


Changes to investment options and nominating your beneficiaries

Defined Benefit Scheme



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1. Changes to the asset allocations and objective of Local Government Super (LGS)'s Defined Benefit investment strategy

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 objective of the Defined Benefit investment strategy.

The Trustee has made these changes so as to maintain a high level of diversification across the 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.

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

The following table shows the current investment strategy in detail as outlined on our website alongside the new descriptions (with the changes to the objective and asset allocation ranges highlighted in red).

Current description

Defined Benefit Strategy

For real investment growth over the medium to long term.

Definition: The Defined Benefit 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 10 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: 7% net investment return per annum over a 10 year period.

Risks: As this is a defined benefit scheme any downside risk is effectively underwritten by the Employers.

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	0-8%
Australian inflation linked bonds	0-8%
International fixed income	0-8%
Absolute return funds	3-13%
Cash	0-10%
Australian direct property*	12-22%
Semi liquids*	0-6%
Private equity*	2-12%
Defensive illiquids*	0-5%

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

New description from 1 July 2011

Defined Benefit Strategy

For real investment growth over the medium to long term.

Definition: The Defined Benefit 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 an objective being a 9% nominal return p.a. 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: 9% net investment return per annum over a 4 year period.

Risks: As this is a defined benefit scheme any downside risk is effectively underwritten by the Employers.

Risk profile: High/Medium

Asset Classes	Asset Allocation Ranges
Australian equities	24-34%
International equities	22-32%
International listed property	0-6%
Australian fixed income	0-8%
Australian inflation linked bonds	0-8%
International fixed income	0-8%
Absolute return funds	4-14%
Cash	0-10%
Australian direct property*	7-17%
Semi liquids*	0-6%
Private equity*	2-12%
Defensive illiquids*	0-5%

*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.

WARNING: If you make a valid binding nomination it only has effect and will be followed, in respect of the following benefit types:

1. Deferral of a benefit as a lump sum benefit at or after attaining age 65.
2. Benefits that have been compulsory preserved as a lump sum following termination of employment.
3. The basic benefit.

All other benefits payable from LGS will be paid in accordance with our rules.

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 nomination of a beneficiary is optional. Where you have not made a nomination of beneficiary, in the event of your death, your benefit entitlement will be payable in accordance with the rules of the Scheme.

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 mentioned 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 form, 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

Your benefit will be paid in accordance with the rules of the Scheme.

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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