



LOCAL GOVERNMENT®
SUPERANNUATION SCHEME

ANNUAL REPORT 2001–2002



Executive Scheme
Accumulation Scheme
Allocated Pension and
Rollover Plans



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**LOCAL GOVERNMENT
SUPERANNUATION SCHEME (POOL A)**
ABN 74 925 979 278

28 Margaret Street Sydney NSW 2000
Phone 1300 369 901 or (02) 9299 3000



FROM THE CHAIR



I am pleased to present the 2001–2002 Annual Reports in this, the fifth year of operation of the Local Government Superannuation Scheme. As outlined in this Annual Report, your Scheme remains strong and safe during a period that has been one of the most exciting and challenging since inception.

The difficult investment environment produced negative returns for the first time in many years for a majority of superannuation funds. While the volatility of the world's investment markets and the impact of the tragic events of 11 September 2001 should not be underestimated, the long-term performance of your Scheme is very sound.

The Trustees of your Scheme understand that superannuation is a long-term investment and sets its investment objectives accordingly. The Trustee has strategies in place that are designed to ride through the highs and lows of the investment cycle and provide for the long-term financial security of members when they leave the workforce.

Strategies are also being implemented to ensure members continue to receive the highest levels of service and advice in regard to their superannuation and when planning for their retirement.

Let me outline some of the ways that improved member service is being achieved. This year, a network of regional offices of the Local Government Superannuation Scheme was established in Lismore, Orange, Wagga Wagga, and satellite offices were opened in Albury and Goulburn. These new offices are designed to ensure the delivery of first-class service to all members, irrespective of whether they live in metropolitan or regional New South Wales.

Further, the number of work-sites visited throughout the State by your Scheme representatives was increased to provide all members with the opportunity to attend group presentations or have personal consultations with our experienced field staff.

More than 100 retirement and wealth creation seminars were conducted throughout New South Wales, assisting members to plan for their retirement. FuturePlus Financial Services, your Scheme's financial planning arm, continues to provide professional financial planning advice to members as they approach their retirement.

The Scheme's website and call centre facilities were enhanced to provide relevant and timely advice for members seeking information on their personal accounts and to answer any questions members may have in regard to their superannuation.

The Scheme also secured a major interest in Chifley Financial Services, a public superannuation company. This acquisition enables the Scheme to offer superannuation and financial planning products and services to the friends and families of all members who may work outside the local government environment.

Looking to the future, the Trustees continue to be enthusiastic about meeting the challenges that are associated with fulfilling the needs of both our members and their employers.

Peter Woods OAM

CHAIR
Local Government Superannuation Scheme



FROM THE CEO

Welcome to our 2001–2002 Annual Report. The Local Government Superannuation Scheme continues to provide financial security for the future of members when they leave the workforce through retirement, resignation, retrenchment or disablement and financial security for their beneficiaries in the event of death.

This is achieved by having in place policies and practices that ensure members' superannuation is safe and secure, and invested to achieve the best possible long-term risk adjusted rates of returns. Further, the Scheme is committed to providing members with prompt, efficient and courteous service at all times.

It will come as no surprise that the investment markets around the world experienced some difficult times during 2001–2002. The tragic events of 11 September 2001, accelerated the downturn that was already evident through July and August of 2001.

The negative impact this event had on investor confidence was compounded by some notable corporate collapses both in Australia and the United States. The collapse of Ansett, HIH, OneTel and Enron are some examples of these corporate failures.

For the first time in 20 years, many super funds reported a negative return. The Local Government Superannuation Scheme experienced negative investment returns in four of the seven investment options. While these returns were in line with (and better than many) other like funds, the long-term performance of the Scheme is sound. The Local Government Superannuation Scheme remains in a strong financial position.

The past year saw various initiatives implemented to lift the level of service to our broad membership base. Regional offices were established in Lismore, Orange, Wagga Wagga and satellite offices opened in Albury and Goulburn.

Further, the Scheme's website has been enhanced, the call centre was expanded and a work-site visits program introduced. All these initiatives are designed to give members greater access to relevant information about their superannuation.

Keeping costs down is also important in ensuring members receive the best possible return on their superannuation. I am pleased to confirm that the Local Government Superannuation Scheme has one of the lowest 'Management Expense Ratios' of all superannuation funds. The annual administration fee for members of the Accumulation and Executive Scheme has remained unchanged for the past three years.

I encourage you to read the following report and if you have any questions on this, or any other superannuation matter, please call Member Services on 1300 369 901 or visit our website: www.lgsuper.com.au

Yours sincerely

Brett Westbrook

CHIEF EXECUTIVE OFFICER
Local Government Superannuation Scheme



Scheme at a glance:

The Scheme had:	62,024 members
Total assets:	\$701,270,000
Contributions received:	\$94,371,000
Benefit payments:	\$48,747,000



FROM THE CIO



The past financial year represented the most difficult, and disappointing, investment environment for close to 20 years.

The world's investment markets entered the year labouring under a slowing US economy, and concerns about the buoyant corporate profit environment which had been evident for the previous four or five years.

This poor investment climate was then worsened by the immediate aftermath of the attacks on New York and Washington in September 2001, and the hesitant behaviour that this produced in consumers worldwide.

This hesitancy translated into the majority of companies being very conservative with profit and business forecasts; and this new conservatism in forecasts led to the exposure of those companies (notably Enron, WorldCom and Tyco in the US) which had used aggressive (and in some cases, fraudulent) behaviour in terms of corporate accounting.

Therefore, the year could be described as a cascading series of incidents which cumulatively undermined confidence in equity markets.

At the same time as these events were occurring, central banks worldwide were responding to this emerging loss of confidence by lowering interest rates in a series of dramatic steps, leading to some of the lowest interest rates for the better part of 30 years, by the close of the financial year.

The impact of this political and economic environment on investment markets and investment portfolios is that any portfolio with a bias towards equity or share markets (so called growth portfolios) had a negative movement; whereas fixed income based investment portfolios were able to post modest returns.

Only the most conservative portfolios (e.g. fully cash portfolios) were able to post low-to-mid single-digit returns.

As with all such economic cycles, equities perform poorly at the bottom of the cycle, before resuming strong returns as the cycle moves back into a period of growth.

With the exception of cash and fixed interest, the investment portfolios operated by the Scheme have a strategically structured (and long-term) bias to growth assets, and the returns of the Scheme over its five years demonstrates the returns that can be anticipated from such market cycles. The disappointing returns in 2001–2002 are a reflection of the need to recognise that investment returns are also cyclical, and need to be planned as part of a longer term recognition of the risk/return nature of markets.

As the 2002–2003 financial year progressed, financial markets still awaited the re-emergence of economic growth which would translate into renewed corporate profit growth. The impeding factor is the growing immediacy of a threat of war, and the uncertainty that this causes.

The Scheme's investment portfolios, nevertheless, continue to compare very favourably with the returns available from comparable growth based schemes (on a short-term basis) and against all schemes on a longer term basis.

Mark Sainsbury

CHIEF INVESTMENT OFFICER
Local Government Superannuation Scheme



INVESTMENT RETURNS

The following tables list the investment returns for each Scheme and investment option since inception in July 1997.

Accumulation Scheme and Executive Scheme Options

Scheme	Year ended 30 June 1998	Year ended 30 June 1999	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	5 year average	Mercer Median 5 year average
Accumulation & Executive Scheme High Growth	14.00%	8.50%	15.60%	2.88%	-8.80%	6.05%	5.91%
Accumulation & Executive Scheme Diversified	11.50%	7.70%	13.00%	3.99%	-5.35%	5.96%	6.24%
Accumulation & Executive Scheme Balanced	10.30%	6.40%	10.70%	5.02%	-2.10%	5.96%	6.24%
Accumulation & Executive Scheme Capital Guarded	9.20%	5.10%	8.20%	6.17%	1.22%	5.94%	5.48%
Accumulation & Executive Scheme Cash Plus	4.10%	4.10%	5.60%	6.95%	3.73%	4.89%	N/A
Executive Scheme BT Retirement	6.50%	7.90%	12.70%	-0.25%	-7.64%	3.59%	5.91%
Executive Scheme BT Capital Stable	5.60%	6.50%	7.00%	3.11%	0.51%	4.52%	5.48%

Note: the above table outlines the performance of the Local Government Accumulation and Executive Schemes. The performance of the Allocated Pension and Rollover Plans, listed below, vary marginally from the above due to the differing fee structure and tax treatment.

Rollover Plan Options

Scheme	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	3 year average
High Growth	14.36%	2.36%	-9.53%	1.93%
Diversified	11.84%	3.46%	-6.11%	2.80%
Balanced	9.76%	4.49%	-2.89%	3.66%
Capital Guarded	7.39%	5.64%	0.40%	4.44%
Cash Plus	4.57%	6.41%	2.90%	4.62%

Allocated Pension Plan Options

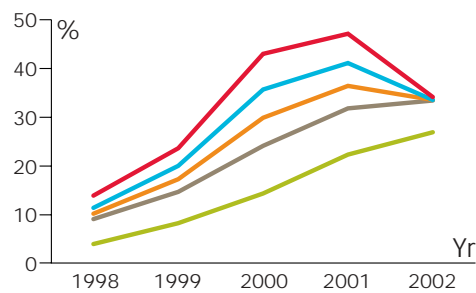
Scheme	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	3 year average
High Growth	16.33%	2.63%	-10.86%	2.10%
Diversified	13.22%	3.57%	-6.95%	2.95%
Balanced	10.85%	4.78%	-3.31%	3.94%
Capital Guarded	8.70%	5.93%	0.29%	4.92%
Cash Plus	5.29%	6.50%	3.58%	5.12%

Please note: The Allocated Pension and Rollover Plans did not commence until April 1999. The average performance figure represents the annual percentage (%) compound growth over the period. All figures are net of all fees and charges. The performance figures quoted represent past performance and are not necessarily an indication of future performance. No guarantee of future returns is implied or given.

It is important to understand that the returns will not be exactly this amount each year, as there will be some volatility of returns due to a portion of your funds (with the exception of Cash Plus) being invested in growth assets. Not only will this influence the level of returns, it may also result in negative returns (losses) from time to time.

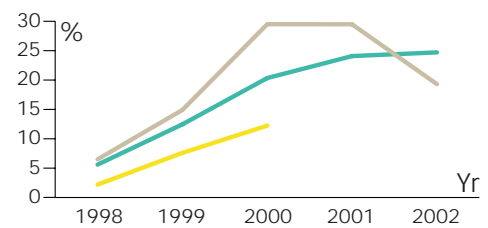
Accumulation and New Executive Scheme

Net cumulative returns
1997-1998 to 2001-2002 (%)



Traditional Executive Scheme

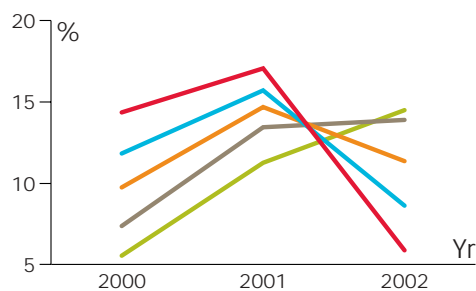
Net cumulative returns
1997-1998 to 2001-2002 (%)



* PLEASE NOTE: The Westpac Cash Management Account closed on 1 May 2001. Previous members of the Westpac Cash Management Account have been transferred to the stronger performing Cash Plus Option of the Scheme. For further information please contact the Scheme on 1300 369 901.

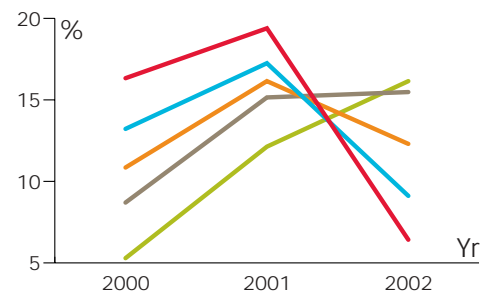
Rollover Plan

Net cumulative returns
1997-1998 to 2001-2002 (%)



Allocated Pension Plan

Net cumulative returns
1997-1998 to 2001-2002 (%)



Legend

- High Growth — Diversified — Balanced — Capital Guarded — Cash Plus
- BT Retirement — Capital Stable — Westpac Cash Management*

Note: The Scheme does not use derivatives.

Large investments

During the year, there were no individual investments that exceeded 5% of Pool A's assets.

During the year, there were no individual investments that exceeded 5% in a single enterprise.

Note: All the cumulative returns described above do not include or reflect the fees and charges listed on page 7.



INVESTMENT OPTIONS

Accumulation Scheme

The Local Government Accumulation Scheme offers you a choice of five different investment options: High Growth, Diversified, Balanced, Capital Guarded and Cash Plus. The five options provide for a wide range of investment strategies ranging from high risk, with expected high returns over time, to a low risk/low return strategy.

If you don't choose an option, a default option will be chosen for you depending on your age. Members with account balances less than \$1,000 are automatically invested in the Cash Plus strategy. Other members who do not make a choice are automatically invested as follows:

- Members under 45: Diversified.
- Members aged 46–54: Balanced.
- Members aged 55 and over: Capital Guarded.

The investment objectives and strategies for each of the five Accumulation Scheme investment options are detailed in Table 1 on page 12.

Executive Scheme

The Local Government Executive Scheme offers you a choice of seven different investment options: the two BT Options – Retirement Fund and Stable Capital Fund; and the five options available to Accumulation Scheme members.

The investment objectives and strategies for each of the seven Executive Scheme investment options are detailed in tables 1 and 2 on pages 12 and 13 respectively.

Allocated Pension & Rollover Plans

The Local Government Allocated Pension & Rollover Plans offer you a choice of five investment options: High Growth, Diversified, Balanced, Capital Guarded and Cash Plus.

The investment options can be used separately or as a combination to create an individual investment portfolio to best suit your needs. You may redesign your initial investment portfolio at any time in the future by switching between investment strategies.

The investment objectives and strategies for each of the five investment options are detailed in Table 1 on page 12.



FEES AND CHARGES

Accumulation Scheme

The following fees are debited from members' accounts where applicable:

- A management fee of 75 cents per week. Inactive members retained in the Scheme are also charged the management fee.
- \$5 per month for basic Death or Invalidation (DorI) insurance (subject to Scheme rules).
- A \$20 switching fee applies to your second and any subsequent optional investment switch in any financial year.
- A \$20 benefit payment fee applies on each draw-down.
- Any voluntary insurance premiums.

The monthly premium for voluntary death cover, death and invalidity insurance and/or salary continuance insurance varies according to your age, sex, occupational classification and amount of cover requested.

The Federal Government's 15 per cent contributions tax is deducted from any assessable contribution (e.g. employer contributions and salary sacrifice contributions) received by the Scheme. The additional surcharge tax on contributions for high-income earners is also deducted from the accounts of affected members.

If your account balance is less than \$1,000 any management fees deducted from your account cannot exceed the earnings on your account balance in any financial year. This means that your account balance cannot reduce because of management fees (insurance and taxes excluded). However, Superannuation Law does provide funds with a discretion, in times of poor or negative investment returns, to charge a protected member a nominal management fee of no more than their investment return plus \$10.

Executive Scheme

Administration fees are set by the Trustee at the level needed to recover actual costs. They are charged on a monthly basis to a member's account. At the time of printing, they were:

- A management fee of \$6.33 per month for a contributing member.

- A management fee of \$3 per month for a non-contributing member.
- The cost of your Additional Benefit Cover.
- A \$30 switching fee applies to your second and any subsequent optional investment switch in any financial year.
- A \$30 benefit payment fee applies on each draw-down.

The Federal Government's 15 per cent contributions tax is deducted from any assessable contribution (e.g. employer contributions) received by the Scheme. The additional surcharge tax on contributions for high-income earners is deducted from the accounts of affected members.

Allocated Pension & Rollover Plans

The following fees apply:

- A management charge in respect of specific investment strategies of 1.1 per cent of your account balance per annum.
- Investment management fees of between 0.1 per cent and 0.5 per cent paid to the investment managers.[#]
- A benefit payment fee of \$10 for each cheque issued.
- No fee is charged for the first switch between investment strategies in each financial year; a fee of \$10 for each switch thereafter applies.

The administration charge was abolished from 1 October 2000.

Goods and Services Tax

The government introduced a 10 per cent Goods and Services Tax (GST) operational from 1 July 2000. The subscription of money for units in the Scheme and redemption of units in the Scheme will not be subject to GST. However, the Scheme will incur GST on some of its costs including the ongoing management charges. The Scheme may be able to claim back 75 per cent of the GST incurred in some cases and the remaining amount is incorporated in the existing fee structure.

[#] These fees are charged prior to the crediting of the investment return.



MEMBER SERVICES

Member Services is your enquiry service centre. Our role is to provide assistance with all member enquiries, such as:

- information on account balances, preservation rules and rollover opportunities;
- information on investment strategies and various contribution options available;
- information on the various insurance options available to members; and
- advice on how to gain access to Scheme Documents such as the Trust Deed and Rules.

During the year our ability to provide quality customer service and advice has been substantially improved. In addition to the expansion of the Sydney Call Centre, three regional offices have been opened in Lismore, Orange and Wagga Wagga to assist members who live outside the major metropolitan areas.

FuturePlus Financial Services has continued to provide free consultations for members approaching retirement. They, along with our Field Advisers, ran a variety of information campaigns throughout NSW on topics such as salary sacrifice, the state of investment markets and retirement planning.

While Member Services provides assistance with all telephone enquiries, our Field Advisers are able to help members in person. In 2001–2002 they conducted retirement seminars, information sessions, one-on-one interviews and work-site visits throughout the State. The establishment of regional offices has also allowed the Field Advisers Team to increase visits to remote and regional workplaces in NSW.

Enquiries, help and advice

If you have any enquiries about the Scheme, these should be directed to:

Member Services
Ground Floor
28 Margaret Street
Sydney NSW 2000
Ph: 1300 369 901
Fax: (02) 9279 4131
Website: www.lgsuper.com.au

Telephone enquiries can be made between 8.30am and 5.00pm, Monday–Friday, and personal interviews can be arranged with a Member Services Officer between 9.00am and 4.30pm, Monday–Friday.

Written enquiries should be sent to:

Member Services
Local Government Superannuation Scheme
PO Box N835
Grosvenor Place
Sydney NSW 1220

If you have an enquiry about any aspect of the Scheme or would like a copy of the Trust Deed, actuarial report or other information concerning the Scheme, please do not hesitate to contact Member Services on 1300 369 901 or email us at info@lgsuper.com.au

Regional offices

Lismore: 81–83 Molesworth Street, Lismore
Orange: 187 Summer Street, Orange
Wagga Wagga: 2/209 Baylis Street, Wagga Wagga
Albury[^]: 429 Swift Street, Albury
Goulburn[^]: 148 Auburn Street, Goulburn

[^] These offices are staffed one day a month. It is essential that you phone 1300 369 901 to book an appointment.



VOLUNTARY INSURANCE

Are you properly covered?

As a member of the Local Government Accumulation Scheme, you may have basic life and disability insurance cover, but is this basic cover enough?

What would happen if you were off work for a few months? Or even longer? How would your family cope?

It would be bad enough having to deal with the illness or accident that put you off work, but having to deal with financial stress on top of it all is more than most people can bear.

Fortunately, your Super Scheme has arranged some truly excellent rates so you and your family can enjoy peace of mind with the level of insurance cover you need.

There are three types of cover available:

Lump Sum Death Benefit

You can apply for any amount of cover in \$10,000 multiples, with a minimum cover of \$50,000 and maximum of \$1,600,000.

Lump Sum Death and Total and Permanent Disablement Benefit

You can apply for any amount of cover in \$10,000 multiples, with a minimum cover of \$50,000 and maximum of \$1,600,000.

Salary Continuance Benefit

Salary Continuance Benefit, available for either a two-year period or until age 65, which provides income protection of up to 75% of pre-disability salary (to a maximum annual salary of \$240,000) for temporary disablement. Cover is offered in \$100 per month multiples with a minimum cover of \$1,000 a month and a maximum of \$15,000 per month.

In addition, Accident Cover (for the amount of cover sought up to a maximum of \$500,000) is provided between the time cover is applied for and the time that the cover is approved or rejected, for a maximum period of 90 days.

Find out how inexpensive peace of mind can be. Call us now on 1300 369 901.

Please note: Benefits are subject to Waiting Periods. The Waiting Period is a period during which you are not working due to Disability but during which you cannot receive a benefit (other than a Death Benefit).

For Total and Permanent Disablement the Waiting Period is a continuous period of six months. For Salary Continuance, the Waiting Period is a continuous period of 90 days. Both waiting periods commence from the date you cease work due to disability.

The highest level of Salary Continuance Cover you may apply for is 75% of your monthly salary rounded down to the nearest \$100. As well, the amount payable is reduced by any other income such as social security, workers' compensation, sick leave etc.

For all terms and conditions of voluntary insurance cover please refer to the terms and conditions of the policies.

Voluntary Insurance is underwritten by Tower Australia Limited.



MISSION STATEMENT

The Local Government Superannuation Scheme's major purpose is to provide financial security for the future of members when they leave the workforce due to retirement, resignation or disablement, as well as to provide financial security for members' beneficiaries in the event of death.

The Scheme aims to achieve this by:

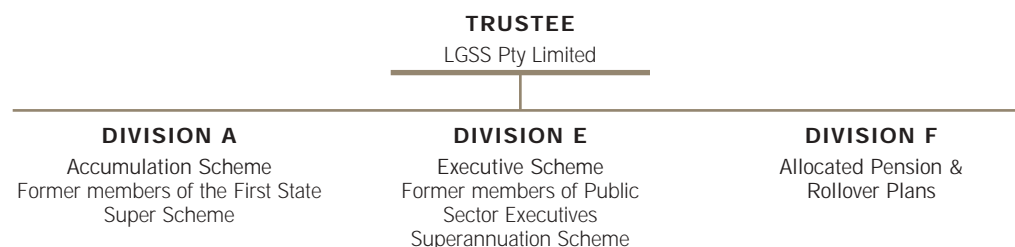
- Targeting appropriate investment returns subject to designated risk levels.
- Reducing the costs of superannuation while enhancing the overall benefits for members.

The Trustee is committed to:

- Always acting in the best interests of members.
- Continually improving the level of service to members.
- Developing first-class products and services for members.

The Scheme has two segregated pools of assets, Pool A and Pool B. This report has been produced for members covered by Pool A. Pool A of the Scheme includes members of the Accumulation Scheme, the Executive Scheme, and the Allocated Pension and Rollover Plans.

Local Government Superannuation Scheme POOL A





TRUSTEE



Peter Woods OAM, BA, M LITT, MACE
Appointed by Local Government Association of NSW

Chair, LGSS Pty Limited; Immediate Past President, Local Government Association of New South Wales; President, International Union of Local Authorities (IULA) – Asia Pacific Region; Member, Board of Environment Protection Authority of NSW; Former President, Australian Local Government Association; Director, Resource NSW Board; Member, Sydney Harbour Catchment Management Board.



John Ernst
Representing Federated Municipal and Shire Council Employees Union of Australia (NSW Division)

President, Metropolitan Salaried Officers Branch (MEU); Chair, Superannuation Services Company.



John Wearne AM
Appointed by Shires Association of NSW

Councillor, Bingara Shire Council; Patron and Former President, Shires Association of NSW; Former Senior Vice President, Australian Local Government Association; Commissioner, National Road Transport Commission; Board Member, Country Energy.



Barry Mason
Representing Federated Municipal and Shire Council Employees Union of Australia (NSW Division)

Expenditure/Risk/Assets Co-ordinator, Kogarah Council; Member of Local Government Managers Australia.



Bernadette O'Connor
Appointed by Local Government Association of NSW

Bachelor of Social Work Hons 1; Master Public Policy; Councillor, City of Botany Bay; Executive Member, NSW Local Government Association.



Martin O'Connell
Representing Local Government Engineers' Association

Director, Local Government Engineers' Association and Association of Professional Engineers, Scientists and Managers, Australia (NSW Branch); Executive Member, Labor Council of NSW.



Leo Kelly
Appointed by Local Government Association of NSW

Vice President, Local Government Association of NSW; Councillor, Blacktown Council; Member of NSW Local Government Committees – Planning, Environment, Industrial, Waste Management; Member, NSW Local Government Boundaries Commission.



Ian Robertson
Representing The Environmental Health and Building Surveyors' Association of NSW (ehabsa)

Secretary, ehabsa; Former Deputy Chair, LGSS; Director, Superannuation Services Company; Member, Investment Committee; Chair, Determinations Committee; Secretary, Australian Institute of Superannuation Trustees.

The Trustee is a company called LGSS Pty Limited ABN 68 078 003 497. Its Board consists of equal numbers of directors appointed by employer and member associations.

This page details the members of the Trustee Board as at 30 June 2002.

The Trustee has in place trustee indemnity insurance.

Directors are appointed by the sponsoring organisations and are replaced at the discretion of the organisation.



INVESTMENT REVIEW

Table 1 Accumulation Scheme, Executive Scheme, Allocated Pension & Rollover Plans: investment options, objectives and strategies to 30 June 2002.

INVESTMENT OPTIONS	HIGH GROWTH	DIVERSIFIED	BALANCED	CAPITAL GUARDED	CASH PLUS																																																																																																																
PURPOSE	For the highest growth above inflation in the longer term.	For real investment growth above inflation over longer periods.	For real growth above inflation over the medium term.	For short-term investment with good security and some potential for growth.	For very short-term investments.																																																																																																																
OBJECTIVES	<ul style="list-style-type: none"> To target a real rate of return of 5.5% per annum over a five-year period. For the chance of a negative return in any one year to be 1 in 3. 	<ul style="list-style-type: none"> To target a real rate of return of 4.7% per annum over a five-year period. For the chance of a negative return in any one year to be 1 in 4. 	<ul style="list-style-type: none"> To target a real rate of return of 4% per annum over a three-year period. For the chance of a negative return in any one year to be 1 in 5. 	<ul style="list-style-type: none"> To target a real rate of return of 3.5% per annum over a three-year period. For the chance of a negative return in any one year to be 1 in 8. 	<ul style="list-style-type: none"> To target a real rate of return of 2.3% per annum over a one-year period. For the chance of a negative return in any one year to be nil. 																																																																																																																
STRATEGY	High Growth usually invests about 90% of its funds in traditional growth assets such as Australian and international shares and property.	Diversified usually invests about 70% in growth assets such as Australian and international shares and property, and 30% in assets that produce income such as fixed interest securities.	The Balanced strategy usually invests about 50% in growth assets such as Australian and international shares and 50% in assets that produce income such as fixed interest securities.	The Capital Guarded strategy usually invests about 70% in assets that produce income such as fixed interest securities, and 30% in growth assets such as Australian and international shares.	The Cash Plus strategy invests 100% of available assets in short-term securities such as cash deposits and bank, government and semi-government securities.																																																																																																																
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Note: The earnings rate credited to members is the actual earnings of each option expressed as an annualised rate after adjusting for investment costs. Earnings are allocated to members' accounts monthly, on a daily pro-rata basis, or on Scheme exit. The Rollover and Allocated Pension Plans did not commence until April 1999. The average performance figure represents the annual percentage (%) compound growth over the period. All figures are net of all fees and charges. No guarantee of future returns is implied or given. Earnings are allocated daily. Expanded Executive Scheme Option commenced 1 June 1999.

* The asset allocation for the 1998-99 financial year is identical to the 1997-1998 financial year. Allocations changed in 1999-00 and were identical in 2000-2001 and 2001-2002. Asset Allocations changed in May 2002.

Key: **Aust Eq:** Australian Equities; **Int Eq:** International Equities; **Aust FI:** Australian Fixed Interest; **Int FI:** International Fixed Interest; **Index Sec:** Index-Linked Securities; **GMN:** Global Market Neutral.

Table 2 Executive Scheme: traditional investment options, objectives and strategies to 30 June 2002.

INVESTMENT OPTIONS	RETIREMENT FUND	STABLE CAPITAL FUND	CASH MANAGEMENT ACCOUNT																																																	
OBJECTIVES	The Retirement Fund's objective is to achieve moderately high and consistent returns over the medium to long-term while at the same time reducing the probability of a negative return in the short-term.	The Stable Capital Fund's objective is to achieve a competitive and relatively stable pattern of returns over the short-term, while at the same time reducing the probability of a negative return for any one year. The Fund also aims to provide a higher return than that available from Australian bonds over the medium term.	The Cash Management Account is designed for short-term or transitional use with the emphasis on capital protection.																																																	
STRATEGY	The Retirement Fund's strategy is to grow the value of the investment over periods of five years or more by investing in a range of investment types with higher exposure to growth investments (such as shares and property) whose market prices do not reflect their long-term value and are expected to appreciate over time.	The Stable Capital Fund's investment strategy is to provide a higher return on the investment than the returns available from cash or bonds over periods of three years or more, by having limited exposure to growth investments such as shares and property.	The Cash Management Account invests 100% of its funds in liquid assets.																																																	
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Cash:	9%	4%																																																		
	99-02	97-99																																																		
Australian Shares:	15%	15%																																																		
International Shares:	5%	5%																																																		
Property:	6%	6%																																																		
Australian Bonds:	38%	42%																																																		
International Bonds:	11%	7%																																																		
Indexed Bonds:	4%	5%																																																		
Cash:	21%	20%																																																		
	97-02																																																			
Cash:	100%																																																			
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** The asset allocation of the BT products will alter in line with the manager's view of the relative value of each asset class. The asset allocation shown is that effective 30 June 2002.

PLEASE NOTE: The Westpac Cash Management Account closed on 1 May 2001. Previous members of the Westpac Cash Management Account have been transferred to the stronger performing Cash Plus Option of the Scheme.

The earnings rate credited to members is the actual earnings of each option after adjusting for investment costs. Earnings are allocated to members' accounts monthly.



FINANCIAL OVERVIEW

This page contains the abridged audited financial information for Pool A of the Scheme for the year ended 30 June 2002. If you wish to inspect the complete audited Scheme accounts and auditor's report, they are available by contacting Member Services on 1300 369 901 (8.30am–5.00pm, Monday to Friday) or by visiting the Scheme's website at www.lgsuper.com.au

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

	30 June 2002 (\$'000)	30 June 2001 (\$'000)
REVENUE		
Net Investment Revenue	(28,146)	21,706
Employer Contributions	83,399	78,451
Member Contributions	10,972	22,372
Transfers In	96,906	80,526
TOTAL REVENUE	163,131	203,055
LESS OUTGOINGS		
Administration Expenses	1,722	2,685
Insurance Premium	162	153
Income Tax Expense	8,503	12,828
Contributions Surcharge	723	768
TOTAL OUTGOINGS	11,110	16,434
BENEFITS ACCRUED AS A RESULT OF OPERATIONS	152,021	186,621

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	30 June 2002 (\$'000)	30 June 2001 (\$'000)
INVESTMENTS		
Short-term Investments	36,244	25,486
Australian Fixed Interest	164,826	153,812
Australian Equities	202,294	152,715
International Investments	192,041	158,852
Property Trusts	41,280	26,287
Pooled Superannuation Trusts	25,825	54,751
TOTAL INVESTMENTS	662,510	571,903
OTHER ASSETS		
Cash	23,655	12,914
Receivables	11,116	17,313
Future Income Tax Benefit	3,989	
TOTAL ASSETS	701,270	602,130
LESS LIABILITIES		
Payables	4,201	5,596
Provision for Income Tax	1,370	2,254
Provision for Deferred Income Tax	Nil	1,855
TOTAL LIABILITIES	5,571	9,705
NET ASSETS AVAILABLE TO PAY BENEFITS	695,699	592,425

The APRA Supervision Levies for 2001–2002 was \$66,000.



CHANGES TO SUPER

Changes during the year

There were no amendments to the Trust Deed during the year ended 30 June 2002.

As foreshadowed last year, however, amendments to the Commonwealth's Privacy Act 1988 came into effect on 21 December 2001. These amendments require the Trustee to ensure that personal information held in respect of members is secured and only used for the purposes for which it was obtained. They also require the Trustee to provide members with access to the personal information held by the Trustee, with certain very limited exceptions.

A copy of the Privacy Policy adopted by the Trustee can be obtained from Member Services and it can also be accessed on the Scheme's website: www.lgsuper.com.au

Important changes

There are some significant changes that will come into effect during the year commencing 1 July 2002. These are detailed below.

Changes to permitted contributions

From 1 July 2002, the age limit to which a person working part-time or full-time can make personal, undeducted contributions to a superannuation fund has been increased from age 70 to age 75.

Increase in basic Death or Invalidity benefits

From 1 July 2002, the level of basic Death or Invalidity benefit cover has been increased. The new levels of cover will apply in respect of members who have basic cover and who die or terminate employment on or after that date. Details of the new benefit levels are available from Member Services.

Increase in Superannuation Guarantee

From 1 July 2002, contributions from your employer for the Superannuation Guarantee payment increased from 8% to 9% of salary.

Change to benefit payment standards

If you entered Australia on an eligible temporary residents visa and your visa has expired and you permanently departed Australia, then you will be entitled to payment of your superannuation benefit. Please call Member Services for further details.

Splitting of benefits – Family Law orders/agreements

Significant amendments to the Commonwealth's Family Law Act 1975 come into effect on 28 December 2002. In brief, these amendments require the Trustee to:

- upon valid request provide details of a member's superannuation entitlements to the spouse (or intending spouse) of that member without informing the member; and
- 'split' those entitlements between the member and the member's spouse when served with an Order of the Family Court or an agreement between the two parties concerned which has been endorsed by the Court; or
- 'flag' or 'freeze' the payment of benefits to members where ordered by the Court so it can be dealt with later.

It is to be noted that these new provisions apply only to legally married spouses; they do not apply to de facto spouses or same sex partners.

The principles embodied in the amendments are, first, to provide standard methods of valuing members' entitlements and, second, to provide a mechanism for 'splitting' those entitlements for the purposes of coming to a property settlement. In accumulation-type schemes, the value will simply be the current balance in the member's account.

From 28 December 2002, members, their spouses or their intending spouses will have the right to obtain the value of the member's entitlements. It is anticipated that in the majority of cases these valuations will then form the basis of a property settlement between the parties concerned which may or may not include the 'splitting' of the member's superannuation entitlements. If the parties are unable to agree on a settlement, then the Court will order how the property is to be split which, again, may or may not include the splitting of the member's superannuation entitlements.

The Trustee will only split a member's benefit if ordered to do so by the Court or on receiving an agreement between the parties and proof that the divorce is final. In essence, the split will be achieved by transferring a proportion of the member's account to a separate account for the spouse. Options available to the Trustee are to provide for retention of spouses' accounts within the Scheme or to require them to be rolled over into other complying superannuation schemes.



HOME LOANS



Buying a home or investment property?

Chasing the best home loan deal can be almost as exhausting as finding your new home or investment property. Shopping for rates, going through multiple loan applications and trying to understand the many loan offers in the market is a monotonous exercise.

And you could find that you didn't get the loan that suits you best.

There is an easier way... as a member of the Scheme you have access to a free service which can take the legwork out of shopping for a loan. The service is called Chifley Home Loans, and with one phone call to your Chifley Consultant you will be advised of the latest, and best, home loan offers from more than 23 associated lenders.

We'll give you a quick idea of how much you can borrow because we know all the main lenders and their lending criteria, so you only have to give your details once.

We know which are the best rates on offer and will talk you through the different loans, and their features, to find which best suits your needs, whether it's for a new home, a second, a refinance or a restructure... all in 'plain English'.

And we can do it all in the comfort of your home, the convenience of your office, weekdays or weekends... anywhere that suits you.

If you're ready to go ahead, we'll manage the loan process for you and chase up your loan approval.

And don't worry about the cost. There are no extra charges in addition to the normal application fees charged by the lender.

Call for an appointment today on 1800 800 002.



ARE YOU THROWING YOUR MONEY AWAY?



If you're like most Australian workers, you have two or three different superannuation accounts.** This means that you could be paying three times the administration fees – which can end up being quite expensive, leaving you less money for your retirement.

If you don't want to waste your money, it pays to consolidate your super into one account.

This is really easy to do. By having all your super in the Local Government Superannuation Scheme, you will only pay one low administration fee.

Another great reason to consolidate your super in the Local Government Superannuation Scheme is that there are no entry fees.

As a bonus, you'll also be able to keep track of your super easily.

To consolidate your super into the Local Government Superannuation Scheme simply complete the form on the back of this page, return it to us, and we'll do the rest.

** According to the Australian Prudential Regulation Authority's Superannuation Market Statistics as at July 1999.

To consolidate your super in the Local Government Superannuation Scheme, you must be an employee of a Scheme employer or the spouse of such an employee. For further information contact Member Services on 1300 369 901.



TRANSFER-IN AUTHORITY

The Local Government Superannuation Scheme is a regulated superannuation fund under Superannuation Law and is able to accept transfers of all superannuation benefits, whether preserved or non-preserved, from any complying fund.

1. MEMBER'S NAME

Member's Full Name _____ Date of Birth / / _____

Member's Address _____

_____ Postcode _____

Email address _____

Member No. _____ Contact phone no. _____

2. PREVIOUS FUND DETAILS

Fund name⁵ _____ Membership Number or SPIN⁵ _____

Address of the Fund Administrator or Trustee⁵ _____

Phone number⁵ () _____ Fax number⁵ () _____

⁵ See your last superannuation fund statement.

Note: Transferring your total benefit to LGSS may result in the cancellation of any insurance cover you may have with your Previous Fund. Accordingly, if you did have insurance cover with your Previous Fund, you should contact them and assess your situation.

3. INSTRUCTION TO PREVIOUS FUND TRUSTEE

To the Trustee(s) of _____

Name of Previous Fund

1. I request and authorise the transfer of all of my existing benefits from my Previous Fund to the Local Government Superannuation Scheme; and
2. Please send the cheque for transferred benefits made payable to: Local Government Superannuation Scheme – Pool A.
3. I authorise the Trustee of the Local Government Superannuation Scheme to make all necessary arrangements, including completing any necessary documentation to effect this transfer; and
4. I authorise my Previous Fund to provide the Trustee of the Local Government Superannuation Scheme with all relevant details, including details of my membership, a copy of the ETP Rollover Statement

and any other information which may be required to effect this transfer. By giving this authorisation to transfer my benefits:

- i) I understand that the Trustee of my Previous Fund is discharged from any further liability in respect of any amount once benefits have been transferred; and
- ii) I approve the deduction by my Previous Fund of transfer fees (if any) from the benefits transferred (subject to legislative restriction). I understand that the Local Government Superannuation Scheme does not levy any transfer fees when receiving transfers from other superannuation funds.

Signature _____ Date / / _____

Where to send this form/enquiries:

Local Government Superannuation Scheme
 PO Box N835 Grosvenor Place NSW 1220

Phone 1300 369 901 (toll free)
 (9.00am–5.00pm, Monday–Friday)
 Fax (02) 9279 4131



HOW TO TURN YOUR SMALL CHANGE INTO BIG BUCKS

Although many people know that superannuation can mean the difference between a comfortable or penny-counting retirement, it's just so easy to get into the pattern of thinking that retirement is far away and that you'll get to it later.

But if you take a few minutes now to work it out, you'll see that just a little money put aside today, grows into a lot of money when you retire.

The hard part is doing something now

It will only take you a short time to fill in the provided form and give it to your paymaster. But if you put it aside, thinking you will get back to it later, think again. Research proves that if you put off this decision, you have a 98% chance of not doing it at all!

It takes so little to make a big difference

You need to decide now how you would like to live in your retirement. Will you have enough money to live the lifestyle you want – or will you have barely enough to get by on?

By contributing an extra \$5 a day to your super, you can make a significant difference to the amount of money you have waiting for you.

As a member of the Local Government Superannuation Scheme, you can make additional contributions to your super account, which will increase your retirement benefits in a tax-effective way.

Superannuation is one of the most effective ways of saving for your retirement. And, unlike some other funds, the Local Government Superannuation Scheme does not charge you for making extra contributions to your superannuation account.

It's important to remember that super is a long-term savings plan. If you put extra money into your super account you will generally not be able to get the money out until you have reached a certain age and are retired. The good thing about super being locked away is that you aren't tempted to spend the money you have saved before you retire.

Why you should DO IT NOW: The power of compound interest

You should not wait until you are near retirement to start saving. The sooner you start, the more time your personal contributions have to grow and benefit from the effects of compound interest.

The example below shows how much your super account will increase if you make additional contributions of just \$5 a day. So, start putting that little bit extra aside today to secure your future.

EXAMPLE:

Daily luxury: coffee and cake

Cost of daily luxury: \$5 per day (\$35.10/week, \$132.08/month, \$1,825/year)

The table below shows how much you could accumulate for your retirement by putting just \$5 a day into your super! This projection is based on an average return of 8% per annum excluding the effect of personal income tax.

You invest	Years until retirement	Extra benefit on retirement ¹
\$5 a day	5	\$9,398
\$5 a day	10	\$23,953
\$5 a day	20	\$78,438
\$5 a day	30	\$194,703

¹This is in addition to the benefit you would get from your Superannuation Guarantee.



OPTIONAL CONTRIBUTION

If you wish to have superannuation contributions deducted from your pay, complete this form and give it to your payroll manager. This authority allows your employer to deduct your contributions directly from your pay and direct them to the Local Government Superannuation Scheme.

1. MEMBER'S DETAILS

Member's Full Name	Date of Birth	/	/
Member's Address			
			Postcode
Email	Phone No. ()		
Name of Super Scheme			
Member No.			
Employer Name			

2. OPTIONAL CONTRIBUTIONS AUTHORITY

Please tick the appropriate circle(s) and enter the contribution amount below.

OPTIONAL MEMBER CONTRIBUTIONS (AFTER-TAX)
I wish to make optional member contributions by regular deductions from my pay of:
\$ PER week fortnight month

OPTIONAL EMPLOYER CONTRIBUTIONS (PRE-TAX)^a – SALARY SACRIFICE
How much do you want your employer to deduct from your salary or wages?
\$ PER week fortnight month

^a Optional employer contributions subject to employers agreement and award conditions (where applicable).

INDEMNITY

In consideration to your consenting to make such deductions and payment as above, I agree for myself, my executors, administrators and assigns, to hold my employing organisation and every employee thereof, harmless and indemnified against any claim arising out of any act or omission to act in pursuance of this authority or any failure to make deductions and remittances as authorised herein. This authority cancels any existing Local Government Superannuation payroll deduction authority and continues until it is withdrawn by me in writing.

Signature _____ Date / /

For further information, contact Member Services on 1300 369 901.



FURTHER INFORMATION

The following service providers assist the Trustee in effectively managing the Scheme¹¹:

ACTUARY

Mercer Human Resource Consulting Pty Limited

ADMINISTRATOR

Superannuation Services Company Pty Limited
NSP Buck Consultants

ASSET CONSULTANT

Mercer Human Resource Consulting Pty Limited
State Street Global Advisors Australia Limited

AUDITOR

Deloitte Touche Tohmatsu

CUSTODIAN

Commonwealth Custodial Service Ltd

DEATH & DISABLEMENT COVER

ACCUMULATION SCHEME

Self-insured for basic Dorr

EXECUTIVE SCHEME

Tower Australia Limited

VOLUNTARY INSURANCE

Tower Australia Limited

Note: The Allocated Pension & Rollover Plans do not have Death and Disablement Cover.

INVESTMENT MANAGERS

ACCUMULATION AND EXECUTIVE SCHEMES, ALLOCATED PENSION AND ROLLOVER PLANS

Deutsche Asset Management (Australia) Limited
Aberdeen Asset Management
Concord Capital
UBS Asset Management
Goldman Sachs Asset Management
State Street Global Advisors Australia Limited
Standish Mellon Asset Management
Putnam Investment Management
Loomis Sayles Australia
PIMCO Australia
Superannuation Services Company Pty Limited

EXECUTIVE SCHEME

BT Funds Management Limited

SOLICITORS

Phillips Fox
Deacons

SECRETARIAT TO TRUSTEE

Superannuation Services Company Pty Limited

¹¹ The list of service providers reflects the organisation contracted at the time of printing. The Trustee reviews the performance of its service providers regularly and where appropriate may resolve to replace.

Complaints

We hope that you will always receive satisfactory service from the Local Government Superannuation Scheme and that all your enquiries are promptly attended to. However, if you are dissatisfied with the service you are receiving, you may lodge a formal complaint.

This should be made in writing to:
Complaints Resolution Officer
Superannuation Services Company Pty Ltd
Level 12
28 Margaret Street
Sydney NSW 2000

The Complaints Resolution Officer will consider your complaint on behalf of the Trustee 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, you have the option of referring your concern to the Superannuation Complaints Tribunal.

The contact details are:
The Secretary
Superannuation Complaints Tribunal
Locked Bag 3060 GPO
Melbourne VIC 3001
Phone 1300 884 114

If you are a former member of one of the State Super Schemes who was transferred to the Local Government Superannuation Scheme, you may have the option of lodging an appeal with the NSW Industrial Relations Commission (in Court Session) within six months of being notified of the determination of your complaint by the Trustee, or within the time allowed by the Commission.

Thinking of retiring?

Let FuturePlus Financial Services secure your future



What will FuturePlus Financial Services do for me?

If you are planning for your retirement or considering a redundancy offer, FuturePlus Financial Services will show you how to get the most out of your money.

FuturePlus Financial Planners are specially trained and fully qualified to help you get the most out of your money for your retirement. Each FuturePlus Financial Planner is a Proper Authority Holder and an authorised representative of FuturePlus Financial Services.

A FuturePlus Financial Planner will talk to you about possible investment strategies and explain to you the benefits and the risks. They will make sure you understand these before recommending any possible financial plan to you.

A FuturePlus Financial Planner will discuss various investment options and estate planning issues with you.

Based on the information you provide, a FuturePlus Financial Planner will draw up a financial plan for you. He or she will go through the plan with you and make sure that you understand it.

When should I contact FuturePlus Financial Services?

If you are about to retire or accept a redundancy offer, a FuturePlus Financial Planner will work with you to get the most out of your money.

How much will this cost me?

If you are a member or former member of the Local Government Superannuation Scheme, FuturePlus Financial Services will provide this service free of charge.

What do I do next?

If you are about to retire please call – (02) 8234 6000

FuturePlus Financial Services belongs to you

You, the members of the Local Government Superannuation Scheme, own FuturePlus Financial Services.

The Local Government Superannuation Scheme, in conjunction with the Energy Industries Superannuation Scheme, set up FuturePlus Financial Services to provide you with a comprehensive financial planning and post-retirement service.

When you retire, FuturePlus Financial Services is committed to bringing you the same low-fee, high-value service that you enjoyed as a member of the Local Government Superannuation Scheme.

FuturePlus Financial Services Pty Limited (ABN 90 080 972 630)