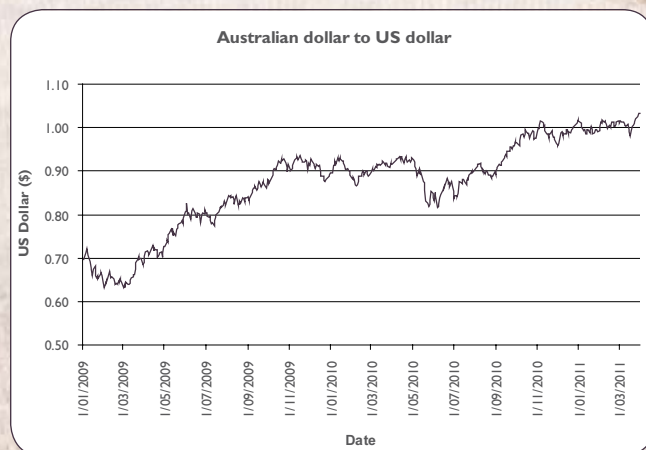
Overseas, political instability and unrest in the Middle East and North Africa has created uncertainty for oil supplies, which has driven up the price of crude oil back over US\$100 per barrel. The price of oil should come down once the political situation stabilises.

Following the earthquake and tsunami in March, the Japanese government estimated the cost of property damage to be about \$250 billion, making this the costliest natural disaster in history. While the ongoing nuclear situation and clean up will cause economic problems in the short term, the re-building activity will provide a boost to the Japanese economy in the long run.

The Australian share market finished 2% up over the March quarter thanks to a solid performance by the energy and financial sectors.

The banks and big mining companies reported strong earnings for the December accounting period, however in March we saw several profit warnings from companies in the retail sector, indicating that Australian consumer spending is not overly strong.

Concern over a slowdown in growth in China caused the market to fall at the beginning of the month, but it recovered in the second half of the month once investor confidence returned.



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