

Your Guide to Local Government

Defined Benefit Scheme

Product Disclosure Statement



LOCAL GOVERNMENT®
SUPERANNUATION SCHEME

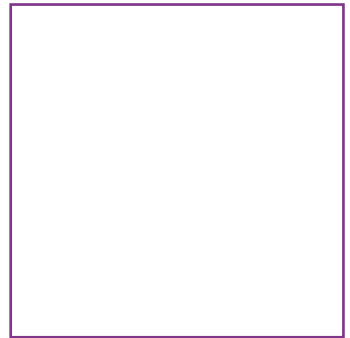
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How to use your Product Disclosure Statement

The Product Disclosure Statement (PDS) provides you with important details about your Scheme such as:

- Fees and costs associated with the product
- Death and disability benefits and premiums payable
- Investment strategy available to you
- The objectives and associated risks of that investment strategy
- The types of contributions that can be accepted and when and how benefits are paid.
- Cooling off rights, complaints resolution and privacy information

The purpose of this PDS is to provide clear, concise and effective information about the Scheme and this particular product, which will help you compare this product with other superannuation offerings in the marketplace.



LOCAL GOVERNMENT[®]
SUPERANNUATION SCHEME



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Important information

About this document

This document is a Product Disclosure Statement (PDS) which describes the main features of the Defined Benefit Scheme (Scheme), being offered by LGSS Pty Limited in the Local Government Superannuation Scheme (LGSS).

The Scheme

The Scheme is a defined benefit type scheme for certain employees of participating employers who are Local Government bodies in NSW. The Scheme is closed to new employees of participating employers unless statutory requirements are met (refer to page 5).

The Scheme has been designed to provide you with flexible superannuation that you can tailor to address your lifestyle needs, both now and in retirement.

Your employer contributes to the Scheme on your behalf. Your benefit on retirement is directly related to your unit entitlement, as dictated by your Superable Salary on retirement.

The Scheme also provides benefits in the event of your death, invalidity, and on leaving employment with a participating employer.

If you are no longer employed by a participating employer, in certain circumstances you may retain your benefits in the Scheme as a deferred member. However, a deferred member cannot make any further contributions to the Scheme.

The Scheme is governed by a Trust Deed. When you join the Scheme you agree to be bound by the Trust Deed.

Warning: Due to superannuation laws and depending on their circumstances, members may not be able to make cash withdrawals whenever they wish.

General information

The information in this PDS is of a general nature. It has not been prepared taking into account the particular objectives, financial situation, or needs of any person. You should seek advice from a qualified financial planner before making any decisions regarding your contributions or benefits.

Interpretation

In this PDS:

- the Local Government Superannuation Scheme is referred to as 'LGSS';
- the Defined Benefit Scheme is referred to as the 'Scheme';

- the Trustee of the Scheme, LGSS Pty Limited, is referred to as the 'Trustee', 'we' & 'us';
- members of the Scheme are referred to as 'you' & 'your';
- FuturePlus Financial Services Pty Limited (ABN 90 080 972 630) is referred to as 'FuturePlus'; and
- all monetary amounts referred to in this document are in Australian dollars, unless otherwise specified.

Disclaimer

Neither the Trustee nor any investment manager, administrator, or other service providers, or any of their associated companies, guarantee the performance of the Scheme, or any of their investments, the repayment of capital, or any particular rate of return.

The Trustee is not responsible for the advice given by, or the conduct of, FuturePlus*, or any of its financial planners, authorised representatives, or other officers, or employees.

Obtaining up-to-date information

Some of the information in this PDS is for the 2005/2006 financial year and changes annually. Up-to-date information about investment returns will be provided in your annual statement and reports. Some of the figures quoted in this PDS in relation to taxation vary annually, such as RBLs and tax free thresholds¹.

Updated information about matters that are not materially adverse to you, can be obtained by contacting Member Services at any time (see 'Enquiries, help and advice'). A paper copy of any updated information will be given to you without charge on request.

The Scheme's website contains general information about the Scheme, including a copy of the Trust Deed and annual reports, forms, historical returns and general publications. You can also register to gain access to your account details on line through the Scheme's website – www.lgsuper.com.au.

If you are printing an electronic copy of this PDS, you must print all pages, including the application forms. If you make this PDS available to another person, you must give them the entire electronic file or printout.

* See 'About the service providers' on page 3.

¹ See Taxation section page 31.

Introduction

About the Scheme

LGSS has assets of approximately \$5 billion in funds under management and is one of the larger superannuation funds in Australia. LGSS is regulated primarily by the Superannuation Industry (Supervision) Act 1993 (Commonwealth).*

LGSS and the Scheme were established on 30 June 1997 by a Trust Deed* made under an Act of the NSW Parliament for the purpose of providing retirement benefits for public sector employees of certain Local Government bodies in NSW.

Members of certain designated Local Government employers who were formerly members of the State Superannuation Scheme were transferred into the Scheme on 1 July 1997.

Under the Trust Deed, LGSS is divided into two pools of assets and six divisions. The assets of Divisions A, E and F are held in Pool A, whilst the assets of Divisions B, C and D are held in Pool B. The Scheme is provided under Division D in Pool B.

Both Pools are complying superannuation funds* and are subject to concessional taxation treatment.

To find out more about the Pools and other divisions, contact Member Services.

About the Trustee

LGSS Pty Limited (ABN 68 078 497) is the Trustee* of LGSS (including the Scheme).

The Trustee is responsible for managing LGSS, including safekeeping of the assets and ensuring LGSS operates in accordance with the Trust Deed and superannuation law.

The Trustee engages external experts such as investment advisers* and investment managers*, the administrator, custodian*, accountants, solicitors and auditors to assist it with its obligations.

The Trustee is located at:

Level 12
Local Government House
28 Margaret Street
Sydney NSW

Contact details are:
Tel (02) 9299 3000
Fax (02) 9279 4131

www.lgsuper.com.au

About the service providers

The administrator of the Scheme is FuturePlus, who attends to the day-to-day operation of the Scheme under a written service agreement.

FuturePlus is jointly owned by the Trustee and the Trustee of the Energy Industries Superannuation Scheme. The Trustee undertakes that it will not deal with FuturePlus more favourably than it would deal with any other independent service provider.

The Trustee has appointed FuturePlus and Chifley to manage the day-to-day provision of Member Services. These services include Scheme and member administration and a member benefits program that provides a range of goods and services at special rates, called 'Fair Go'. Chifley Financial Services Pty Limited is also allowed to market products to members, such as a home loan facility.

The Trustee has also appointed FuturePlus as an investment manager to the Scheme (refer to page 25-28 for more information). This appointment is also on 'arms-length' terms.

The Trustees of the Local Government Superannuation Scheme, the Energy Industries Superannuation Scheme and Unions NSW each own one third of Chifley's share capital.

The custodian of the Scheme is JPMorgan Chase Bank. The custodian holds the Scheme's assets under a written service agreement.

Information about the appointed investment managers is set out on page 25 of this PDS.

The service providers' charges are not additional charges to those applied to the Scheme, as detailed in the 'Fees and other costs' section on page 16.

Quality service

Services available to you include internet access, a professional contact centre, ready access to FuturePlus financial planners, annual statements, seminars, and newsletters. The Trustee directly and actively monitors the administration services provided, and encourages feedback from members regarding these services.

Reasonable cost

The Scheme does not have any entry fees and the total fees charged are competitive in the superannuation industry (see the 'Fees and other costs' section on page 16 for more information).

* See Glossary on page 36-37 for definitions.



Introduction

Security and returns

LGSS has assets of approximately \$5 billion in funds under management and over 87,500 members predominately in NSW. Whilst this is not a guarantee of security or performance, this level of assets gives the Trustee continuous and cost effective access to professional advice and monitoring services.

In addition to this, the Trustee is a non-profit company solely engaged in the management and control of the Scheme and its assets for the benefit of its members.

Enquiries, help & advice

If you have any enquiries about the Scheme, including the management, financial condition and investment performance of the Scheme, or about your account, please contact:

Member Services

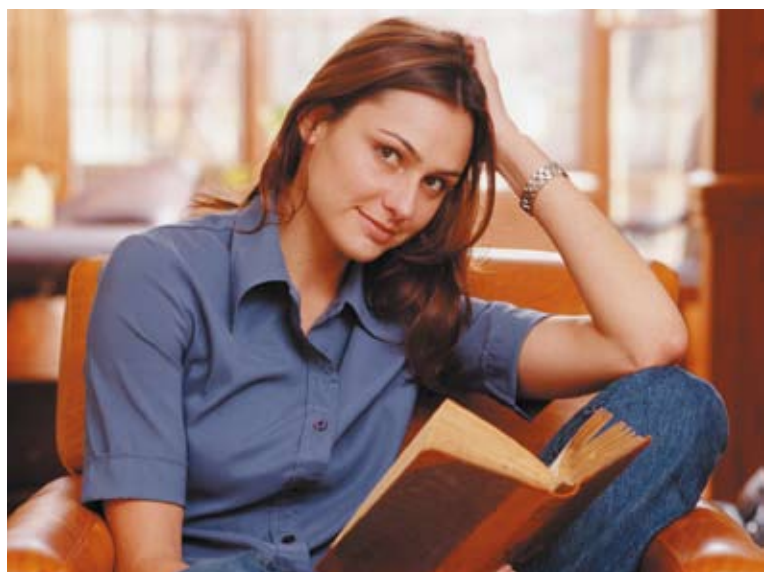
Ground Floor,
Local Government House
28 Margaret Street, Sydney
Phone: **1300 369 901**
Fax **(02) 9279 4131**

Telephone enquiries can be made between 8.30am and 5.00pm on any business day, and personal interviews are available between 9.00am and 4.30pm on any business day (by appointment only).

Please note that office hours may change to account for public holidays, so please call us if you have any doubt on 1300 369 901.

Written enquiries should be sent to:
PO Box N835 Grosvenor Place NSW 1220

You can also contact the Scheme by going to our website - www.lgsuper.com.au



Defined Benefit Scheme

Who can join?

The Scheme is closed to new members, except for members taking up employment with a Local Government employer who transfer from the State Superannuation Scheme, or the Energy Industries Defined Benefit Scheme.

If you wish to join the Scheme under these conditions, you must commence employment with a Local Government employer within three months of leaving your old employer. In addition, you must elect to join the Scheme within three months of commencing with your Local Government employer.



Contributions

The amount you contribute to the Scheme depends on the number of units for which you contribute.

The contribution rates are age-based, i.e. the rate per unit increases according to the age at which contributions commence to be paid for the units. The exception to this is where units are taken up within 5 years of reaching maturity age (generally age 60). Because of the high rates that would otherwise apply at this time, contributions are paid by 'Instalments' over a 5 year period. For example, units taken up at age 57 will not be fully paid for until you are 62.

One result of this is that if you retire after reaching maturity age you will have outstanding contributions payable. These must be paid, or offset against your benefits, before your benefits can be paid (see Debts to the Scheme section).

Salary for contribution purposes

Each year, the Scheme employers report your 'Superable Salary' as at your Annual Review Day (ARD). Members born from 1 July to 31 December have an ARD of 9 February, and members born from 1 January to 30 June have an ARD of 28 July.

For all members (other than contracted employees) Superable Salary means the sum of:

- the monetary remuneration payable to you; plus
- any allowances (including shift allowances) paid in the 12 months immediately preceding that are included in the definition of 'Ordinary Time Earnings'; plus
- weekly workers compensation paid to you that is included in the 'Ordinary Time Earnings' definition; plus
- the value of any private use of a motor vehicle provided by your employer; plus
- the value of any child care provided by your employer; plus
- the amount of any voluntary employer (salary sacrifice) superannuation contributions; plus
- the value of any other salary sacrifice arrangements and any associated fringe benefits tax payable on other arrangements.

For contracted employees, Superable Salary means:

- Your total salary package; less
- The annual cost of the employer contributions

Prior to your 'Annual Adjustment Day', you are advised of any changes in your unit entitlements since the previous year. These changes are based on the 'Superable Salary' reported by your employer as compared to the previous year.

You are required to contribute for any additional unit entitlement where the total contributions payable remain below 6% of Superable Salary. If the total contributions payable are higher than 6% of Superable Salary, you can elect to abandon all, or some, of the new 'excess' units, i.e. those that take the total contributions above 6% of Superable Salary. If no election is made, contributions are required to be made for the 'excess' units.

Where you have previously abandoned units, you may also elect to commence contributing for those units.

The date of effect of any changes in contribution rates as a result of this annual 'review' process is referred to as your 'Annual Adjustment Day', i.e.:

- for members born in the second half of the year, 5 May each year; and
- for members born in the first half of the year, 21 October each year.

The contributions payable from each 'Adjustment Day' are notified to your employer and deducted from your after-tax salary. Any increase in contributions will therefore commence to be deducted from the first pay-day on, or after, the relevant 'Adjustment Day'.

Currently, personal contributions cannot be made from pre-tax salary (i.e. by 'salary sacrifice'). It is anticipated that these will be able to be accepted by the Scheme in the near future.

Generally, contributions for a particular unit are payable from the time that contributions commence for that unit until you exit the Scheme and become entitled to payment of a benefit. If you do plan to go on 'Leave Without Pay' you should particularly note that contributions continue to be payable in respect of that period. Arrangements can be made to defer payment until returning to work, however, by contacting Member Services.

Units

Most benefits are based on the number of units to which you are entitled. This, in turn, is based on your Superable Salary at any given time - the higher the Superable Salary, the higher the unit entitlement.

Each unit represents a nominal pension entitlement of \$5.50 per fortnight at retirement age (generally 60 but 55 in the case of some female members). This nominal pension entitlement can, however, be reduced by a number of circumstances. These will be detailed later in the Benefits section.

Contributions

Abandoned units

Abandoned units are units for which you have elected not to contribute. These have a notional value at retirement age of \$3.30 per fortnight pension, as compared to the notional value of \$5.50 per fortnight pension for units for which contributions are being paid.

Although abandoned units may be taken up at any adjustment day, the full notional value may not apply where an early retirement pension, invalidity pension, or 'death in service' spouse pension, becomes payable within 2 ½ years of the abandoned units being taken up. You should take particular note when considering whether or not to abandon any units that future benefits could potentially be reduced.

Reserve units

If you hold Reserve units you may substitute these for normal units to which you become entitled. To do this you must have held the Reserve units for ten years, or 1 year if aged 50 years or more.

If you exit without having used your Reserve units you are entitled to a refund of any contributions paid for these units, plus interest.

Salary reductions

Generally, a reduction in Superable Salary results in a reduction in unit entitlement. In this situation you have the following options:

1. Continue to pay contributions on the 'excess' units. Note these units will not attract any entitlements in the event of your termination of employment; and
2. Reduce your contribution rates by ceasing to contribute for the 'excess' units. In this case, contributions already paid on the excess units will be refunded, whilst a refund of contributions will also be paid on any excess units for which contributions are being made on termination of employment.

The exceptions to this general situation are where:

- the reduction in Superable Salary is due to ill-health; or
- the reduction in Superable Salary is 20% or more.

Reductions due to ill health

In this situation, you can apply to the Trustee to retain your pre-reduction Superable Salary for superannuation purposes. The effect of this is that there is no reduction in unit entitlement, and the value of your entitlements continue to be based on that unit entitlement. It also means, however, that contributions continue to be based on the higher unit entitlement. The "retained" unit entitlement continues to apply until such time as additional

units become available because of increases in your actual Superable Salary.

The Trustee has some discretion to approve the retention of a member's pre-reduction Superable Salary in other circumstances. However, such approval is unlikely to be given unless exceptional circumstances apply. If you want to apply for retention of unit entitlement under these provisions you should do so through your employer, as it is necessary for the employer to verify both the reduction and the reasons for it.

Reductions of 20% or more

If your full-time Superable Salary (or equivalent full-time salary if employed on a part-time basis) reduces by 20% or more, you have the option to crystallize your entitlements based on your pre-reduction Superable Salary. Your entitlement would then remain in the Scheme as a deferred benefit. You can then elect to either:

- join the Retirement Scheme (i.e. Division B) as a new member (with the lower Superable Salary applied); or
- have future superannuation contributions paid by your employer into the Accumulation Scheme.

Part-time employment

If you are employed on a part-time basis, your unit entitlement is reduced to reflect the period of service not given. If, for example, by working part-time the member's potential full-time service reduces by 20% then their total unit entitlement will also reduce by 20%.

Contributions payable would be based on the reduced unit entitlement. Generally, the reduction in total contributions paid would be in about the same proportion as the unit entitlement reduction, although this might not apply if you are approaching age 55. If you are considering moving to part-time employment you should check your situation with Member Services.

If working part-time you will accrue reduced Basic Benefit entitlements. For example, a member working 3 days per week will accrue entitlements at 60% of the full-time rate.

Leave without pay

There are 2 types of 'Leave without pay', 'prescribed' (or authorised) and 'non-prescribed'.

A member who takes any form of Leave Without Pay is required to continue to pay their member contributions during their period of leave.

Prescribed (or Authorised) leave

The most common types of 'Prescribed leave' are maternity leave and sick leave. Secondment to a non-Local Government employer may also be treated as 'Prescribed leave' whilst employers may also declare



Contributions



leave for certain other purpose (e.g. for full-time study) as Prescribed leave.

Prescribed leave counts as 'service' for the purpose of the Scheme, and member contributions continue to be payable on the same basis as if you were not on leave. You can, however, apply to defer the payment of those contributions until you return to work. In cases of Prescribed Leave, the employer will continue to pay the employer liability. Details can be obtained from Member Services.

Non-prescribed leave

This is any period of Leave Without Pay that is not Prescribed or Authorised leave.

Any period of more than 5 days Non-prescribed Leave does not count as service for Basic Benefit purposes and no entitlements will accrue in respect of that period.

If the period of Non-prescribed Leave is more than 3 months, you will have the option of either:

- having the period of leave count as service, in which case you will have to continue to pay your member contributions at the same rate as if you were not on leave. Additionally, your employer may also ask you to pay them the cost of providing employer-financed benefits for that period; or
- having the period of Non-prescribed leave exceeding 3 months **not** count as service, in which case you will still have to continue to pay your member contributions at the same rate as if you were not on leave. However, you will **not** be asked to pay your employer the cost of providing employer-financed benefits for that period.

- Consequently, your unit entitlement will be permanently reduced to offset the non-payment of the employer-financed benefits for the period of the Leave Without Pay.

If considering taking Non-prescribed leave you should check your situation with Member Services before proceeding on leave.

Rollovers and transfers-in

Your Basic Benefit account can accept rollovers, including ETPs and other payments received on termination of employment from a previous employer, and lump sums from other savings which you may have. It can also accept other contributions you may wish to make on a pre or post-tax basis.

Alternatively, you may establish a member account in the LGSS Accumulation Scheme to accept these types of payments. Please contact Member Services if you require further information.

Spouse contributions

The Scheme does not provide for acceptance of spouse contributions. However, whilst you are a member you can make contributions (including 'eligible spouse contributions'*) to an LGSS Accumulation Scheme account at any time. Please contact Member Services if you would like any more information.

Spouse contributions can only be made from after-tax income. They are treated as undeducted contributions for superannuation tax purposes and are therefore not subject to the 15% contributions tax.

Spouse contributions are also tax-free when received by the spouse as a benefit. However, the income earned by these contributions may be taxable.

If the spouse has assessable income below \$13,800 (including reportable fringe benefits) the contributing spouse may also be able to claim a superannuation spouse contribution tax rebate (see Taxation section on page 31 for details).

* See Glossary on page 36-37 for definitions.

Contributions

Government Co-contributions

The Federal Government will make a Co-contribution payment to the superannuation account of an eligible income earner to match personal contributions made by the income earner, commencing with contributions made in 2003/2004.

To qualify for a Co-contribution, a person must, in the financial year in which the personal contribution is made:

- make personal superannuation contributions to a complying superannuation fund, or retirement savings account;
- have total income (assessable income plus reportable fringe benefits) of less than \$58,000;
- have 10%, or more, of your total income from eligible employment;
- not have held an eligible temporary resident visa at any time during the year;
- have lodged an income tax return for the year of income; and
- be less than 71 years old at the end of the year of income.

Only personal contributions (post-tax) qualify for a Co-contribution. SG contributions, salary sacrifice contributions and spouse contributions do not qualify.

The maximum Co-contribution is \$1,500 where the contributor's annual income is less than the lower income threshold of \$28,000. The Co-contribution amount phases out as income increases at the rate of 5 cents in the dollar and is no longer available where annual income is \$58,000 (the higher income threshold) or more. The minimum Co-contribution is \$20.

If your total income for tax purposes is \$28,000 or less a year, the Government will now put in one dollar and fifty cents for every dollar you put into super, up to a maximum Co-contribution of \$1,500 a year.

When your income is more than \$28,000 but less than \$58,000 in a year of income, your Co-contribution will be adjusted based on your income and how much you personally contribute. For example, if you are eligible and your income is \$42,000 and you make personal contributions of \$1,000 during the relevant year you will be entitled to a Co-contribution of \$800.

The income thresholds will be indexed annually from 2007/2008 onwards. The maximum Co-contribution of \$1,500 is not indexed.

It will not be necessary to apply for the Co-contribution. The Australian Taxation Office (ATO) will determine eligibility and make the payment, based on annual information from the superannuation funds and the contributor's tax return.

* See Glossary on page 36-37 for definitions.



The Co-contribution can be paid to your legal personal representative if you die, or directly to you if you satisfy another condition of withdrawal (such as being permanently retired and over the preservation age, or being Totally and Permanently Disabled*).

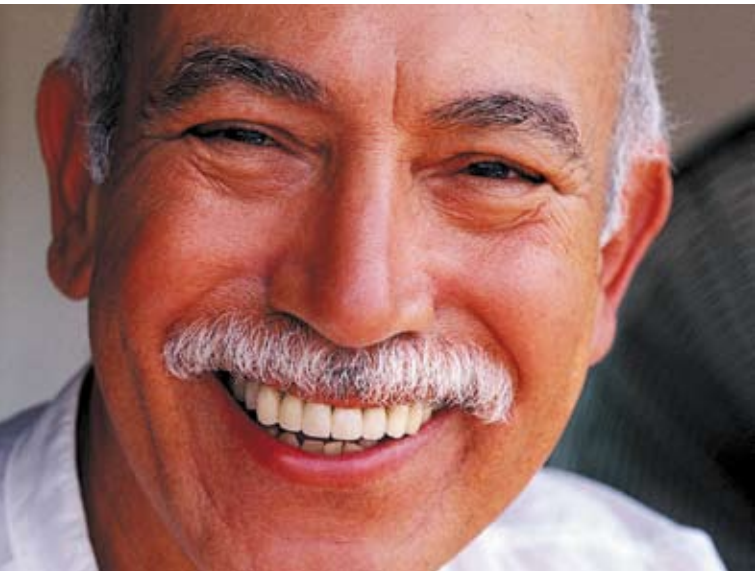
As the contributor must lodge a tax return, usually the Co-contribution will not be paid until the financial year after the year the contribution is made. The ATO must pay the Co-contribution within 60 days after receiving all necessary information and interest is payable on late payments.

Contributions tax is not deducted from the Co-contribution payment. It is treated as a personal undeducted contribution (i.e. post-tax) and is therefore tax free when paid as a benefit and does not count towards the contributor's Reasonable Benefit Limit.

If you made a personal super contribution between 1 July 2003 and 30 June 2004, you may still be eligible for the super Co-contribution. However, your super Co-contribution amount will be determined based on the thresholds and matching levels that applied for that year.



Benefits



What benefits are payable?

The Scheme will provide you with benefits payable on:

- Resignation;
- Retrenchment;
- Retirement;
- Invalidation; and
- Death

There is also a provision, in certain circumstances, for a member to defer their benefit in the Scheme.

How are benefits calculated?

The amount payable will depend on the exit reason listed above.

It should be noted that the payment of all benefits is subject to the preservation rules under Commonwealth legislation. Details of those rules can be found in the Preservation section. In very brief terms, however, what this means is that a proportion of some benefits cannot be paid unless certain conditions are met.

It should also be noted that all employer-financed benefits (other than lump sum death benefits) are reduced because of the tax imposed on employer contributions since 1 July 1988. In simplified terms, this reduction is calculated as follows:

$$\text{Employer-financed benefit otherwise payable} \times \frac{15\% \times \text{Service since 1 July 1988}}{\text{Total Service}}$$

A final point to note here is that the employer-financed benefits accrued from 1 July 1992 must meet the requirements of the Commonwealth's Superannuation

Guarantee legislation. In simplified terms, this means that the value of those benefits must be at least equal to the amount that would have accrued had the employer paid Superannuation Guarantee contributions into an accumulation scheme. In the great majority of cases, however, the benefits normally payable from the Scheme meet those requirements. Where they do not (and this is most likely to occur where a cash withdrawal benefit is taken) the "shortfall" is added to the Basic Benefit to bring the total amount paid up to the amount needed to satisfy the Commonwealth's requirements under Commonwealth legislation.

Retirement

Your retirement age is shown on your Annual Member Statement. For most members the retirement age is 60, but some women have a retirement age of 55 where the member elected to make contributions on that basis when joining the Scheme.

Generally, the benefit payable after reaching retirement age comprises:

- a pension based on your unit entitlement which, in turn, is based on your Superable Salary at retirement date; plus
- the Basic Benefit (see Basic Benefit section on page 13).

You can take up any units previously abandoned, plus any additional units that have become available since your last 'Adjustment Day'. Contributions will be payable in respect of these units and arrangements need to be made to pay these before a benefit can be paid (see Debts to the Scheme section).

Retirement pensions are fully, or partly, commutable (see Commutations section).

An option available to you is to take payment of your cash withdrawal benefit in lieu of your retirement pension benefit. In some cases the value of the cash withdrawal benefit will be higher than the commutation value of the pension otherwise payable, and this might therefore be an attractive option to you if you are intending to fully commute your pension.

It is to be noted, however, that where a cash withdrawal benefit is paid, no further benefits are payable from the Scheme to your beneficiaries. In particular, there would be no spouse benefit or children's pensions payable in the event of your death. It is highly recommended, then, that if you are considering this you should seek professional financial advice before taking this option.

Benefits

Early retirement

If you have a maturity age of 60 and retire between ages 55 and 60, you would be entitled to:

- a retirement pension discounted according to your age at retirement; plus
- the Basic Benefit (see Basic Benefit section).

There are two ways in which the pension payable may be calculated and the higher of the two will be used. Essentially both calculations are based on the pension payable at maturity, discounted according to the period remaining to retirement age.

Early retirement pensions are fully, or partly, commutable (see Commutations section).

An option available to you is to take payment of your cash withdrawal benefit in lieu of your retirement pension benefit. In some cases the value of the cash withdrawal benefit will be higher than the commutation value of the pension otherwise payable. This might, therefore, be an attractive option to you if you are intending to fully commute your pension.

It is to be noted, however, that where a cash withdrawal benefit is paid, no further benefits are payable from the Scheme to your beneficiaries. In particular, there would be no spouse benefit or children's pensions payable in the event of your death. It is highly recommended, then, that if you are considering this you should seek professional financial advice before taking this option.

Invalidity

An invalidity benefit is payable to you if your employment is terminated by the employer on the grounds of invalidity before reaching retirement age, provided that the Trustee is satisfied that you are permanently unable to perform the duties performed before suffering the invalidity.

The benefit comprises:

- a pension based on the retirement pension that would have been payable had you retired at maturity age; plus
- the Basic Benefit (see Basic Benefit section on page 13).

The pension payable has a notional value of \$5.50 per month for each unit for which you were contributing at retirement (less any previously abandoned units taken up within the 2 ½ years prior to retirement) and for any additional units that have become available since the last 'adjustment day'. Each abandoned unit has a notional pension value of \$3.30 per fortnight.

Invalidity pensions are fully or partly commutable upon reaching age 55 (see Commutations section on page 14).

An option available to you is to take payment of your cash withdrawal benefit in lieu of your pension benefit. In some cases, the value of the cash withdrawal benefit will be higher than the commutation value of the pension otherwise payable. Therefore, this might be an attractive option to you if you are intending to fully commute your pension.

It is to be noted, however, that where a cash withdrawal benefit is paid, no further benefits are payable from the Scheme to your beneficiaries. In particular, there would be no spouse benefit or children's pensions payable in the event of your death. It is highly recommended, then, that if you are considering this you should seek professional financial advice before taking this option.

Death

The death benefit payable from the Scheme will depend on your circumstances at the time of death.

Spouse benefits

Pension benefits are payable to an eligible spouse on the death of a member, or pensioner (subject to the qualifications below). A spouse may be a legal spouse, de facto spouse, or same sex partner. It is to be noted that in the case of the latter two, the Trustee will require evidence that a claimant for a spouse benefit was in a bona fide relationship with the deceased at the time of death.

If you were to die in service, the only qualification is that the person was your spouse at the time of your death.

On the death of a pensioner, an eligible spouse is a person who:

(a) in the case of an invalidity pensioner, became the pensioner's spouse:

- before the invalidity pension commenced being paid; or
- at least 3 years before the pensioners death and before the pensioner reached maturity age; and

(b) in any other case; became the pensioner's spouse before the pensioner became entitled to a pension; and

(c) in all cases; remained the pensioner's spouse at all times up until the pensioner's death.

The benefit payable is the Basic Benefit plus:

- in the case of a member who dies in service, a spouse pension equal to 2/3 of the pension that would have been payable if the member had been retired on the grounds of invalidity at that time; or
- in the case of the death of a pensioner, a spouse pension equal to 2/3 of the pension entitlement of the pensioner at the date of death.

Benefits



It is to be noted that:

- a pensioner is taken to include a former member who has fully commuted his or her pension;
- the pension entitlement is taken to be the full CPI indexed value of the original pension entitlement, irrespective of any amounts commuted; and
- no spouse benefit is payable where a former member elected to take a cash withdrawal benefit in lieu of a pension benefit.

Spouse pensions have commutation options (see Commutations section).

Pensions may also be payable in respect of the dependant children (which includes full-time students up to the age of 25) of a deceased member or pensioner. Details can be obtained from Member Services.

If there is no spouse or children's pensions, payable on the death of a member in service, the resignation (cash withdrawal) benefit is payable to your legal personal representative.

Retrenchment

If you are retrenched (or accept a voluntary redundancy offer) after reaching age 55 and prior to your retirement age you are entitled to an early retirement benefit (see Early Retirement section above).

The benefit options available if you are retrenched before reaching age 55 include:

- Lump Sum – but you forfeit rights to spouse reversionary benefits on death, or
- Pension; or

- Deferred Pension – pension, or commuted lump sum payable from age 55; or
- The Basic Benefit (see Basic Benefit section below).

The lump sum benefit is the higher of an amount calculated on the basis of your unit entitlement at exit, or the cash withdrawal benefit that would otherwise be payable. The pension benefit is calculated by the Scheme's actuary on an individual basis.

Whichever option is taken, a proportion of the benefit may be subject to compulsory preservation (see Preservation section) and this may be an important factor in determining which is the best option to take in individual cases. It is recommended that you should obtain full details of the options available to you and then seek professional financial advice before making a decision.

Resignation, Discharge or Dismissal

On termination of employment before retirement age where no other benefit is payable, you have two options:

- to take a cash withdrawal benefit; or
- to leave your entitlements in the Scheme as a deferred benefit.

The cash withdrawal benefit comprises;

- the accumulation of your contributions together with investment earnings – i.e. your "personal account";
- an employer-financed benefit calculated as 2.5% of your personal account for each year of service (less the tax reduction); and
- the Basic Benefit.

The value of the cash withdrawal benefit is, however, 'capped', i.e. its value (excluding the Basic Benefit) cannot exceed the capital value of the pension that would be payable had you been aged 55 at exit. For members who have attained age 55 – the capitalised value of the pension that would be payable had they elected to retire at their current age.

You should particularly note that in choosing this option, you could forego a proportion of the employer-financed benefit accrued during your membership of the Scheme.

The Deferred Benefit option

The deferred benefit available on retrenchment, resignation, dismissal, or discharge comprises:

- a pension payable from your Scheme retirement age, or a reduced pension payable from age 55 if your Scheme retirement age is 60, based on your unit entitlement at exit; plus

* See Glossary on page 36-37 for definitions.

Benefits

- the Basic Benefit.

The pension is maintained as two components: an employer-financed component and a member-financed component. The employer-financed component is indexed in line with the Consumer Price Index (All Groups, Sydney) whilst it is deferred, but the member-financed component is not indexed.

The deferred benefit will be paid:

- on reaching maturity age (subject to the preservation rules under Commonwealth legislation);
- on reaching age 55, at a reduced rate for members with a maturity age of 60, subject again to the preservation rules under Commonwealth legislation;
- on total and permanent disability; or
- on death.

If you take this option you retain the right to take the current value (i.e. including interest) of the cash withdrawal, or retrenchment, lump sum amount at any time prior to reaching retirement age – subject again to the preservation rules.

Again, however, you should particularly note that in choosing this option, you may forego a relatively high proportion of the employer-financed benefit accrued during your membership of the Scheme.

The Basic Benefit

The Basic Benefit account consists of the following two components:

- a fully employer financed benefit, which is additional to any other benefit payable from the Scheme. It is generally equal to 3% of either final average salary, or final salary, depending on the circumstances of exit (less contributions tax) for each year of service since 1 April 1988; and
- an accumulation account, which can accept Co-contributions from the Federal Government, award contributions, amounts rolled in and top up contributions made on a pre or post-tax basis.

The Basic Benefit is payable in a lump sum following exit from employment, provided you have met a 'condition of release', such as having reached the Government's 'preservation age' (which ranges from 55 to 60, depending on your birth date). This is explained in more detail in the Preservation section on page 29.

A Basic Benefit that is not immediately payable on cessation of employment is required to be preserved until a condition of release is met. This would include reaching the 'preservation age', but may be paid earlier on death,

total and permanent invalidity (subject to conditions), or in certain other limited circumstances.

The Basic Benefit is based on final salary in the event of death, retrenchment, or permanent invalidity (partial or total) prior to age 55, otherwise it is based on final average salary.

Generally, a period of leave without pay in excess of five days will not count as service for Basic Benefit accrual purposes.

The Minimum Benefit

The Minimum Benefit that is payable from the Scheme, irrespective of the type of benefit payable, is an amount calculated as the cash withdrawal benefit that would otherwise be payable from the Scheme at the time of terminating employment.

In some cases, e.g. members taking a cash withdrawal benefit, or a lump sum retrenchment benefit, the Minimum Benefit is payable immediately (subject to the preservation rules). In other cases, the total benefit paid might be less than this Minimum Benefit. Where this occurs, the benefit will be increased to the value of the Minimum Benefit and that increase is paid from the Scheme. For example, this could be due to the death of a current member, or pensioner. In this case, the Minimum Benefit would be paid to the spouse or pensioner's estate.

The total benefits paid might include:

- pension payments to you, your spouse and your children; plus
- lump sum payments, including the Basic Benefit and any commutation of pension.

Pensions

Members and spouse pensions are payable for life and members' pensions have a reversionary spouse pension entitlement. They are adjusted annually in line with increases in the Consumer Price Index (All Groups, Sydney). All pensions, other than children's pensions, have commutation options.

Pensions payable to members over age 55, or invalidity pensions payable to members under age 55 who are totally and permanently incapacitated, are fully 'rebateable'. They attract a tax rebate equal to 15% of the total pension payment (less that part paid for by your own contributions since July 1983 – the 'undeducted purchase price'). Pensions paid to other members (e.g. retrenchment pensions) become 'rebateable' when the member reaches age 55.

Children's pensions are also indexed and are payable until age 18, or in the case of full-time students, to age 25.

* See Glossary on page 36-37 for definitions.



Benefits

Complying pensions

Scheme pensions are not “complying” pensions for Reasonable Benefit Limit purposes because of the commutation options detailed below. However, you can elect to take a “complying” pension from the Scheme by permanently giving up certain commutation rights (except if you’re receiving an invalidity pension). See the Taxation section for more details.

Commutations

Commutation is the exchange of a fortnightly pension for a lump sum. The rate of exchange is the “commutation factor”. This factor depends on the age at which commutation occurs, decreasing from \$285 per \$1 per fortnight pension at age 55, to \$250 per \$1 per fortnight pension at age 60. The factor decreases further if a pension is paid after reaching age 60, or if a member retires after reaching age 65.

All, or part, of a pension may be commuted and the commutation does not in any way affect the spouse pension that would otherwise be payable in the event of your death.

The election options available are as follows:

(a) If you are a pensioner under age 55 (e.g. in receipt of either an invalidity, retrenchment, or spouse pension) you have two opportunities to commute all, or part of your pension.

The first is on reaching age 55 and you may specify an effective date of the commutation between your 55th birthday and 13 months after that birthday. Elections can be lodged during the 12 month period commencing 6 months before your 55th birthday.

The second is on reaching age 60, but only if no part of the pension was previously commuted. Elections can be lodged during the 12 months, commencing 6 months before your 60th birthday and may specify a date of effect between that birthday and 13 months later.

(b) If you are a member retiring prior to reaching age 60, you also have two opportunities to commute all, or part, of your pension.

The first is on retirement and the second is on reaching age 60 but, again, only if no part of the pension was previously commuted. Elections to take up the first option can be made any time between the age of 54 years and 6 months, and 6 months after retirement, and take effect up to 13 months after retirement. Elections cease to have effect, however, if you do not retire within 12 months after reaching age 55 (if the election is made before age 55) or within 12 months after making the election (if the election is made after reaching age 55).

(c) If you retire after reaching age 60, you have one opportunity only to commute all, or part of, your pension. The election may be lodged up to 12 months before retirement and may take effect up to 13 months after retirement.

Special age provisions

Members 65 or over

At any time after reaching age 65, you have the option of terminating your active membership of the Scheme and can be paid all, or some, of your total benefit and leave any balance in the Scheme as a deferred benefit. Your employer would then be required to make Superannuation Guarantee contributions to the Accumulation Scheme up until the time you reach age 70, or terminate employment, whichever is sooner.

Commonwealth legislation also specifies that members aged 65 or over must be paid their total benefits, if they are gainfully employed for less than 240 hours in a previous financial year. Members aged 65 or over (whether active members, or members with deferred benefits) are therefore contacted annually to confirm in writing whether they meet this requirement. If you do not meet this requirement, the Scheme is required to pay your benefit to you.

Members reaching age 70 or over

Commonwealth legislation requires that active membership of the Scheme terminates on reaching age 70. You then may have the option of leaving your benefits in the Scheme under the conditions described immediately below:

- If you are aged 70 to 74, you must be paid your total benefits if you are not gainfully employed for at least 240 hours in the previous financial year.
- If on 30 June 2004 you had reached age 75, and have not, since 1 July 2004, continued to be gainfully employed for at least 30 hours a week you must be paid your benefit.
- If you reached age 75 on, or after, 1 July 2004, you must be paid your benefit regardless of your employment status.

Debts to the Scheme

Many members may still owe some contributions when they cease employment due to normal age retirement, invalidity, or death in service. In the case of normal age retirement, this debt could be due to one, or more, of the following:

- The outstanding balance on Installment Rate Units;
- The cost of any new units picked up at retirement;

* See Glossary on page 36-37 for definitions

Benefits

- The cost of any previously abandoned units.

In the case of an invalidity, or death in service, the debt could be due to one, or more, of the following:

- The member being able to contribute for new units offered upon medical retirement;
- The member may have arrears of contributions arising from a period of sick leave without pay prior to their actual retirement;
- The outstanding balance on Installment Rate units

The member may choose from the following options as payment towards their outstanding contributions:

- A lump sum payment from the member;
- Payment from their Basic Benefit entitlement (where they are entitled to receive it);
- A Reserve Unit refund;
- Part of the Commuted Lump Sum amount applied against the debt;
- Arrears of pension;
- Payment by Instalments in certain circumstances (i.e. hardship); and
- A combination of the above.

Note: In the case of an invalidity pension, or death in service, for any new units accepted, only one contribution period's payment needs to be made. Previously abandoned units may not be regained.





Fees and other costs

This section shows fees and other costs that you may be charged. These fees and other costs may be deducted from your account, from the returns on your investment, or from the Scheme assets as a whole. Taxes and insurance costs are set out in another part of this document. You should read all the information about fees and other costs because it is important to understand their impact on your investment.

Did you know?

Studies show that small differences in both investment performance and fees and other costs can have a substantial impact on your long-term returns.

For example, total annual fees and other costs of 2% of your Scheme balance, rather than 1%, could reduce your final return by up to 20% over a 30 year period (e.g. reduce it from \$50,000 to \$40,000).

You should consider whether features - for example, superior investment performance, provision of better member services, or ethical and social considerations¹ - justify higher fees and other costs.

To find out more

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investment Commission (ASIC) website (www.fido.asic.gov.au) has a superannuation calculator to help you check out different fee options. Alternatively, phone 1300 300 630 for more information.

¹ See pages 23 for further information.

Fees and other costs

Current fees and other costs

This table shows fees and other costs that you may be charged

Type of fee or cost	Amount	How and when
Fees when your money moves in or out of the Scheme		
Establishment fee: This is the fee to open your initial investment.	Nil	N/A
Contribution fee: This is the fee for the initial and every subsequent contribution amount you, or your employer, make to your investment.	Nil	N/A
Withdrawal fee: This is the fee on each amount you take out of your investment (including any installment payments and your final payment).	Nil	N/A
Termination fee: This is the fee to close your investment.	Nil	N/A
Management costs: These fees and costs for managing your investment		
Administration costs: The fees and costs for operating the Scheme. They include administration and other fees incurred by Fund Trustee; and distribution costs and other expenses ¹ the incurred in operating the Fund.	Nil	N/A
Indirect costs:		
<p>Investment costs: These are the fees and costs for investing the assets. They include fees paid to external investment managers, investment consulting fees, custodian costs and related professional fees such as legal fees, specialised audit fees, transaction costs² and the like (excluding abnormal expenses³)</p> <p>Expense recovery fee: An amount for reimbursement for This is a reimbursement for certain other costs associated with operating the Scheme such as fees payable to other external advisers, lawyers, accountants, and actuaries; and other expense reimbursement, such as postage and production of documents and statements</p>	<p>For a contributory member, a current maximum of 0.55% p.a. or \$5.50 per \$1,000 of assets invested per annum in any of the investment strategies. If you have a Basic Benefit accumulation account you will also be charged a current maximum of 0.85% p.a. or \$8.50 per \$1,000 of assets invested per annum in any of the investment strategies. For a deferred member, a current maximum of 1.5% p.a. or \$15.00 \$1,000 of assets invested per annum per in any of the investment strategies.</p> <p>Only applicable where a member eventually receives a withdrawal lump sum payment, otherwise fees are zero</p>	<p>These fees are calculated on the average value of assets at market value and deducted daily prior to investment returns being declared and credited to members' accounts.</p>
Service fees⁴		
Adviser service fee: This is the fee for extra advice from your adviser about your investment. Other parties may receive payments in relation to financial planners selling this product.	Nil	N/A

1 No other expenses are included.

2 Transaction costs, such as brokerage, government taxes, duties and levies, bank charges and account transaction charges are paid from the investment strategy and form a part of the investment costs.

3 See page 17 for further information regarding abnormal expenses.

4 See the important 'Additional explanation of fees and costs' on the next page for further details on fees, including special request fees and other costs.



Fees and other costs



Additional explanation of fees and costs

Performance fees

The Trustee has entered into performance fee arrangements with certain investment managers. As at the date of this PDS, those managers are Deutsche Asset Management, Marvin & Palmer Associates, Aberdeen Asset Management, and Hawkesbridge. The performance fees form part of the management costs section of the table set out on page 17.

Deutsche is entitled to a performance fee when their performance is in excess of 1.5% of the S&P/ASX 200 Accumulation Index. The performance fee is calculated from the difference between Deutsche's performance (before the deduction of the normal management fee) and that of the S&P/ASX 200. The performance fee, which is 20% of calculated excess performance, is calculated and accrued daily and paid annually as at 30 June (when excess performance is achieved) upon receipt of an appropriate invoice. Under-performance will be carried forward and taken into account in the calculation of the performance fee in future periods.

Aberdeen Asset Management is entitled to a performance fee when their performance is in excess of 3% of the S&P/ASX 200 Accumulation Index. The performance fee is calculated from the difference between Aberdeen's performance (before the deduction of the normal management fee) and that of the S&P/ASX 200. The performance fee, which is 25% of calculated excess performance, is calculated and paid quarterly (when excess performance is achieved) upon receipt of an appropriate invoice. Under-performance will be carried forward and taken into account in the calculation of the performance fee in future periods.

Marvin & Palmer Associates are entitled to a performance fee when their performance is in excess of 2.5% of the MSCI World Index ex Australia. The performance fee is calculated from the difference between Marvin & Palmer's performance (before the deduction of the normal management fee) and that of the MSCI World Index ex Australia. The performance fee, which is 12% of calculated excess performance, is determined and paid annually (subject to a maximum performance fee of 0.45%). Under-performance will be carried forward and taken into account in the calculation of the performance fee in future periods.

Hawkesbridge are entitled to performance fees for two different investments. In respect of the Regional Development Trust, Hawkesbridge are entitled to a performance fee where the distributions exceed committed capital and an internal rate of return before tax of 10%. The performance fee is calculated as 20% of the distributions excess over the committed capital and an internal rate of return before tax of 10% and is calculated and paid on declaration of a distribution. In respect of the LG Secondaries Trust, Hawkesbridge are entitled to a performance fee where the profit on realisation of part or all of the investment exceeds CPI plus 10%. The performance fee is calculated as 25% of the realisation excess over CPI plus 10% and is calculated and paid on realisation of part or all of the investment.

Payments to Authorised Representatives

Authorised Representatives of FuturePlus receive remuneration by means of salary only. In providing their services, they do not receive any additional commission or bonus. Authorised Representatives may, however, receive a non-monetary incentive up to the value of approximately \$1,000 per annum for attaining client service targets.

Information on abnormal expenses

The management costs set out in this PDS do not incorporate an allowance for abnormal expenses (if any) to which the Trustee is entitled to be reimbursed from the Scheme. As at the date of this PDS, we do not anticipate any abnormal expenses to become payable.

Request for Family Law information fee

This fee is for the provision of information about a member's account relevant to a Family Law split. The fee for a contributory member is \$275 while the fee for a deferred member is \$110. The fee is inclusive of GST. The fee is payable by the person requesting the information. The payment should be in the form of a cheque, or money order, made payable to the Scheme.

Benefit split fee

This is a fee associated with a family law court split. The fee is \$88 and is generally payable by the member and non-member spouse in equal parts (\$44 each). The

Fees and other costs

member pays their share and the non-member's spouse's share is deducted from the non-member's spouse's splittable payment prior to transfer of the payment out of the Scheme.

Basis of fee calculation

Management costs and additional service fees are calculated on a cost recovery basis. Investment fees are determined and reviewed annually by the Trustee. The Trustee will give you appropriate notice (a minimum of 30 days) if fees and other costs are increased.

Contributory members – Note, these are only applicable where they eventually receive a withdrawal lump sum payment, otherwise fees are zero

Contributory members		
Strategy	Investment fee for the contributor financed component	Investment fee for the accumulation component for the Basic Benefit
Trustee selection	0.52%	0.85%

Deferred members – only applicable where they eventually receive a withdrawal lump sum payment, otherwise fees are zero

Deferred members	
Strategy	Investment fee
Trustee selection	1.395%

Investment costs

The Trustee has decided to establish a maximum fee limit that the Scheme may charge for contributory and deferred members. Please note that this is only a maximum and the actual fees charged will be lower, based on costs actually incurred. The actual level of fees charged will be disclosed in your member statement and in the Scheme's Annual Report and will also be available on the Scheme's website www.lgsuper.com.au and from Member Services. The actual investment fees set as at 3 October 2005 were as follows:

Member protection

If your account balance is less than \$1,000 and you otherwise meet the member protection requirements, the Trustee must ensure that any fees and other costs deducted from your account do not exceed the investment return on your account in any financial year.

This means that your account balance cannot reduce because of management costs (insurance and taxes



excluded). However, in times where investment earnings are poor or negative, superannuation law provides the Trustee with the discretion to charge a nominal management fee of no more than an amount equal to the investment return plus \$10, subject to certain pre-requisites met by the Trustee.

Tax costs

Information in relation to taxation and your investment in the Scheme is set out on page 31 of this document.

Management costs

Indirect management costs (maximum 0.55% for the contributor-financed benefit and 0.85% for the accumulation component of the Basic Benefit for contributory members and 1.5% for deferred members) are incorporated using an Indirect Cost Ratio, which shows administration and investment costs deducted from the net assets for the Scheme. Transaction costs are not included.

These fees are only applicable where a member eventually receives a withdrawal lump sum payment, otherwise fees are zero.

Additional service fees (in relation to Family Law matters) are not included.

The extent to which ethical and social considerations are taken into account by the Scheme are described on page 23 of the PDS.



Fees and other costs

How it works

The tables below use the Trustee Selection investment strategy as a guide to the general cost of the Scheme.

Example – Contributory member with no Basic Benefit accumulation component who eventually receives a withdrawal lump sum payment. **Trustee Selection investment strategy** – balance of \$50,000 with contributions of \$5,000 during the year.

Type of fee or cost	Amount	How and when
Contribution fees	Nil	For every \$5,000, or any amount you put in, you will not be charged any contribution fees.
PLUS management costs comprising of: Administration Plus Investment cost Plus Expense recovery fees	Nil + 0.55%	For every \$50,000 you have in your account balance you will be charged costs to a maximum of \$275.00 each year.
Equals Cost of Scheme		If you put in \$5,000 during a year and your balance at the end of the year is \$50,000, then for that year you will be charged a TOTAL fee of \$275.00 p.a. What it actually costs you will depend on the investment strategy option you choose.

Example – Contributory member with a Basic Benefit accumulation component who eventually receives a withdrawal lump sum payment. **Trustee Selection investment strategy** – balance of \$50,000 with contributions of \$5,000 during the year (assumes a \$10,000 Basic Benefit accumulation component as part of the \$50,000 total benefit).

Type of fee or cost	Amount	How and when
Contribution fees	Nil	For every \$5,000, or any amount you put in, you will not be charged any contribution fees.
PLUS management costs comprising of: Administration Plus Investment cost Plus Expense recovery fees	Contributory component Nil + 0.55% Accumulation Basic Benefit component. Nil + 0.85%	For every \$50,000 you have in your account balance you will be charged costs to a maximum of \$305.00 each year.
Equals Cost of Scheme		If you put in \$5,000 during a year and your balance at the end of the year is \$50,000, then for that year you will be charged a TOTAL fee of \$305.00 p.a. What it actually costs you will depend on the investment strategy option you choose.

Example – Deferred member with no Basic Benefit accumulation component who eventually receives a withdrawal lump sum payment. **Trustee Selection investment strategy** – balance of \$50,000 with no contributions during the year.

Type of fee or cost	Amount	How and when
Contribution fees	Nil	Nil
PLUS management costs comprising of: Administration Plus Investment cost Plus Expense recovery fees	Nil + 1.5%	For every \$50,000 you have in your account balance you will be charged costs to a maximum of \$750.00 each year.
Equals Cost of Scheme		If your balance at the end of the year is \$50,000, then for that year you will be charged a TOTAL fee of \$750.00 p.a. What it actually costs you will depend on the investment strategy option you choose.

→ Fees and other costs

Increases or alterations to fees and other costs

All fees and other costs (including types not currently charged) may be varied by the Trustee by giving at least one month's written notice to members.

Charges paid to managed investment schemes

The Scheme invests primarily through the Local Investment Fund (LIF), which is a wholesale investment trust.

The Trustee of LIF is a wholly owned subsidiary of the Trustee of LGSS. Investment management fees and other charges incurred by LIF may be paid by the Trustee of LGSS out of LGSS assets.

These investment management fees are determined and reviewed annually by the Trustee.

The investment fee quoted in this PDS includes the LIF fees and the investment fees of the underlying investment managers.

The fees paid to LIF and other managed investment schemes affect the investment return on each investment strategy in LGSS, but they are deducted prior to the investment return for the strategy being declared and not from your individual account. All investment returns quoted for the investment strategy in the Scheme are net of these fees.

The Trustee undertakes that it will not deal with LIF more favourably than it would deal with any other independent service provider. Please see page 23 for further details about LIF.



Operational information



Complaints resolution

We hope that you will always receive satisfactory service from the Scheme and that all your enquiries will be promptly attended to.

However, if you are dissatisfied with the service you are receiving, or a decision which affects you, we encourage you to lodge a formal complaint.

The Trustee prefers that complaints are made in writing. Complaints should be made to:

Complaints Resolution Officer

Local Government Superannuation Scheme
Level 12, Local Government House
28 Margaret Street
Sydney NSW 2000

Tel: 1300 369 901

Fax: (02) 9299 3722

The Complaints Resolution Officer, who maintains a register of all complaints and actions, will ensure that your complaint is considered and provide you with a response as soon as possible.

If you are not satisfied with the response, or your complaint has not been resolved within 90 days of you making a complaint, you have the option of referring your complaint to the Superannuation Complaints Tribunal.

The Tribunal has been established by the Federal Government for the purpose of providing totally independent input into disputes which may arise between superannuation funds and their members, former members or beneficiaries.

The Tribunal can only consider matters which impact on a member personally, and not in respect of the overall management of the Scheme.

You can only make a complaint to the Tribunal if you have first been through the Scheme's internal complaints procedure outlined previously. In exercising its powers, the Tribunal cannot alter, or ignore, the provisions of the Scheme's Trust Deed.

All complaints to the Tribunal must be made in writing and at your own expense. The staff at the Tribunal will attempt to resolve the matter by conciliation, which involves assisting you and the Scheme to come to a mutual agreement. If no agreement is reached by conciliation, the Tribunal will determine the matter.

The contact details of the Tribunal are:

The Chairman
Superannuation Complaints Tribunal
Locked Bag 3060,
GPO Melbourne Vic 3001

Tel: **1300 884 114**

Regular reports on your investments

You will receive the following regular reports:

Member statements

These are issued annually (for the twelve month period ending 30 June) and show the current balance of your account and any transactions that have taken place over the period including net investment earnings.

Annual reports

These will provide you with information on the management and financial condition of the Scheme and its investment performance.

How we manage your money

Diversification

The investment pool is allocated to a range of investment managers. This is to ensure diversification of both investments and investment managers. Investment managers and/or their weightings are changed at appropriate times.

Sustainable investing

The Trustee believes that it is not only important to maximise investment returns, but also to invest in a way that favours companies/projects that show a commitment to our community and the environment. A few specific initiatives illustrate this:

Property Holdings

The Trustee has adopted an environmental policy, which, in part, is designed to increase energy and water efficiencies across those properties we directly own. Additionally, the policy encompasses waste reduction and recycling, indoor air quality, improving operations and maintenance, materials and resources, OH&S and environmental risk management.

Socially Responsible Overlay

Our Australian equity managers invest in a range of companies, which may operate in areas such as gambling, uranium mining, logging of old forests and the like, or have a poor environmental record. We run a separate portfolio that sells the shares we hold in these areas and purchases alternative shares in companies that have good social/environment records. While we have only operated the overlay for a short time, it has performed reasonably well. However, more importantly, it ensures that your superannuation money is invested in industries that enhance the social/environmental profile, without affecting returns. With regard to International Equities, running an overlay product is not feasible, so some stocks are specifically excluded from the portfolio.

Regional Development and Private Equity Trust

The Regional Development Trust (RDPET) was set up to provide finance to companies that operate in rural NSW. Many of these are start up, or management buy out companies. The Scheme's investment in the RDPET is a relatively small one and the nature of these investments often take a number of years to materialise.

Investment managers

Local Government Superannuation Scheme (LGSS)									
Local Investment Fund (LIF)							Other assets		
Aust Equities	Int Equities	Listed Property	Aust fixed Income	Int Linked Securities	Int Fixed Income	Cash	Private Enquiry	Property Fund	Hedge Funds
ABN Amro	The Boston Company	SSgA	FuturePlus	FuturePlus	PIMCO	FuturePlus	Hawkesbridge	FuturePlus	Chifley Financial Services
Aberdeen	AQR				Loomis Sayles				
Concord Capital	Wellington								
Deutsche	Alliance Berstein								
Perrenial	Marvin and Palmer								
Orion	LSV								
BT Financial Group	The Boston Company								

Investment strategy and objectives in detail

To achieve the investment objectives for contributory and deferred members of the Scheme, the Trustee has adopted as relevant and practicable, for the time being, the following investment strategy:

- the assets will be diversified across a range of asset sectors or sub-sectors;
- the assets will be invested across the asset sectors, or sub-sectors in predetermined proportions that are expected in the longer term to meet the investment objectives;
- professional investment managers will be used to invest the assets; and
- within each asset sector, where feasible, a complementary blend of managers will be used to diversify style and manager risk.

Trustee Selection

For high growth above inflation over the longer term

Definition

The Scheme generally invests approximately 80% of its assets in traditional growth assets, such as Australian and International Equities and Property. This combination aims to earn high real growth above inflation over a minimum period of 5 years. Because the emphasis is on growth, there may be some short-term volatility in this selection. In other words, the value of the investment may fluctuate over the short-term.

Objective

5% investment return per annum above inflation over five years.

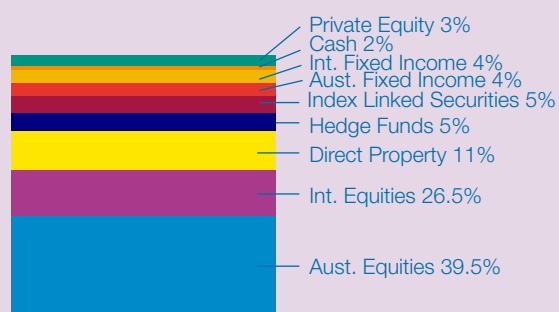
Risks

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

Risk profile

High/Medium.

Asset allocation



Investment managers and advisors in detail

Aberdeen Asset Management

Aberdeen Asset Management Limited (Aberdeen) is a wholly-owned, Australian-based subsidiary of Aberdeen Asset Management PLC. The Aberdeen Group manages funds in excess of A\$80bn (as at 31 December 2005) for a range of clients, including individuals and institutions, through mutual and segregated funds. The Group has offices in the UK, US, Europe, Singapore, Hong Kong and Australia.

In Australia, Aberdeen currently has over A\$5bn (as at 31 December 2005) in assets under management. Aberdeen's exclusive focus is funds management. Aberdeen manage a portion of the Scheme's Australian Equities.

ABN Amro Asset Management

ABN AMRO Asset Management (Australia) Limited is a subsidiary of ABN AMRO Holding NV which is a publicly listed company. ABN AMRO Holding NV is among the 20 largest financial institutions in the world and is the 10th largest financial institution in Europe. ABN AMRO Asset Management is a global asset manager headquartered in Amsterdam and represented in 30 countries around the world. It has a history of managing funds since 1933 and is one of the world's leading asset managers with A\$283 billion assets under management worldwide (as at 31 December 2005).

Domestically, ABN AMRO Asset Management established its business in 1996. The Australian business has total assets under management of A\$4.2 billion which includes A\$2.2 billion of Australian equities (as at 31 December 2005). The ABN AMRO Asset Management approach to Australian equity investing is based on the belief that superior long-term equity performance is driven by above-average, sustainable earnings growth.

ABN AMRO Asset Management have a mandate to actively manage a portion of the Scheme's Australian equities.

Alliance Bernstein

Alliance Bernstein was founded in 1962 as the investment management arm of the US research boutique firm Donaldson, Lufkin & Jenrette. Alliance Bernstein provides investment management services to both institutional and individual investors through products that cover the full spectrum of risk/return choices. The business is supported by over 4,100 employees worldwide, including 580 investment professionals and has offices in 37 cities across 19 countries. In 2001, Alliance Bernstein established a joint venture with AXA Asia Pacific Holdings, creating Alliance Bernstein Management Australia Limited. The local operations manage over \$3 billion for Australian institutions (as at 31 December 2005).

Alliance Bernstein manage an international equities portfolio for the Scheme. Alliance Bernstein believes that research is the ultimate source of superior investment



returns. They employ bottom-up stock selection to deliver meaningful returns over time. Alliance's research team looks to identify trends in global markets and select the fastest growing industry sectors and stocks that will produce superior returns.

AQR

AQR Capital Management, LLC is an independently owned investment management firm employing a disciplined multi-asset, global research process. (AQR stands for Applied Quantitative Research). AQR manages assets for some of the largest institutional investors from the United States, Europe and Asia. AQR manages over A\$15 billion (as at 31 December 2004) across its series of investment products. The Company is based in Greenwich, Connecticut.

AQR actively manages an international equity mandate for the Scheme.

BT Financial Group

BT Financial Group currently has funds under management of A\$44 billion and manages \$3.6 billion in Australian equities (as at 31 December 2004). BT manage an Australian equities mandate for the Scheme using their active core investment style.

BT believe investment markets are not always rational or efficient and that these inefficiencies can result in periods where markets and securities are mispriced. Their Australian equity portfolios are manufactured by our in-house experts using their core investment style. Core means that BT are style indifferent, investing in both value and growth companies, without a predetermined value or growth bias. In-depth fundamental research drives stock selection decisions and is supported by a range of sophisticated quantitative tools.

Investment managers and advisors in detail

Chifley Financial Services

Chifley Financial Services was established over 10 years ago by Unions NSW. The trustees of the Local Government Superannuation Scheme and the Energy Industries Superannuation Scheme and Unions NSW (formerly known as the Labor Council of NSW) each own one third of Chifley.

Chifley manage and operate the Chifley Investment Fund (ChIF), which is a registered managed investment scheme that offers investors access to a variety of major asset sectors. The Scheme invests in the ChIF Absolute Return strategy for its hedge fund exposure. This strategy is a “fund of funds” style hedge fund. Chifley employs a rigorous investment manager selection process that compares manager styles, processes and performance histories to construct a blend of best of breed managers. Chifley continuously monitors the investment managers with formal reviews, to ensure that they are performing to investment expectations, and that they are managing their asset investment allocation according to the agreed investment style and process.

Concord Capital

Concord Capital, located in Sydney, was established in September 1997 as Lend Lease Active, and in July 2000 became an independent investment management house. Ownership of the business is shared equally by the 6 founding members, who have over 90 years of investment experience between them. Previously the team worked together as the Active Australian Equities team at Lend Lease Investment Management.

Concord Capital has funds under management exceeding A\$4 billion (as at 31 December 2004). Concord Capital actively manages an Australian equity mandate for the Scheme.

Deutsche Asset Management

Deutsche Asset Management is a key business unit of Deutsche Bank AG, one of the world’s strongest financial institutions. They are one of the world’s largest fund managers, with clients based in more than 60 countries. Globally, Deutsche Asset Management is responsible for managing more than A\$900 billion on behalf of institutional and retail clients, as well as private investors.

In Australia, Deutsche Asset Management is one of only a few truly global fund managers with a strong local presence. They manage over \$29 billion (as at 31 December 2004) on behalf of Australian based clients.

The Scheme utilise Deutsche’s asset management capabilities in Australian equities.

FuturePlus Financial Services

The Company was incorporated in January 1997 and is

jointly owned by the Local Government Superannuation Scheme and the Energy Industries Superannuation Scheme.

The Scheme makes use of the internal investment management services FuturePlus offer, and uses FuturePlus to manage a portion of the Australian fixed-interest portfolio, cash portfolio, direct property portfolio, as well as any overlays and rebalance activities.

Hawkesbridge Private Equity

Hawkesbridge Private Equity was founded in 2001 and is a wholesale private equity funds manager. Their investment process has been developed to identify attractive investment opportunities that are not widely available in the market. Hawkesbridge Private Equity has been appointed to manage the Regional Development and Private Equity Trust (RDPET) on behalf of the Scheme.

Loomis, Sayles & Company

Loomis, Sayles & Company, L.P. is a wholly-owned subsidiary of CDC IXIS Asset Management. They manage an international fixed-interest mandate for the Scheme.

Loomis Sayles, a Boston based company, has served the investment needs of institutional, high net worth and mutual fund clients for more than 75 years. Loomis Sayles manages more than A\$80 billion (as at 31 December 2004) in equity and fixed income assets.

LSV Asset Management

Formed in 1994, LSV Asset Management (LSV) was established to provide domestic, international and global value equity investment management services for institutional investors, utilising the application of its proprietary quantitative models. The LSV research and investment team have developed these models through years of research into a variety of investing anomalies, value and contrarian investment theories and investor behavior tendencies. LSV’s roots are in academia and research in Behavioral Finance, which form the core of their investment philosophy. LSV has been chosen by the Scheme to manage a portion of International Equities.

The fundamental premise on which LSV’s investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. LSV uses quantitative techniques to select individual securities in a bottom-up approach, selecting undervalued stocks within recent indicators of improvement in market sentiment. A risk control discipline limits the over- or under-exposure of the portfolio to industry concentrations and limits the exposure to individual names. Value factors and security selection dominate sector/industry factors as explanators

Investment managers and advisors in detail

of performance. The competitive strength of this strategy is that it avoids introducing to the process any judgmental biases and behavioural weaknesses that often influence investment decisions. LSV's approach to investing is best described as a "contrarian value approach."

Marvin & Palmer Associates

Founded in 1986, Marvin & Palmer Associates is an independent, principally employee-owned investment management firm that specialises in global equity management for institutional clients. Based in Wilmington, Delaware, in the US, Marvin & Palmer Associates has over A\$11 billion (as at 31 December 2004) under management.

Marvin & Palmer Associates combines a top-down approach with bottom-up fundamental research in the construction of portfolios, and invests in high-quality, large-cap, growth stocks. Marvin & Palmer Associates' approach focuses firstly on region, country, currency and sector analysis, followed by a review of individual companies. The decision-making process is based on a combination of relative price strength screening and fundamental analysis.

Marvin & Palmer Associates have a mandate to actively manage a portion of the Scheme's international equities.

Orion Asset Management

Orion is a specialist Australian Equities funds manager, with over \$2.3 billion of assets under management (as at 31 December 2004). Orion was established in late 2002 and is 30% owned by Treasury Group Ltd, a company listed on the Australian Stock Exchange, and 70% by staff. Orion is utilised by the Scheme as an active manager of Australian equities.

Orion's investment philosophy is based upon the belief that markets are inefficient, and that the true value of individual stocks is often not reflected in the market on any particular day. They also believe that companies' earnings growth prospects are often mis-priced by the market and that a strong disciplined research process can identify these anomalies. Orion's investment style is a bottom up approach and they are strongly research driven and use technology intensively to identify ideas.

Perennial Investment Partners

Perennial Investment Partners is a leading boutique investment management firm offering wholesale investment services to individuals, superannuation funds, companies and institutions. Perennial's largest shareholder is IOOF Investment Management Limited, which is part of the IOOF Group. This enables Perennial to offer the advantages of a specialist firm whilst providing the security of one of Australia's oldest funds managers. Perennial

manages over \$17 billion (as at 31 December 2005) in Australian equities.

Perennial is one of the Scheme's active Australian equities managers.

PIMCO

Pacific Investment Management Company LLC ("PIMCO") is a specialist investment management firm established in 1971. Its sole business has been fixed-interest (bond) management and PIMCO now manages over A\$370 billion (as at 31 December 2004) in fixed-interest assets worldwide, which ranks it as one of the world's largest specialist fixed-interest managers.

In Australia, PIMCO manages over A\$12 billion in fixed-interest securities on behalf of a range of clients. PIMCO manages an international fixed-interest portfolio for the Scheme.

PIMCO's investment approach emphasises active management, wide diversification and conservative risk-taking as the key factors in generating consistent returns. Its objective is to maximise total return while moderating volatility in client portfolios. PIMCO believes this low volatility out performance is an objective best achieved through wide diversification across bond market sectors, issuers, industries and countries within global markets. In implementing this process, PIMCO concentrates on top-down economic research to identify those factors likely to affect the levels of worldwide interest rates, and bottom-up credit analysis of individual bonds and issuers to identify the best values within and between sectors.

State Street Global Advisors

State Street Global Advisors (SSgA) is the investment management arm of State Street Corporation, one of the largest money managers in the world. In Australia, SSgA manages funds exceeding A\$54 billion (as at 31 December 2005).

SSgA has been providing investment management services in global markets for over 20 years. In Australia, SSgA also offer a wide range of investment services. The Local Government Superannuation Scheme utilises SSgA's listed property management capabilities.

The Boston Company Asset Management

The Boston Company Asset Management is part of the Mellon Financial Corporation. Founded in 1869, Mellon Financial Corporation today is a global financial services company headquartered in Pittsburgh, Pennsylvania, and has over A\$900 billion (as at 31 December 2005) in assets under management.





Investment managers and advisors in detail

The Boston Company Asset Management (formerly Standish Mellon Asset Management) has over A\$60 billion in assets under management, of which \$6 billion (as at 31 December 2005) is for Australian clients. They offer a bottom-up approach to stock selection, which focuses on fundamental research in a process-driven environment.

The Boston Company Asset Management is employed by the Scheme as an active manager of international equities.

Wellington Management Company

Wellington Management Company LLP, is one of America's oldest and largest independent investment management firms. The firm is owned by 80 partners who are all active in the firm. The history of the company can be traced to the 1928 formation of America's first balanced mutual fund. In September 1996, Wellington Management became a limited liability company and established its presence in the funds management industry within Australia. It has over \$600 billion in assets under management (as at 31 December 2004).

Wellington is employed by the Scheme as an active manager of international equities. Wellington utilises an approach designed to add value through fundamental, or bottom-up, security analysis. The focus is on stock selection within industries; industry weights are kept similar to those of the MSCI World Index. Country weights are a result of the security selection process.

Frank Russell

The Scheme employs Frank Russell to provide guidance to the Trustee in selecting appropriate investment managers for the Scheme's assets.

Frank Russell has a long and distinguished tradition of service as a trusted consultant to some of the world's largest superannuation funds. Providing independent advice on all aspects of investment management, today Russell consultants guide the investments of more than A\$3 trillion, serving over 250 clients in more than 35 countries.

Preservation

Under preservation rules imposed by the Federal Government, your benefit will consist of one or more of the following three components listed below. Your annual member statement will set out the preservation components of your benefit.

Preserved component

This is the amount of your benefit that cannot be cashed unless you meet a condition of release. See 'When are preserved benefits payable?' below.

From 1 July 1999, superannuation contributions of every kind and benefits arising from those contributions, including all Scheme earnings, must be preserved. This means they cannot be withdrawn from the superannuation environment unless a condition of release is met. Under these rules, the Scheme has calculated the amount that you would have been able to take in cash at 1 July 1999 if you had been retrenched on that day. This amount will remain the maximum amount that you will be able to take in cash on Scheme exit, unless you meet a condition of release. This maximum cashable amount is not indexed for investment earnings.

At exit, your benefit will be calculated under the Scheme rules. If your benefit is greater than the maximum cashable amount, the balance will be preserved in the Scheme and attract investment earnings. If your benefit is less than the maximum cashable amount, you will be able to cash the whole of your benefit. (Note: The maximum cashable amount is not a benefit guarantee, or a new entitlement, it is a notionally calculated amount used only for the purpose of applying the rules to the cashing of benefits).

Restricted non-preserved

Cashable on Scheme exit

This component of your benefit can only be withdrawn when you cease employment with an employer who has contributed to the Scheme.

Your restricted non-preserved benefit is the amount (if any) that you would have been able to withdraw if you had left the Scheme on 1 July 1999.

Over time your restricted non-preserved benefit stays at the same dollar value except for any restricted non-preserved benefit rolled over from another scheme. While it will continue to accumulate investment earnings, the earnings will be preserved.

This amount, plus any unrestricted non-preserved amount, will remain the maximum amount that you will be able to take on leaving the Scheme.



Unrestricted non-preserved

Cashable at any time

This is the amount of your benefits that you can withdraw at any time.

The Trustee also keeps a record of the amount (if any) that you would have been able to withdraw without any restrictions at 1 July 1999, in accordance with the preservation rules.

This amount will only exist when you meet a condition of withdrawal, or have rolled over an unrestricted non-preserved benefit from another scheme

When are preserved benefits payable?

You will be able to take your total preserved benefit when you meet a condition of release (i.e. all your benefit becomes unrestricted non-preserved):

- on permanent retirement from the workforce at, or after the 'preservation age', which is 55 years for people born prior to 1 July 1960, and increases in yearly steps to age 60 for those born after 30 June 1964;
- on leaving employment on, or after, age 60;
- on reaching age 65, regardless of whether you are still working;
- on total and permanent disability (TPD)¹;
- on the grounds of severe financial hardship and Centrelink certifies that you have received income support for a cumulative period of 39 weeks after reaching your preservation age, and you are not gainfully employed at the time of the application; or

¹ This means where the Trustee is reasonably satisfied that you are unlikely, because of injury or ill health, ever again to be employed in a capacity for which you are reasonably qualified by education, training or experience.



Preservation



- on death.

You may be eligible to cash all, or part, of your benefit:

- on the grounds of severe financial hardship, where the Trustee is satisfied that you are unable to meet reasonable and immediate family living expenses, and Centrelink certifies that you have received income support for a continuous period of 26 weeks and are still receiving those payments; or
- on compassionate grounds on written approval from the Australian Prudential Regulation Authority (APRA) for payment of a specified amount.

When benefits must be taken

On reaching age 70, no further Scheme benefits can accrue. Further, your Scheme entitlements must be paid:

- if you are aged between 65-74, Effective from 1 July 2004 you must be paid your Scheme entitlements if you have not worked at least 240 hours in the preceding financial year (commencing at the end of the 2004/05 year); or
- if you are aged 75, or over, on 1 July 2004 and have not continued to work at least 30 hours per week since 1 July 2004; or
- if you reach age 75 after 30 June 2004; or
- you die.

Taxation

Taxation matters as of the date of the PDS are briefly discussed below. However, they are complicated and we strongly recommend you seek specific tax advice from a suitably qualified professional.

Tax File Number

Under superannuation law, the Trustee must request that you supply your Tax File Number (TFN) for superannuation purposes. Collection of your TFN by the Trustee is authorised by tax laws, the Superannuation Industry (Supervision) Act 1993 (SIS) and the Privacy Act 1988.

Reasons for supplying your TFN to the Trustee

Completing this form and providing your TFN to the Trustee will allow it to be used for lawful purposes contained in SIS and for paying out benefits from the Scheme.

The purposes currently authorised include:

- having benefits which are paid from the Scheme taxed at concessional rates;
- finding and amalgamating (at your request) within the Scheme your superannuation benefits from other funds, or RSA providers, where insufficient information is available to otherwise match your records;
- passing your TFN to the Australian Tax Office with other information for surcharge purposes, or where you receive a benefit, or have unclaimed superannuation money after reaching the aged pension age; and
- allowing the Trustee to provide your TFN to another superannuation fund, or to an RSA provider, receiving any benefits that you may transfer from the Scheme.

The Trustee will not forward your TFN to any other body and your TFN will not be passed to the Trustee of any other fund, or to an RSA provider, if you tell the Trustee in writing that you do not want it to be passed on.

Consequences of not supplying your TFN to the Trustee

You are not compelled to provide your TFN and deciding not to quote your TFN is not an offence. However, if you do not provide your TFN to the Trustee at all:

- you, or the Trustee, may have to pay (and the Trustee may later recoup from you) unnecessary contributions tax (surcharge) for superannuation contributions paid in respect of you (although you/the Trustee may reclaim it via the taxation objections/surcharge assessment process);
- you may pay more tax on your superannuation benefits than you need to (you may reclaim this through the income tax assessment process), and

- the trustee of another fund, or an RSA provider, holding superannuation monies for you now, or in the future, may not be able to locate, or amalgamate your benefits, or be able to identify you in order to pay your benefits to you.

The lawful purposes for which your TFN can be used and the consequences of not quoting your TFN may change in the future as a result of legislative change.

Tax on contributions

As the Trustee is required to pay the taxes referred to below, it deducts these amounts from your individual account balance.

Contribution Tax: A 15% tax is levied on employer contributions made in respect of service after 30 June 1988. This reduction, however, is offset by lower personal taxation payable when you receive your benefit.

Surcharge: A surcharge was levied on tax deductible member contributions and employer contributions where your 'adjusted taxable income' (ATI) exceeded \$99,710 (for 2004/2005). From 1 July 2004, the surcharge commenced at a rate of 0.05851% for those who had an ATI of \$99,711 and rose to a maximum of 12.5% for those with an ATI of \$121,075, or more (for 2004/2005). The surcharge was abolished on 1 July 2005 but you may still have a debt against your account for the period up until this date.

Undeducted Contributions: Tax is not levied on personal contributions which you make and for which you do not claim a tax deduction. These include contributions which your spouse makes for you.

Low Income Spouse Rebate: A contributing spouse is entitled to receive an 18% rebate (called a tax offset) for contributions up to \$3,000 per annum to a superannuation fund, or retirement savings account of a spouse with assessable income (including reportable fringe benefits) below \$10,800 per annum. The maximum rebate of \$540 applies for a contribution of \$3,000 where the spouse is below the income level. Where the spouse's assessable income exceeds \$10,800, the rebate will phase out on a dollar for dollar basis and it is no longer available where the assessable income exceeds \$13,800 per annum.

The ATO will determine eligibility for the rebate. Contact the ATO for more information about this rebate.

Tax on investment earnings

Earnings on investments in the Scheme are taxed. The rates applicable are generally lower than earnings on other forms of savings invested outside of superannuation. The maximum rate of tax is 15%. Franking credits, other taxation credits, taxation deductions and a lower capital



Taxation

gains tax rate on investments held for more than 12 months, may reduce the actual amount of tax payable. The estimated tax payable is taken into account before the investment return is declared for the Scheme.

Tax on lump sum payments

There may be tax payable when you make a lump sum withdrawal. Lump sum withdrawals are treated as an ETP and are subject to different income tax rates, depending on your age, the amount withdrawn and the components withdrawn.

Details of the current tax treatment of the components of a lump sum ETP payment are contained in the table below.

Tax on pension payments

Pension payments are taxed on a Pay-As-You-Go (PAYG) basis. However, part of your pension payments may be tax-free, and you may also be eligible for a 15% tax rebate on part, or all, of the payments.

Your pension payments are assessed as income for income tax purposes. Accordingly, the assessable amount of any payment is subject to income tax and the Scheme will make tax installment deductions on your behalf. Your income tax liability may be reduced as a consequence of the following claims for:

- rebates such as the spouse and/or zone rebate;
- the 15% pension rebate;
- the income tax-free threshold; and
- a deduction for the deductible amount.

The Deductible amount

You pay no tax on the portion of your annual pension payments from the Scheme known as the deductible amount.

In general, personal contributions are tax free when returned to a member as part of a benefit. In the case of a pension these contributions are called the Undeducted Purchase Price (UPP), and no tax is payable on that part of the pension financed by the UPP.

The amount of the UPP is apportioned over the term for which the pension would reasonably be expected to be paid, having regard to the life expectancy of you, or your spouse.

The 15% annual tax rebate (offset)

You may be entitled to an annual tax rebate on part of any benefits you receive as a pension. The rebate is 15% of the total of your annual pension payments less the deductible amount. The method by which your rebate is calculated is shown below:

Rebate Calculator

Amount of Annual Tax Rebate = 15% x (Annual Pension Payment - Deductible Amount).

The rebate applies if you are over 55, or you have retired due to permanent incapacity, or a payment is made following your death.

If you exceed your Reasonable Benefit Limit (RBL), the amount of your annual pension payment which qualifies for the 15% rebate is reduced.

Tax treatments on the components of a lump sum ETP payment

Component	Age less than 55	Age 55 & Over
Undeducted Contributions*	Tax Free	Tax Free
Post-June 1994 Invalidation Component	Tax Free	Tax Free
Concessional Component*	5% is included in your taxable income and taxed at your marginal rate	5% is included in your taxable income and taxed at your marginal rate
Pre 1 July 1983	5% is included in your taxable income and taxed at your marginal rate	5% is included in your taxable income and taxed at your marginal rate
Post 30 June 1983 (untaxed)	Taxed at 30%	First \$129,751 ¹ is 15% and the balance is taxed at 30%
Post 30 June 1983 (taxed)	Taxed at 20%	First \$129,751 ¹ is tax free and the balance is taxed at 15%
Excessive Component	38% on post June 83 taxed element and 47% on the remainder	38% on post June 83 taxed element and 47% on the remainder

The Medicare levy and surcharge may also be payable on some of these amounts.

¹Applicable for 2005/2006 - increased each 1 July in line with movements in Average Weekly Ordinary Time Earnings.

Taxation

Reasonable Benefit Limits (RBL)

The tax treatment in the table below assumes that the amounts payable from various sources do not exceed certain levels, called RBLs. These sources are:

- superannuation funds, including superannuation pensions and allocated pensions;
- approved deposit funds;
- certain annuities; and
- other ETPs.

The amount of your RBL depends on how you receive your benefit. The applicable RBL is set out in the following table.

Type of Benefit	RBL2005/2006 ¹
Lump Sum	\$648,946
Complying Pension ² or Annuity	\$1,297,886

¹These amounts are indexed annually.

²An allocated pension is not a complying pension.

Generally, if you receive benefits which are taken into account for RBL purposes, the lump sum RBL will apply if:

- more than 50% of all such benefits you have taken at any time have been taken as lump sums and/or non-complying pensions/annuities; or
- the amount of all such benefits taken as lump sums and/or non-complying pensions/annuities is more than 50% of the pension RBL (or more than the lump sum RBL if you are less than age 55).

If you were aged 45 or more on 1 July 1994, you may be entitled to a higher RBL than stated previously in this PDS. You should obtain professional advice to determine the method of calculating your RBL.

In any case, we strongly recommend that you discuss your RBL with your financial adviser.

If the ATO has made a final determination that you are in receipt of amounts in excess of your RBL, you must notify the Trustee immediately.

Tax on death benefits

Tax payable on death benefits depends on individual circumstances. We recommend that you seek advice from a suitably qualified professional about how the tax laws apply specifically to you and your spouse, estate and dependants.

Goods and Services Tax (GST)

Your contributions to and withdrawals from the Scheme will not be subject to GST. However, GST will be included

in some charges to the Scheme for management and investment services by the providers of those services. In respect of most of those GST amounts, the Scheme can claim back 75% of the GST incurred as a reduced input tax credit*. Amounts claimed back are credited to the Scheme.

Will your social security benefits be affected?

Social security benefits depend on individual circumstances. You should seek advice from a suitably qualified professional about how your individual account and benefits in the Scheme will affect your social security benefits, or those of your spouse or dependants who may receive a benefit or pension after your death.

* See Glossary on page 36-37 for definitions



General provisions

What is an Eligible Termination Payment?

An Eligible Termination Payment (ETP) is a payment made when an individual retires, is retrenched, or changes jobs and may include:

- lump sum payments received from a superannuation fund;
- most payments received from an approved deposit fund;
- invalidity payments from a superannuation fund;
- bona-fide redundancy payments that are in excess of the amount of \$6,491 plus \$3,246 for each whole year of service (this is the amount for 2005/2006). It is indexed annually for movements in the average weekly ordinary time earnings (AWOTE);
- golden handshakes from your employer;
- compensation for loss of office, or employment;
- certain contractual termination payments; and
- other payments received in consequence of leaving service (excluding annual and long service leave).

Family Law Act

The following provides an overview of how the family law provisions operate in accordance with the LGSS Trust Deed.

This legislation is complex and you should seek independent legal and financial planning advice with regard to your personal situation.

Effective 28 December 2002, changes to Family Law and superannuation law allow:

- your spouse, or other 'eligible persons', to obtain information about your superannuation; and/or
- your superannuation account to be split with your spouse upon receipt of a valid Order, or Agreement, following marriage breakdown.

'Eligible persons' include:

- the member of the Scheme;
- the member's spouse; and
- a person intending to enter into a superannuation agreement under Part VIII B of the *Family Law Act 1975* with the member, such as a pre-nuptial agreement.

Please note that for Family Law purposes, the term spouse refers only to the legally married spouse of a

member; it does not include de facto spouses, or same sex partners.

If there is an agreement that a share of the member's superannuation entitlements is to be allocated to the non-member spouse, then this would need to be included in a formal Consent Agreement endorsed by the Family Court and served on the Fund. The Trustee has agreed that upon receipt of this Agreement the Scheme will provide for the immediate 'splitting' of the member's superannuation entitlements and arrange for the transfer of the 'base amount', or 'share', to the rollover institution of the non-member spouse's choice.

If the parties cannot agree on the way in which to apportion their assets, the Family Court will determine how that is to be done by way of a Court Order. If the 'splitting' of the member's superannuation entitlements is included in that Order, a copy of the Order will be served on the Trustee, and we will be required to immediately 'split' the member's superannuation entitlements in accordance with the Trust Deed.

It is to be noted that if the member's benefit is less than \$5000, it cannot be 'split'.

Privacy statement

The Trustee is required to comply with the National Privacy Principles (NPPs) contained in the Privacy Act 1988. These Principles set out in detail the measures that must be taken to safeguard against the misuse of personal information held by organisations.

The purpose for which the Trustee collects personal information is to issue and maintain your superannuation interests in the Scheme.

The personal information held in respect of members of the Scheme generally comprises only those details necessary to establish members' entitlements in the Scheme. Those details include name, date of birth (for identification purposes and to establish benefit entitlements), employment details such as employer's name and commencement date, together with a record of transactions (e.g. contributions made) and details of benefit entitlements.

This information is only available to our staff and other authorised service providers who use the information to administer your account and provide services to you, such as our administrator. The personal information will not be disclosed to any other person, or organisation without your express consent, or unless required to do so by law.

In some cases, additional information will be held which is more sensitive and hence subject to greater security. This might include Tax File Numbers and in some cases:

General provisions

- medical information provided, or obtained in support of an application for payment of benefit on grounds of permanent incapacity; or
- death certificates; or
- documents submitted to establish spouse entitlements.

The NPPs also require that members have access to any personal information (including medical reports and any file notes) that is held in relation to them personally, with certain very limited exceptions.

Members are also encouraged to notify the Trustee of any changes to their personal information, so that our records are accurate, complete and up-to-date.

If you would like to review, or make corrections to your personal information, or get a copy of the Trustee's Privacy Policy, please contact Member Services on 1300 369 901. Depending on circumstances, a fee may be payable for accessing your personal information.

If you are not satisfied that adequate precautions are being taken to protect your personal information, you may make a formal complaint. This must be in writing and addressed to:

Privacy Officer

Local Government Superannuation Scheme
PO Box N835
Grosvenor Place NSW 1220

If you have a formal complaint about the way that the Trustee handles your personal information and you are not satisfied with the response from the Privacy Officer, you may contact:

Complaints Resolution Officer

Local Government Superannuation Scheme
PO Box N835
Grosvenor Place NSW 1220

Tel: **(02) 9273 0000 or 1800 800 002**

Fax: **(02) 9279 4131**

The Complaints Resolution Officer will investigate your complaint and provide a full response as quickly as possible. If you are not satisfied with that response you may then refer your complaint to the Federal Privacy Commissioner. The Commissioner's office can be contacted by phone on 1300 363 992 or by writing to:

The Privacy Commissioner

GPO Box 5218
Sydney NSW 2001



Glossary

Annuity - An annuity is an income stream provided under contract purchased with an ETP.

Complying pension/annuity – An annuity or pension with the following major characteristics:

- Payments can only be adjusted by the lesser of 5% or CPI;
- It has no residual capital but a guaranteed period of payment; and
- Cannot be commuted (except within first 6 months and for a pension commencing on and after 1 October 2003 only if the annuity is not funded from the commutation of another annuity).

Complying superannuation fund - A superannuation fund that complies with the standards specified in the SIS legislation and as such is eligible to receive concessional taxation treatment.

Concessional components – These represent the part of an ETP that was made to a member prior to 1 July 1994 and generally occur under the following:

- Approved early Defined Benefit Scheme payments;
- Bona fide redundancy payments; and
- Invalidation payments.

Custodian - An organisation which safeguards and maintains assets on behalf of other people. A custodian is responsible for holding assets on behalf of others and does not own the assets.

Dependant - Includes your spouse (see definition), children (see definition) of any age and any other person (including a same-sex partner) whom the Trustee believes to be financially dependant on you immediately prior to your death.

Eligible spouse contributions – A non-deductible contribution to a complying superannuation fund made by a person for a non-working, or low income spouse, which entitles the contributor to a tax rebate.

Employer-sponsor – An employer who contributes to the Scheme for an employee who is a member of the Scheme.

Investment advisers – A person, or company, who provides advice on the activities and future prospects of earnings of investment managers and securities for the purpose of investment.

Investment manager – A company that invests in the financial market on behalf of the Trustee.

Income stream – A mechanism that allows an investor to receive payments from your investment on a regular basis.

Legal Personal Representative – The executor of your

will, or the administrator of your estate if you have not appointed an executor or do not have a will, the trustee of the estate of a person under a legal disability (such as mental incapacity) or a person who holds your enduring power of attorney.

Ordinary time earnings – The total of earnings for ordinary hours of work (other than lump sum payments on termination, in lieu of sick leave and unused leave) and over-award payments, shift-loading, or commission.

Partial and Permanent Invalidation - The Partial and Permanent Invalidation benefit applies where a member, before attaining their early retirement age, retires from employment with a Scheme employer and the Trustee is satisfied:

- that the retirement was due, directly or indirectly to the permanent physical, or mental, incapacity of the contributor (not being caused by the contributor and intended to produce the incapacity); and
- that the contributor, due to that incapacity, is permanently unable to perform the duties that were required to be performed before suffering the incapacity.

Preserved – The amount of your superannuation benefit that cannot be paid to you until you meet a condition of release.

Reduced Input Tax Credits (RITCs) – Suppliers of financial products, such as superannuation interests, are not usually required to pay GST but they also cannot claim any input tax credits for the GST they pay to acquire goods and services. However, on certain types of acquisitions, they can claim 75% of the input tax credits. This amount is called a reduced input tax credit.

Spouse - Includes a person who satisfies the Trustee that he or she was living with the member immediately prior to death of the member on a genuine domestic basis as husband and wife.

Superannuation entity – Includes a regulated superannuation fund and an approved deposit fund.

Superannuation Industry (Supervision) Act 1993 (Commonwealth) SIS - Commonwealth Government Legislation which commenced on 1 July 1994 which covers the regulation, responsibilities and activities of superannuation funds.

Total and permanent disability/incapacity (TPD) – Ill-health where the Trustee is reasonably satisfied that you are unlikely, because of ill-health, ever again to be employed in a capacity for which you are reasonably qualified by education, training, or experience. This is relevant to the Basic Benefit portion of your benefit only.

Trust Deed - A document governing the operation of a



Glossary

superannuation fund. The Trust Deed usually contains provisions in relation to investment powers, ability to make payments, reporting, recording of accounts, benefit payments and the rights and duties of the Trustee.

Trustee - A person or company that has legal responsibility for the operation of a superannuation fund.

Undeducted contribution - A component of an ETP comprising of superannuation contributions (usually personal contributions) received after 30 June 1983 for which no tax deduction was claimed.

Unrestricted non-preserved benefit - The amount of your superannuation benefit that can be paid to you without restriction at any time.

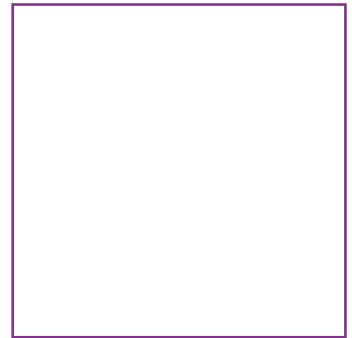
Working - For superannuation purposes you are considered to be “working” if you are employed, or self-employed for gain, or rewarded in any business, trade, profession, vocation, calling, occupation, or employment.

How to use your Product Disclosure Statement

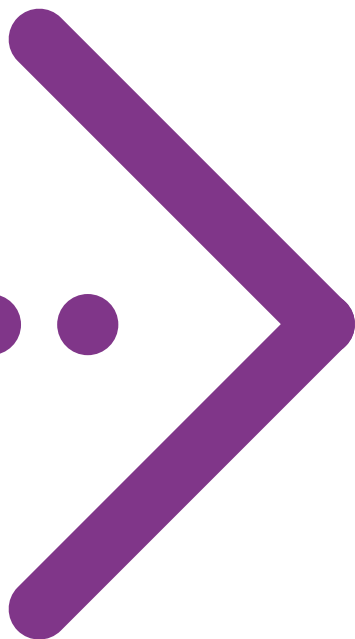
The Product Disclosure Statement (PDS) provides you with important details about your Fund such as:

- Fees and costs associated with the product
- Death and disability benefits and premiums payable
- Investment strategy available to you
- The objectives and associated risks of that investment strategy
- The types of contributions that can be accepted and when and how benefits are paid.
- Cooling off rights, complaints resolution and privacy information

The purpose of this PDS is to provide clear, concise and effective information about the Scheme and this particular product, which will help you compare this product with other superannuation offerings in the marketplace.



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Product Disclosure Statement



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