

in TOUCH

September quarter 2011

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

- A wider choice investment options
- Recap on the Retired Member Forums
- The effect of global markets on our economy
- Centrelink Work Bonus
- Claiming Medicare benefits

We're pleased to say that we received a very positive response to our Retired Member Forums and it was great to meet and talk with so many of our members at the seven forums held throughout metropolitan and regional New South Wales during August and September.

At the forums we talked about the introduction of our new Fixed Term investment option for which you would have received an information pack in October. Remember that if you would like to apply for the December investment, Local Government Super (LGS) must receive your application by 8 November, 2011.

In the coming months we'll start to offer new 'sector choice' investment options to our Account-Based Pension members and we have included some further information on these options in this newsletter.

It's important to remember that in volatile investment markets there is always the temptation to switch your investment to a more conservative option, though it pays to be aware of the implications of investment switching to minimise the danger of cementing losses. It's not always a straight forward decision to make, so if you are thinking of switching your investment option, you should consider talking with your financial planner first to make sure you're making the right decision for your investment.

Fixed Term investment reminder

We recently sent you a letter outlining the details of our new Fixed Term investment option which commences on 1 December 2011.

If you would still like to apply for the December investment, we must receive your application by **8 November, 2011**.

If you have already applied, you will receive further confirmation of investment, including the actual rate of return, after your funds have been transferred into the Fixed Term investment option in December.

You will also be able to obtain the actual rate of return online at www.lgsuper.com.au from late November onwards.

Details of the next Fixed Term investment opportunity will be published on our website and in upcoming issues of this In Touch newsletter.



LGS wins Australian Business Award for Environmental Sustainability

We're pleased to announce that our long-standing commitment to environmentally responsible and sustainable investment practices has again been recognised, with LGS's investment portfolio winning the Australian Business Award for Environmental Sustainability in the 2011 Awards.

This is the second consecutive year that we have won this award which recognises organisations that demonstrate leadership and commitment to the enhancement, preservation and protection of the environment.

New 'sector choice' investment options



In the coming months, Account-Based Pension members will have the ability to invest in six new 'sector' investment options, in addition to the five 'pre-mixed' options that are currently available.

We're introducing these options to allow you greater choice over where you would like your benefits invested. These new sector options will give you the freedom and flexibility to invest across a number of sectors and create your own investment mix that best suits you and your risk profile.

The new sector investment options are:

- Australian Equities
- Australian Equities - Sustainable
- International Equities
- Australian Listed Property
- Australian Fixed Interest
- International Fixed Interest

Here are two simple case studies to show you how these investment options can work:

Noel already has personal investments in shares and property and wants to diversify his portfolio further, so he chooses to invest in the following sector investments:

International fixed interest	35%
Australian fixed interest	35%
Cash	30%

Jenny on the other hand has always invested in shares, particularly Australian shares, and therefore decides that the following mix would suit her best:

Australian Equities – Sustainable	85%
Australian Equities	15%

Further information on these options will be available at our website, www.lgsuper.com.au later this year.

How do global markets affect our economy and your super?

Increasing globalisation over recent decades has meant that what happens in one part of the world can have a significant impact on countries all over the globe.

And investment markets are a good example.

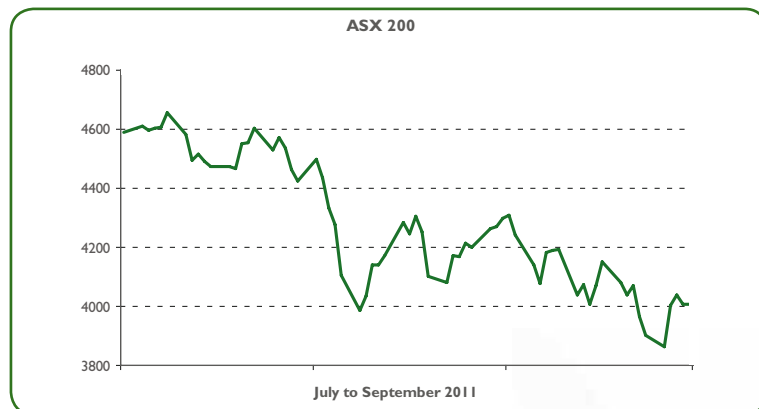
Australia survived the financial global crisis in fairly good shape and while we can rely on our healthy trade with China to drive our economy, it does not make us completely immune from economic events in other parts of the world.

The debt crisis in Europe

Over the last few months, the one issue which has dominated global investment markets has been the debt crisis in Europe.

The European Union, the European Central Bank and the International Monetary Fund (IMF) have all been working on a solution but they are yet to actually resolve the crisis.

All this uncertainty has sapped confidence from global markets and the Australian share market has not been immune with the ASX200 falling by 13% over the September quarter.



The main fear has been that many European banks have large exposures to struggling economies such as Portugal, Italy, Spain and Greece, and any default by these countries, particularly Greece, may trigger a financial liquidity crisis similar to one which followed the collapse of Lehman Bros in 2008.

The pressure has been on European leaders to find a workable long-term solution to relieve some of the uncertainty which has been driving down global markets over the last few months.

How will this affect us here in Australia?

The debt crisis in Europe and the sluggish economy in the US will continue to dampen business and consumer confidence in Australia and have an impact on our economic growth.

The IMF has predicted that Australia's economy will now grow 1.8% this year, down from 3% which is still much better than most of the developed nations.

Once again solid growth in Asia, tipped to remain above 7% this year, should continue to drive the resource sector in Australia and help our economy weather any global economic slowdown.

The global uncertainty also caused the Australian dollar to fall below parity with the US dollar and this made our exports more competitive again.

What does it mean for your super investment?

Any investment with exposure to Australian shares would have seen a decline in value over the last few months and the market is likely to remain volatile until there is more certainty about the global economy.

At these times, there's always a temptation to switch your investment to a more conservative option but it's important to note that the share market has already fallen a fair way and is probably near the bottom of the cycle.

Considering the relative strength of the Australian economy, particularly the resources sector, many shares are now considered to be underpriced. History suggests that as soon as investors perceive that the market has bottomed out, they will start buying again, and this will mean a rebound in the share market.

So if you are thinking of switching your super investment option, it may be best to talk with your financial planner first to make sure you're making the right decision.



Making the most of the Centrelink Work Bonus

The Centrelink Work Bonus encourages people over Age Pension age to actively participate in the workforce by reducing the amount of employment income which would normally be assessed by Centrelink when determining their pension eligibility.

The Bonus works by reducing your assessable employment income by \$250 each fortnight and any part of the Bonus you don't use in a fortnight is then added to your Work Bonus balance which can reach a maximum of \$6,500.



So how does it work exactly?

Let's take a look at Greg, who is currently 67 and receives the Age Pension, along with doing some casual paid work. His current Work Bonus balance stands at \$550.

In fortnight 1 Greg earns \$150 from his casual job. After the fortnightly Work Bonus of \$250 is taken into account, none of this is counted as assessable income and Greg's Age Pension is not affected. The \$100 from the Work Bonus which was not used is added to Greg's balance, which increases to \$650.

In fortnight 2 Greg earns \$600. Centrelink deducts the \$250 Work Bonus for that fortnight, bringing Greg's assessable income down to \$350. This assessable income is then reduced to zero by using \$350 from Greg's Work Bonus balance. Using some of this balance has reduced the total to \$300, however Greg's Age Pension remains unaffected.

In fortnight 3 Greg earns \$700. Centrelink deducts the \$250 Work Bonus for that fortnight, bringing Greg's assessable income down to \$450. The remaining \$300 in Greg's Work Bonus balance is used up, reducing his assessable income to \$150. As a result, only \$150 will be counted as assessable employment income, which may affect Greg's pension depending on his circumstances.

It's important to remember that the Work Bonus only applies to income from employment. If you would like further information, speak with your Financial Planner or contact Centrelink directly on 13 2300 or online at www.centrelink.gov.au

	Fortnight 1	Fortnight 2	Fortnight 3
Opening Work Bonus balance	\$550	\$650	\$300
Add fortnightly Work Bonus	\$250	\$250	\$250
Subtract income earned	\$150	\$600	\$700
Closing Work Bonus balance	\$650	\$300	\$0
Income counted as 'assessable income'	\$0	\$0	\$150

Claiming Medicare benefits made easy

If you find it difficult or inconvenient to visit your local Medicare office to claim rebates for common GP visits, here is some good news. There are now some more convenient ways for you to claim your Medicare benefits, either at the doctor, or online.



At the doctor

An increasing number of medical practices can now lodge a Medicare claim on your behalf, before you leave their office. All you have to do is pre-register your bank account details with Medicare and any rebates you're entitled to can be processed directly into your bank account.

To find out whether your GP offers this service, simply ask the receptionist next time you visit your doctor.

Online

You can also lodge your Medicare claims for common GP visits online for anyone who is listed on your Medicare card. This service is available 24 hours a day, which means you can lodge your claims at a time that suits you.

Step-by-step instructions are provided online to guide you through the claim process. Benefits processed online will be paid directly into your bank account within two to three business days.

To access the online claim service, or find out more about lodging your Medicare claims at the doctor, visit www.medicareaustralia.gov.au

Recap on the Retired Member Forums



After the success of last year's Retired Member Forums in Newcastle and Wollongong, we expanded our forum schedule in 2011 by holding a total of seven forums throughout metropolitan and regional New South Wales during August and September.

Our forums are designed to keep our retired members in touch with what has been happening in investment markets and at LGS and also provide a chance for you to catch up with old colleagues and workmates.

Peter Lambert, CEO of LGS presented an update about some of the changes happening at LGS, including the introduction of the new Fixed Term and individual sector choice investment options.

Craig Turnbull, Chief Investment Officer gave an overview on investment performance and discussed the economic outlook ahead. For those of you who were unable to attend, Craig's presentation is available to view online at www.lgsuper.com.au under 'webcasts'.

The Regional Manager for each region also presented on the importance of selecting the right investment strategy for your needs and how LGS can assist you with financial advice.

There were also several exhibitors and a guest speaker at each forum, from organisations including Centrelink, Rotary Club and Probus (an association for retirees who join together in clubs to keep their minds active and share common interests and friendships).

The event finished with a question and answer session which gave members the opportunity to raise any questions they had with our Executives.

Our thanks for the warm response from all of you who were able to attend, and for those of you who couldn't make it this year, we look forward to seeing you next year.



Become a fan of energy efficiency

Did you know that it costs more to boil a full kettle than to run a ceiling fan for an hour? Using a fan instead of an air conditioner can reduce your power bill by \$140 each year and reduce carbon pollution by 550kg!

(Source: NSW Government www.savepower.nsw.gov.au)

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What's happened in investment markets?

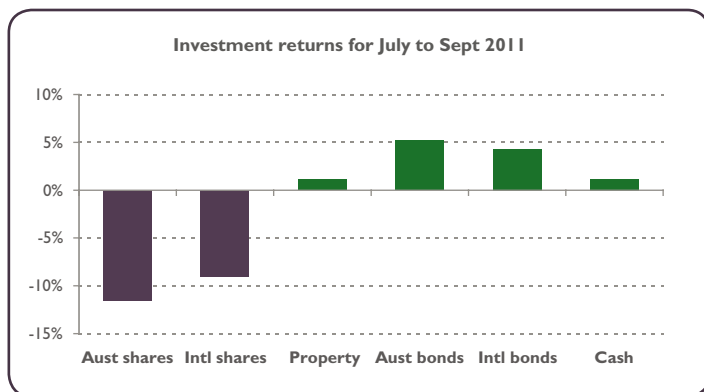


In the September quarter, share markets in Australia and overseas continued to fall due to concerns over global economic growth and the ongoing European debt problems.

The Australian share market fell by nearly 12% over the quarter, with the resources the weakest sector due to falling commodity prices and the softening economic outlook. The Copper price fell to its lowest level in over a year.

International shares also fell at about the same rate. It could have been worse except the weakening Australian dollar in the quarter offset some of the share market losses. The European share markets were among the worst performing markets.

Bond markets continued their impressive rally. Ten year Australian Government bond yields fell to 4.2% from 5.5% at the start of the year. This resulted in good gains for defensive strategies with a high bond weighting. Inflation linked bonds had the best return, which was over 7% for the quarter.



The Reserve Bank of Australia (RBA) left official interest rates unchanged once again in the quarter. The RBA appears to be slightly less concerned about inflation and more concerned about the downturn in the global economy. The Australian dollar fell from US \$1.07 to US \$0.98.

Direct property had a steady gain of around 1%, which is mostly property income, as capital values have been stable. Global listed property had a large negative return, as there were no offsetting currency gains from this fully hedged strategy.

The September quarter returns for all our investment options, except Cash, were negative due to the losses in the equities sectors however, the strong bond market returns helped to minimise the loss for the Conservative option.

