

Changes to investment options and nominating your beneficiaries

Accumulation Scheme
(including Public Offer Division)


Executive Scheme

Retirement Scheme

Rollover and Account-Based
Pension Scheme



LOCAL
GOVERNMENT
SUPER



1. Changes to the asset allocations and objectives of Local Government Super (LGS)'s investment strategies

What are the investment strategy changes?

After careful analysis and input from its asset consultant, the Trustee has made changes to the asset allocation ranges and the objectives of the following investment strategies:

- High Growth
- Growth (only available to members of the Retirement Scheme)
- Balanced Growth
- Balanced
- Conservative.

Furthermore, the performance benchmark used to measure each strategy (except the Cash strategy) has changed from Cash to Consumer Price Index (CPI) because the Trustee believes that CPI better describes the long-term objective to deliver a return in excess of the inflation rate.

The Trustee has made these changes so as to maintain a high level of diversification across each strategy in order to maximise the chances of achieving our investment objectives, whilst at the same time attempting to minimise any downside risk.



When will the changes take place?

The changes will occur from 1 July 2011.

What do I do if I want to change my investment strategy?

If after reading and considering all the information contained in this document and your PDS you would like to change your investment strategy, then you should either go to our website at www.lgsuper.com.au, or call Member Services for a 'Changing Investment Strategy' form.

What happens if I make an investment switch and I am in an age based default strategy?

If you are a member of either the Accumulation or Executive Scheme and you elect to make an investment switch, your investment will no longer be subject to LGS's age based defaults. There are no aged based default investment strategies for members of the Retirement Scheme or Rollover and Account Based Pension plans.

If I make an investment switch is there a cost?

Members are entitled to one free switch per financial year. Subsequent switches made in that financial year incur a \$20 fee for Accumulation and Retirement Scheme members and a \$30 fee for Executive Scheme members. See your respective PDS for more details.

There is no fee to switch your investment strategy in the Account-Based Pension or Rollover Plan.

What other important information do I need to know about my investments?

The changes in the way we manage your investments mean that we need to provide you with information about the various risks that are involved in investing and to inform you of our policy regarding derivatives. Information about the way we manage your investments is available in your PDS and also in, "The how we manage your money" Fact Sheet and "The risk and diversification" Fact Sheet, all available on our website. You may also call Member Services on 1300 369 901 to obtain a copy of the PDS and these Fact Sheets.

Details regarding the specific changes to the objectives and asset allocation ranges

The following tables show the current investment strategies in detail as outlined in your respective PDS and the new descriptions (with the changes to the objective and asset allocation ranges highlighted in red).

Current description

High Growth

For high investment growth above the cash rate over the longer term.

Definition: The High Growth strategy generally invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. This combination aims to earn high real investment growth above the cash rate over a 9 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short term.

Objective: 3.5% net investment return per annum above the cash rate, measured over a rolling 9 year period¹.

Risks: There is a significant chance that the investment value may decrease in the short term. The chance of a negative return in any year is 1 in 3.

Risk profile: High

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 30-40% |
| International equities | 27-37% |
| International listed property | 0-6% |
| Australian fixed income | 0-5% |
| Australian inflation linked bonds | 0-5% |
| International fixed income | 0-5% |
| Absolute return funds | 1-10% |
| Cash | 0-10% |
| Australian direct property ² | 0-10% |
| Semi liquids ² | 0-10% |
| Private equity ² | 5-15% |
| Defensive illiquids ² | 0-5% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

New description from 1 July 2011

High Growth

For high investment growth above the **Consumer Price Index (CPI)** over the longer term.

Definition: The High Growth strategy generally invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. This combination aims to earn high real investment growth above the **CPI** rate over a **7** year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short term.

Objective: **4.5%** net investment return per annum above the **CPI**, measured over a rolling **7** year period¹.

Risks: There is a significant chance that the investment value may decrease in the short term. The chance of a negative return in any year is 1 in 3.

Risk profile: High

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 30-40% |
| International equities | 27-37% |
| International listed property | 0-6% |
| Australian fixed income | 0-5% |
| Australian inflation linked bonds | 0-5% |
| International fixed income | 0-5% |
| Absolute return funds | 3-13% |
| Cash | 0-10% |
| Australian direct property ² | 0-10% |
| Semi liquids ² | 0-10% |
| Private equity ² | 5-15% |
| Defensive illiquids ² | 0-5% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

Current description

Growth¹

For real investment growth above the cash rate over the medium to long term.

Definition: The Growth strategy generally invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. The balance is invested in income producing assets. This combination aims to earn real investment growth above the cash rate over a 7 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short-term. This volatility is not as great as it is in the High Growth strategy.

Objective: 3% net investment return per annum above the cash rate, measured over a 7 year period².

Risks: There is a significant chance that the investment value may decrease in the short term. The chance of a negative return in any year is 1 in 4.

Risk profile: High/medium

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 25-35% |
| International equities | 23-33% |
| International listed property | 0-6% |
| Australian fixed income | 0-8% |
| Australian inflation linked bonds | 0-8% |
| International fixed income | 0-8% |
| Absolute return funds | 3-13% |
| Cash | 0-10% |
| Australian direct property ³ | 0-10% |
| Semi liquids ³ | 0-10% |
| Private equity ³ | 4-14% |
| Defensive illiquids ³ | 0-5% |

1 Note the Growth strategy is only available to members of the Retirement Scheme.

2 Objective net investment returns is net of fees but not net of taxes.

3 Note that the combined investments in these asset classes will not exceed 25%.

New description from 1 July 2011

Growth¹

For real investment growth above the CPI rate over the medium to long term.

Definition: The Growth strategy generally invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. The balance is invested in income producing assets. This combination aims to earn real investment growth above CPI over a 5 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short-term. This volatility is not as great as it is in the High Growth strategy.

Objective: 3.5% net investment return per annum above the CPI rate, measured over a 5 year period².

Risks: There is a significant chance that the investment value may decrease in the short term. The chance of a negative return in any year is 1 in 4.

Risk profile: High/medium

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 21-31% |
| International equities | 20-30% |
| International listed property | 0-6% |
| Australian fixed income | 0-10% |
| Australian inflation linked bonds | 0-10% |
| International fixed income | 0-10% |
| Absolute return funds | 6-16% |
| Cash | 0-10% |
| Australian direct property ³ | 0-10% |
| Semi liquids ³ | 0-10% |
| Private equity ³ | 1-11% |
| Defensive illiquids ³ | 0-6% |

1 Note the Growth strategy is only available to members of the Retirement Scheme.

2 Objective net investment returns is net of fees but not net of taxes.

3 Note that the combined investments in these asset classes will not exceed 25%.

Current description

Balanced Growth

For real investment growth above the cash rate over the medium to long term.

Definition: The Balanced Growth strategy generally invests a high proportion of its funds in growth assets, such as Australian and international equities and property. The balance is invested in income producing assets. This combination aims to earn real investment growth above the cash rate over a 7 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short term. This volatility is not as great as it is in the High Growth strategy.

Objective: 2.5% net investment return per annum above the cash rate, measured over a rolling 7 year period¹.

Risks: There is potential for the value of the investment to decrease in the short term. The chance of a negative return in any year is 1 in 4.

Risk profile: High/medium

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 21-31% |
| International equities | 20-30% |
| International listed property | 0-6% |
| Australian fixed income | 1-11% |
| Australian inflation linked bonds | 1-11% |
| International fixed income | 1-11% |
| Absolute return funds | 3-13% |
| Cash | 0-10% |
| Australian direct property ² | 0-10% |
| Semi liquids ² | 0-10% |
| Private equity ² | 1-11% |
| Defensive illiquids ² | 0-6% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

New description from 1 July 2011

Balanced Growth

For real investment growth above the CPI rate over the medium to long term.

Definition: The Balanced Growth strategy generally invests a high proportion of its funds in growth assets, such as Australian and international equities and property. The balance is invested in income producing assets. This combination aims to earn real investment growth above the CPI rate over a 5 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short term. This volatility is not as great as it is in the High Growth and Growth strategies.

Objective: 3.5% net investment return per annum above the CPI rate, measured over a rolling 5 year period¹.

Risks: There is potential for the value of the investment to decrease in the short term. The chance of a negative return in any year is 1 in 4.

Risk profile: High/medium

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 21-31% |
| International equities | 20-30% |
| International listed property | 0-6% |
| Australian fixed income | 0-10% |
| Australian inflation linked bonds | 0-10% |
| International fixed income | 0-10% |
| Absolute return funds | 6-16% |
| Cash | 0-10% |
| Australian direct property ² | 0-10% |
| Semi liquids ² | 0-10% |
| Private equity ² | 1-11% |
| Defensive illiquids ² | 0-6% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

Current description

Balanced

For real investment growth above the cash rate over the medium term.

Definition: The Balanced strategy generally invests a proportion of its funds in growth assets such as Australian and international equities and property, semi liquids and private equity and the balance in income-producing assets, such as interest-bearing securities.

This combination aims to earn real investment growth above the cash rate over a 5 year period. There are more assets that produce income, which makes the strategy more stable than the High Growth and Balanced Growth strategies.

Objective: 1.5% net investment return per annum above the cash rate, measured over a rolling 5 year period¹.

Risks: Although the emphasis is on spreading your investment over various asset classes, there is a possibility that the value of the investment will decrease in the short term. The chance of a negative return in any year is 1 in 5.

Risk profile: Medium

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 11-21% |
| International equities | 10-20% |
| International listed property | 0-6% |
| Australian fixed income | 7-17% |
| Australian inflation linked bonds | 7-17% |
| International fixed income | 7-17% |
| Absolute return funds | 4-14% |
| Cash | 0-10% |
| Australian direct property ² | 0-10% |
| Semi liquids ² | 1-11% |
| Private equity ² | 0-10% |
| Defensive illiquids ² | 0-8% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

New description from 1 July 2011

Balanced

For real investment growth above the CPI rate over the medium term.

Definition: The Balanced strategy generally invests a proportion of its funds in growth assets such as Australian and international equities and property, semi liquids and private equity and the balance in income-producing assets, such as interest-bearing securities.

This combination aims to earn real investment growth above the CPI rate over a 3 year period. There are more assets that produce income, which makes the strategy more stable than the High Growth, Growth and Balanced Growth strategies.

Objective: 2.5% net investment return per annum above the CPI rate, measured over a rolling 3 year period¹.

Risks: Although the emphasis is on spreading your investment over various asset classes, there is a possibility that the value of the investment will decrease in the short term. The chance of a negative return in any year is 1 in 5.

Risk profile: Medium

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 11-21% |
| International equities | 10-20% |
| International listed property | 0-6% |
| Australian fixed income | 6-16% |
| Australian inflation linked bonds | 6-16% |
| International fixed income | 6-16% |
| Absolute return funds | 7-17% |
| Cash | 0-10% |
| Australian direct property ² | 0-10% |
| Semi liquids ² | 1-11% |
| Private equity ² | 0-10% |
| Defensive illiquids ² | 0-8% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

Current description

Conservative

For shorter term investing with good security and some potential for growth.

Definition: The Conservative strategy generally invests a small proportion in growth assets and the balance in income-producing assets such as interest-bearing securities. This combination aims to earn real investment growth above the cash rate over a 3 year period. Although it is relatively more stable than the High Growth, Balanced Growth and Balanced strategies, the returns and the value of the investment can still fluctuate.

Objective: 1% net investment return per annum above the cash rate, measured over a rolling 3 year period¹.

Risks: Although the emphasis is on spreading your investment over various asset classes, there is a possibility that the value of the investment will decrease in the short term. The chance of a negative return in any year is 1 in 8.

Risk profile: Medium/Low

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 1-11% |
| International equities | 1-11% |
| International listed property | 0-6% |
| Australian fixed income | 9-19% |
| Australian inflation linked bonds | 9-19% |
| International fixed income | 9-19% |
| Absolute return funds | 8-18% |
| Cash | 5-15% |
| Australian direct property ² | 0-8% |
| Semi liquids ² | 5-15% |
| Private equity ² | 0-6% |
| Defensive illiquids ² | 0-10% |

New description from 1 July 2011

Conservative

For shorter term investing with good security and some potential for growth.

Definition: The Conservative strategy generally invests a small proportion in growth assets and the balance in income-producing assets such as interest-bearing securities. This combination aims to earn real investment growth above the CPI rate over a 2 year period. Although it is relatively more stable than the High Growth, Growth, Balanced Growth and Balanced strategies, the returns and the value of the investment can still fluctuate.

Objective: 2% net investment return per annum above the CPI rate, measured over a rolling 2 year period¹.

Risks: Although the emphasis is on spreading your investment over various asset classes, there is a possibility that the value of the investment will decrease in the short term. The chance of a negative return in any year is 1 in 8.

Risk profile: Medium/Low

| Asset Classes | Asset Allocation Ranges |
|---|-------------------------|
| Australian equities | 1-11% |
| International equities | 1-11% |
| International listed property | 0-6% |
| Australian fixed income | 8-18% |
| Australian inflation linked bonds | 8-18% |
| International fixed income | 8-18% |
| Absolute return funds | 11-21% |
| Cash | 5-15% |
| Australian direct property ² | 0-8% |
| Semi liquids ² | 5-15% |
| Private equity ² | 0-6% |
| Defensive illiquids ² | 0-10% |

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.

¹ Objective net investment returns is net of fees but not net of taxes.

² Note that the combined investments in these asset classes will not exceed 25%.



2. Change to the binding nomination rules

What is the change to the binding nomination rules?

LGS's rules currently only allow members to make a binding death benefit nomination in favour of their legal personal representative (i.e. their estate). From 1 July 2011 this will change and members will be able to make a binding nomination in favour of their estate or one or more of their dependants.

If you wish to make a binding nomination please complete the enclosed 'Binding Nomination' form and return it to us in the reply paid envelope provided.

Please note that the nomination of a beneficiary is optional. Where you have not made a nomination of beneficiary, in the event of your death, the Trustee shall pay the benefit to one or more of your legal personal representative (i.e. your estate) or dependants.

What is the definition of dependant?

A dependant is defined under superannuation law as:

- The deceased person's spouse;
- The deceased person's child;
- Any other person with whom the deceased person had an "interdependency relationship"* just before he or she died.

*Two persons have an interdependency relationship if:

- They have a close personal relationship; and
- They live together; and
- One or each of them provides the other with financial support; and
- One or each of them provides the other with domestic support and personal care.

Can I nominate more than one dependant?

Yes, you may nominate more than one dependant provided that the person you nominate meets the definition of a dependant as outlined above. If you do make a nomination to more than one dependant, your nomination must state the proportion of the benefit that will be paid to each such dependant, with the total allocation equalling 100% of the benefit.

How do I make a valid binding death nomination in favour of my dependant?

To make a binding death benefit nomination in favour of your dependant(s) you must complete the attached 'Binding Nomination' form and return it to us. For the Trustee to consider your binding nomination form to be valid and effective the following conditions must be met:

- The form must state the proportion of the benefit that will be paid to each such person with the total allocation equalling 100% of the benefit.
- It must be signed and dated by you in the presence of two witnesses who are at least 18 years old AND are not a person nominated on the form.

You must send your binding death benefit nomination form to the Trustee. The Trustee will only be bound by the nomination if all of the nominated dependant(s) survive you and are your dependants at the time of your death.

If you make and maintain a valid binding death benefit nomination, the Trustee must distribute the benefit payable on your death in accordance with that nomination.

There are strict legal requirements for a binding nomination to be validly made and to remain valid. You can amend or revoke your nomination at any time. To remain valid, a binding nomination must be renewed at least every 3 years.

When you make a valid binding nomination we will confirm in writing back to you that the nomination has been made.

If you make a binding nomination that we consider to be invalid we will write to you advising that we are unable to accept the binding nomination.

When does a valid binding nomination become effective and how long is it in force for?

If you make a valid binding nomination it becomes effective from either the later of 1 July 2011, or the date it is received by the Trustee.

A binding nomination will usually expire and cease to have effect 3 years after being made or last amended. You can confirm it at any time, which extends the term for another 3 years from the confirmation date.

The Trustee must follow a valid binding nomination, regardless of whether your circumstances have changed, so it is important that you keep it up to date.

Payment of a death benefit where you have not made a nomination or your nomination is invalid

The rules regarding to whom a death benefit is payable are as follows. If:

- (a) your binding death benefit nomination notice is not valid at the time of your death; or
- (b) you have not made a nomination

The Trustee shall pay the benefit to one or more of your legal personal representative or dependants.

Benefits will be paid to your legal personal representative by way of a lump sum which will form part of your estate. If you die leaving a Will, that lump sum will be distributed according to your Will. If you do not leave a Will and letters of administration for your estate have been taken out, the benefit will be distributed according to law.

RETIREMENT SCHEME MEMBERS ONLY

WARNING: If you are a member of the Retirement Scheme who has a reversionary spouse entitlement because of your predecessor scheme membership, then you should note that the reversionary pension can only be paid to your spouse. So if you make a binding nomination to a dependant that is not your spouse, no reversionary spouse entitlement is payable. In all other cases where a death benefit becomes payable, the Trustee will follow your binding nomination.

What if I have already made a binding nomination?

If you have already made a binding nomination to your legal personal representative (i.e. your estate), it will remain valid until its existing expiry date unless you wish to update it by completing the enclosed 'Binding Nomination' form, and returning it to us in the reply paid envelope provided.

Who do I contact for enquiries, help and advice?

If you have any questions regarding these changes then please contact:

Member Services
Ground Floor
28 Margaret Street, Sydney

Phone: 1300 369 901
Fax: (02) 9279 4131

Telephone enquiries and personal interviews (by appointment only) can be made between 8.30am and 5.00pm on any business day.

Written enquiries should be sent to:

PO Box N835
Grosvenor Place NSW 1220

You can also contact us by going to our website
www.lgsuper.com.au

Contact us

Detailed information on Local Government Super is available through our website www.lgsuper.com.au, on request through Member Services 1300 369 901 and via email info@lgsuper.com.au

You can also download Local Government Super's Product Disclosure Statements (PDSs) and other publications and forms from our website, or request them via Member Services.

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