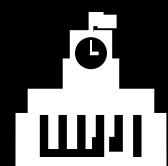




**ANNUAL  
REPORT 2007**

**Local Government Superannuation Scheme**



**LOCAL GOVERNMENT®**  
SUPERANNUATION SCHEME



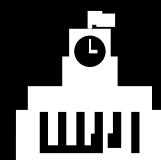
*Until June 30 1997, local government employees had been members of an assortment of state-based, public sector superannuation schemes.*

*But on July 1 that year, the Local Government Superannuation Scheme was established with a commitment to improving long-term benefits to members' retirement incomes.*

*This year, your Scheme celebrates 10 super years.*

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## Letter from the Chair

### Dear Member,

It is with great pleasure that I present to you, on behalf of my fellow Board members, this special Annual Report of the Local Government Superannuation Scheme for 2007—celebrating 10 super years.

It is fair to say that despite the economic turbulence and uncertainty of the past ten years, your Scheme has continued to generate positive returns and consistent growth, as well as a substantial increase in the range of services we provide to members. It's a record that deserves to be celebrated.

And it is a trend that has been maintained during the 2007 financial year. Indeed, the Accumulation Scheme's High Growth, Diversified and Balanced investment options performed solidly, with returns of 15.5%, 13.4% and 10.3% respectively, whilst the Trustee Selection (for the Retirement and Defined Benefits Schemes only) delivered a 14.3% return. However, rising interest rates have had an adverse effect on fixed interest investments, so those investment options with higher exposure to fixed interest markets have not fared as well.

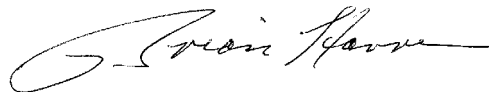
Much work has been undertaken during the year on making the activities of your Scheme more socially responsible. Some people say you can't make money by being socially responsible, but this Scheme is proving them wrong. According to a recent assessment, making socially responsible investment (SRI) choices has added more than \$10 million to the Scheme's earnings since its inception.

Furthermore since 1 July your Scheme has gone green. LGSS has replaced traditional energy sources with 100% green energy across all ten of its directly held properties. You can read more about these and other sustainable investment initiatives on page 5.

It has been a big year, both in terms of our own programs as well as those of the Government, by way of making superannuation an even more valuable investment vehicle.

I trust you will find useful our efforts to keep you abreast of these developments.

Yours sincerely,



**Brian Harris OAM**  
Chair  
Local Government Superannuation Scheme





## What's new at LGSS—Celebrating 10 super years



- Back in 1997, there were 58,551 members. Today, membership stands at almost 100,000.
- Then, assets were just \$2.62 billion. Today, we have assets of \$6.1 billion. That's \$0.8 billion up on 2006.
- In 2007 your Scheme celebrates 10 years of operation.

### A decade of achievement.

- |  |   |
|--|---|
| <b>1997</b> — Local Government Superannuation Scheme established by NSW Government.                      | <b>2003</b> — Superannuation Services Company and FuturePlus Financial Services merge.  |
| <b>1998</b> — Scheme performs well despite international economic turmoil.                               | <b>2004</b> — Scheme purchases Local Government Financial Services.   |
| <b>1999</b> — Scheme established FuturePlus Financial Services.  | <b>2005</b> — Scheme records even stronger returns from Retirement and Defined Benefit Schemes as well as the Balanced investment option. |
| <b>2000</b> — Local Government Superannuation Scheme one of the best investment performers in Australia. | <b>2006</b> — Rainmaker awards LGSS AAA rating.   |
| <b>2001</b> — Scheme secures a major interest in Chifley Financial Services.                             | <b>2007</b> — Scheme celebrates 10 super years.   |
| <b>2002</b> — Scheme launches its Fair Go member rewards program.  |   |

### Continued strong returns

The big news during 2007 has been the record levels of merger and take-over activity, estimated to be worth a combined \$US92.6 billion, compared to \$US37.9 billion a year earlier.

This activity has been driven by an explosion in private equity deals, strong share markets and the resources boom. And in turn, it has fuelled further gains on international share markets.

The continued strong performance of the share market has contributed directly to the impressive returns achieved by our Accumulation Scheme High Growth (15.5%), Diversified (13.4%) and Balanced (10.3%) strategies.

The outlook for next year should remain optimistic, as most of the major economies appear to be in good shape. However, after so many years of strong investment growth, it would not be surprising to see markets suffer short-term volatility.



## Growth continues

Ten years on, and the Local Government Superannuation Scheme continues to grow. Assets have risen to \$6.1 billion, up from \$5.3 billion in 2006. The membership as at 30 June 2007 stood at close to 100,000. Your Scheme is part of a larger grouping of superannuation schemes that together have close to 150,000 members and almost \$11 billion in funds under management. This gives us the economies of scale and buying power to continue to keep our fees as low as possible and to deliver a quality range of products, services and solid returns.

## Sustainable Investing – it's about the future!

The Local Government Superannuation Scheme (LGSS) has been committed to the concept of sustainable investment long before it became more mainstream.

Established in July 1997, the Board resolved in 2000 to never own tobacco shares and in 2001 resolved to cautiously expand this attitude to operate an overlay on its entire Australian equities portfolio—actively removing from the portfolio any shareholding in companies involved in old-growth logging, uranium mining/nuclear technologies, armaments, gambling or those with poor environmental, social or governance practices.

The shares are replaced by ownership of companies with a high sustainability rating.

This overlay has contributed more than \$10 million in additional investment performance to members since its inception. International equities are now under consideration.

In adopting a commitment to sustainability, LGSS significantly rejected the concept of providing a sustainable investment choice to members, preferring to take a broader approach to all investment.

LGSS is a signatory to the United Nations Principles of Responsible Investment and expresses this commitment through engagement (just like everyone

else does) but also by excluding ownership of certain companies. LGSS is enthusiastic in advocating that signing up to UNPRI must involve, at some stage, refusing to hold shares in companies which breach those principles. This is not yet a mainstream attitude, but LGSS is confident that over time, it will be.

LGSS is a foundation member of the Australian Council of Superannuation Investors (ACSI) and through ACSI is an active proxy voter of its shares. LGSS is also one of the eight superannuation funds and financial institutions that established Regnan this year—a specialist governance and engagement adviser.

LGSS is a signatory to the Carbon Disclosure Project and a member of the Responsible Investment Association of Australasia. It promotes its views and unique approach to sustainable investment widely to members and tries to infect others with this enthusiasm through industry forums.

## Going green

From 1 July 2007, your super Scheme has replaced traditional energy sources with 100% green energy for all ten of our directly held properties\*, which together are valued at more than \$500 million.

We are taking positive actions to reduce our greenhouse gas emissions to a carbon neutral stance across all our activities. Our purpose in doing this is to declare our position on climate change and so lead other super funds and property owners by example.

The Scheme has invested heavily in measures to improve the energy efficiency of our buildings and slash energy consumption. This will largely offset the higher cost of green power, which we estimate will be modest across the entire portfolio.

In the longer term we hope to develop a co-operative environment where all our tenants are willing to participate in sustainable initiatives and further the substantial advances we have already made.



\* The Scheme's direct property portfolio consists of two office buildings in North Sydney and two office buildings in Sydney CBD, as well as office buildings in St Leonards and Macquarie Park. The Scheme also owns industrial estates at Frenchs Forest and Macquarie Park, plus shopping centres at Leichhardt and Wagga Wagga.



## What's next?



### Bigger benefits brought by Budget

#### How the reforms make super more attractive

The reforms make super one of the most attractive savings mechanisms available. This is because they have removed the tax payable on end benefits taken out of your super in a lump sum or income stream after you turn 60.

Superannuation is already concessional tax in other ways. Both pre-tax contributions made by yourself and contributions paid by your employer (up to a combined total \$50,000 a year) are taxed at 15%, which may be a much lower tax rate than the one you pay on other earnings. In addition, the earnings on your investments while invested in super are taxed at a maximum rate of 15%, whereas earnings outside of super are taxed at your marginal tax rate.

Please note that there are transitional arrangements in place for certain members. Please contact Member Services on **1300 369 901** for further details.

#### Seminar events

Each year your Scheme runs seminars which are run by our team of friendly Account Managers and Financial Planners, at work sites and at local venues on subjects including:

- Retirement
- Redundancy
- Non-super investment savings
- Tax and social security
- Budgeting
- Superannuation
- Wealth Creation

#### Wealth Creation seminars

Your Scheme, through FuturePlus Financial Services Pty Limited\*, continues to provide members the opportunity to explore methods of building wealth, both inside and outside of superannuation. You can attend a wealth creation seminar at no direct cost to you.

#### Retirement seminars

As a valued member of the Local Government Superannuation Scheme you can book yourself in to attend a pre-retirement seminar which will cover a range of topics targeted at people who are planning to retire in several years. This is a very informative seminar that costs you nothing from which most people will benefit in the lead up to retirement planning.

Our seminar program is available on our website at **[www.lgsuper.com.au](http://www.lgsuper.com.au)** and you can book your place at one of these events by calling Member Services on **1300 369 901**.

#### All members

The good news is that if you change jobs your employer can make contributions to FuturePlus Super, our public offer superannuation fund. Members who decide to transfer to FuturePlus Super are charged no entry or exit fees and do not lose any of their existing benefits such as any voluntary insurance cover, provided premiums are paid.

#### Binding Nominations and Wills

Members can make a binding death benefit nomination, which ensures that any death benefit is payable to your estate. When you do this, the Trustee is then bound to carry out your wishes. It is very important that you remember to renew your binding nomination every 3 years for it to remain valid.

\*FuturePlus Financial Services Pty Limited, partly owned by your Scheme, was created to provide financial planning advice to Scheme members at various stages in their lives.



## Your Scheme benefits

Therefore, it is crucial to keep your Will up-to-date, as the Trustee must follow a valid binding nomination.

Where the nomination becomes invalid, the Trustee must pay any death benefit in accordance with the rules of the Scheme's Trust Deed. To take up this option, call Member Services on **1300 369 901**.

### Scheme research

The Scheme appoints independent research companies to conduct member research on various matters, to ensure that our members needs continue to be met, to identify and address any issues, to improve processes and to develop existing and new services and products.

Over the course of the coming year, members may receive a telephone call from one of the research groups the Scheme currently uses. Members are encouraged to participate and provide feedback, but are under no obligation to do so. If you do not wish to participate, simply let the researcher know. The Scheme currently uses the following research companies:

- Woolcott Research Pty Ltd.
- Stent Research and Planning Pty Ltd.

The Local Government Superannuation Scheme offers you access to a broad range of services designed to help you now and build your financial future.

These include:

- Low fees.
- A track record of impressive investment returns.
- Access to financial planning at no direct cost to you.
- Flexibility in investment strategies.
- A great range of insurance options.
- Savings through our Fair Go Member Benefits Program.
- Pre-retirement seminars (for members aged 50 or over).
- Wealth creation seminars (to help you build your wealth at any age).
- A competitive home loan service.
- Extensive work site visits.
- Call Centre support to answer your questions.
- Access to Client Services staff and financial planners at our Sydney and Parramatta offices and regional network (i.e. Lismore, Newcastle, Orange, Wagga Wagga, Wollongong and Albury\*).
- A comprehensive range of tools and calculators on our website to help you determine your ideal investment strategy, work out a budget, calculate insurance premiums and estimate your superannuation benefit and account-based pension (previously called allocated pension) options at retirement.
- Member communications such as this annual report to keep you up-to-date.



\*Albury is staffed at least one business day per month. Bookings are essential on **1300 369 901**.





## Your Scheme benefits - continued

For more information or to ensure that you are making the most of all the services available to you, call Member Services on **1300 369 901**.

### What's new in Fair Go?

We are constantly looking to introduce new and improved offers to you via the Fair Go Member Benefits program.

Here is a summarised list of offers available now

- Sydney Wildlife World, where you can save 15% on admission.
- Sydney Tower and Oztrek, where you can save 10% on admission.
- Petals Flower Delivery, an online florist where you qualify for a 15% discount on the flower value of your order.
- Members receive a state-of-the-art alarm system package worth \$499.90 for only \$99.00 (incl. GST) when they sign up for a back-to-base monitoring service.
- Save up to 30% off Travel Insurance with AIG Australia.
- Discounts on computer equipment.
- Special accommodation offers at ECO Point Resorts.
- 3 courses for the price of 2 at 360 Bar and Dining.

Call Member Services on **1300 369 901** today, or visit our website [www.lgsuper.com.au](http://www.lgsuper.com.au) to view all offers and to find out how you can take full advantage of the Fair Go Member Benefits program.

### Financial planning service

As a member of this Scheme you have access to a financial planning service offered through FuturePlus Financial Services, at no direct cost to you. Over the course of the last 12 months we have increased the number of financial planners, who can discuss with you ways of building your wealth and planning for your retirement. They are salaried employees and earn no commission on the advice they provide.

Contact Member Services on **1300 369 901**, or visit the Local Government Superannuation Scheme website [www.lgsuper.com.au](http://www.lgsuper.com.au) to find out more.

### Hear from our financial planners online

Visit [www.futureplus.com.au](http://www.futureplus.com.au) to hear about the latest on super reforms and more from our financial planners.

### Member Services Contact Centre

Our Member Services Officers are available between the hours of 8.30am and 5.00pm (EST) and are able to provide you with factual information related to your Scheme membership.

Our Contact Centre staff undergoes a thorough training and induction program so that they can provide members with accurate and appropriate information.

The Member Services Contact Centre complies with Financial Services Reform requirements. To speak to a Member Services Officer call **1300 369 901**.



## Regional offices

We have offices in the following locations:

Sydney	28 Margaret Street
Parramatta	10-14 Smith Street
Orange	187 Summer Street
Wagga Wagga	2/209 Baylis Street
Wollongong	Shops 2 & 3, 60 Burelli Street
Lismore	81-83 Molesworth Street
Newcastle	161 King Street
Albury*	621 Dean Street

## Super loans for our super members

You can have a Chifley super loan with a competitive rate of interest right now. As you are a part of a member-based organisation that includes the Local Government Superannuation Scheme, Chifley's services are designed to benefit members – not shareholders - so they can offer home loans at very competitive interest rates.

Chifley Homes Loans have received a Cannex 5 star rating which places Chifley within the top 5% of home loan products, a pretty super endorsement when you consider there are over 2,000 products in the mortgage category. So if you're interested in a loan for a new home, an investment or if you simply want to re-finance your existing loan, why waste your money on higher rates or unnecessary fees? Talk to Chifley on **1800 800 002** or visit **www.chifley.com** to view their range of highly competitive home loans to members with features that include:

- \$0 Application fee\*\*
- \$0 monthly account keeping fee
- \$0 Split loan fee
- \$0 Electronic redraw fee

The loan terms are transparent to ensure members always understand the loan conditions. Before you make any decisions contact Chifley on **1800 800 002** for more information or visit **www.chifley.com**

## Website

This year we have improved the look of our website. We welcome your opinion and invite you to email us with your feedback to **info@lgsuper.com.au**

In addition, our website offers a wide range of tools and calculators to help members work out possible solutions relating to their own personal circumstances. These include:

- Risk profiling questionnaire;
- Superannuation and Account-Based Pension (previously called Allocated Pension) calculator;
- Insurance Premium calculators;
- Salary Continuance calculator.

Other calculators are available through FuturePlus (**www.futureplus.com.au**) which can help members with budgeting, working out borrowing limits, insurance, loans, term deposit, and looking at whether to rent vs. buy.

## Register for Web Access

To register for web access, simply go to **www.lgsuper.com.au** and click on the web access registration link.

\*Albury is staffed at least one business day per month. Bookings are essential on **1300 369 901**.

\*\* Terms and conditions apply. Fees, charges and all loan details will be disclosed in the loan contract. Some charges such as valuation fees and costs charged by the lender's solicitors are payable. These charges may be non-refundable should they be incurred and the loan is not proceeded with. An early repayment fee may be payable. Chifley Financial Services Limited (ABN 75 053 704 706, AFSL 231148), trading as Chifley Home Loans, provides services through an agreement with Select Credit Union Ltd (ABN 20 058 538 140, AFSL 238257). Chifley Financial Services Limited does not guarantee the obligations of Select Credit Union Ltd.





## Your Scheme benefits - continued

### Corporate governance

The Scheme is a foundation member of the Australian Council of Superannuation Investors (ACSI), which consists of about 40 major Australian super funds with combined assets of over \$180 billion. It monitors the governance practices of the companies in which these super funds invest.

As a recent example of its activities through ACSI, the Scheme voted against awarding salary increases to James Hardie directors given their ongoing problems in settling asbestos claims. Moving forward, the Scheme intends to continue to be an active voter at Annual General Meetings on issues that affect its holdings in the companies in which it invests.

### Communications

The Scheme continues to implement environmentally friendly practices into its operations. For example, it has embarked on initiatives to cut down on the amount of paper used to communicate to its members and only uses environmentally friendly paper in these communications.

This Annual Report, for instance, is printed on Impress; an environmentally responsible paper manufactured using Elemental Chlorine Free (ECF) pulp sourced from sustainable, well managed forests. Impress is manufactured at Australian Papers Wesley Vale Mill, an Australian company certified under ISO14001 international environmental management systems.

Next year we will be considering ways to cut down even further on paper.

### Insurance for your peace of mind

One way to obtain life, permanent disability or income protection insurance is through your Scheme. The benefit of doing this is that the premiums are paid from your superannuation contributions, meaning that you don't pay for the cost of the insurance directly. If you don't want your super savings to be reduced by insurance premiums, you can make extra contributions towards your super to cover the premium amount. A tax-effective way of doing this is to pay for your premiums using pre-tax dollars via salary sacrifice contributions. You also get to take advantage of the wholesale insurance rates your Scheme has negotiated, which are at a very competitive rate.

Taking out insurance isn't a one-off event. As you move along the path to retirement, part of your planning process should include regular reviews of your insurance needs, to ensure that you aren't over or under insured as your needs and circumstances change.

#### Remember to review your insurance needs regularly.

For more information on insurance, contact us on **1300 369 901**. One of our Financial Planners can work with you to determine whether you have the right cover to meet your particular circumstances.

### How the sectors performed

#### Market commentary financial year end 2007

##### Australian Shares

The Australian share market rebounded from its slump in late February/early March to end the financial year to June on a high note after benefiting from busy merger and takeover activity and a robust world economy. Australian shares gained a whopping 28.7% for the year – their fourth consecutive year of double-digit



growth. Not even fears of rising interest rates or the bumpy Chinese share market could stop the share market from having its best year in a decade.

### International Shares

International share markets also bounced back from the February/March sell-off with several managing to break new records before the financial year to June 2007 came to an end. Thanks to good earnings reports and abundant takeover activity, international shares were up 21.4% for the year. But, on an unhedged basis, they rose only 7.8% for the year because of the strong Australian Dollar.

In the US, the Dow Jones passed the 13,000 mark for the first time in April while the S&P 500 hit new highs in May.

Nonetheless, US investors have since become nervous about rising bond yields and the continued fallout from growing defaults on low quality mortgages. Overall, the Dow was up 20.3% for the year, the S&P 500 rose 18.4% while the technology heavy NASDAQ index was up 19.9%.

China's share market fell from record highs in May after the Chinese Government tripled the tax on share trades. Thankfully, this had very little impact on other markets.

Meanwhile, Japanese shares began rallying in November 2006, peaked in late February and then fell about 3% by the end of June. However, they still gained almost 12% over the year.

### Listed Property Trusts

Despite much volatility, Listed Property Trusts (LPTs) still managed to gain 25.9% over the year.

Like other shares, they benefited from all the takeover activity on the market. They also benefited from strong

gains from the office property market. Nonetheless, by financial year end, investors had become concerned about the large variations in the returns from individual LPTs.

### Fixed Interest

Australian bonds returned 4% for the year while international bonds were up 5.7%. Bonds were influenced by the sharp increases in international bond yields as markets anticipated strong global economic growth which could, in turn, lead to higher interest rates. Rising interest rates and higher bond yields can be bad news for fixed interest. When interest rates rise, the capital value of bonds already on issue can fall. This is because investors would rather buy a bond issued at the new, higher interest rate than buy an existing bond paying a lower rate. The capital value of the existing bond has to fall to compensate for its lower interest rate.

The performance of fixed interest is also strongly linked to the movement in long-term bond yields. When long-term bond yields fall, existing bond prices rise. This means that holders of these bonds can sell them at a higher price than before. But when long-term bond yields rise, existing bond prices fall (because you can buy more attractive bonds with higher yields) and these bonds can only be sold at a lower price than before.

### Cash and Currencies

Cash returned 6.4% for the year. Supported by firm commodity prices, sound economic news and the possibility of higher interest rates, the Australian Dollar (AUD) rose to 18-year highs towards the end of the financial year.





# Your superannuation explained

## About the Scheme

The Local Government Superannuation Scheme (LGSS) was established on 1 July 1997, to specifically cater for employees of NSW Local Government employers.

The Scheme is divided into two Pools (Pool A and Pool B). The diagram on the right shows the Scheme's structure. FuturePlus Financial Services provides superannuation and financial planning services to members of the Scheme and is 50% owned by the Scheme.

### Pool A Consists of the Assets of Three Divisions:

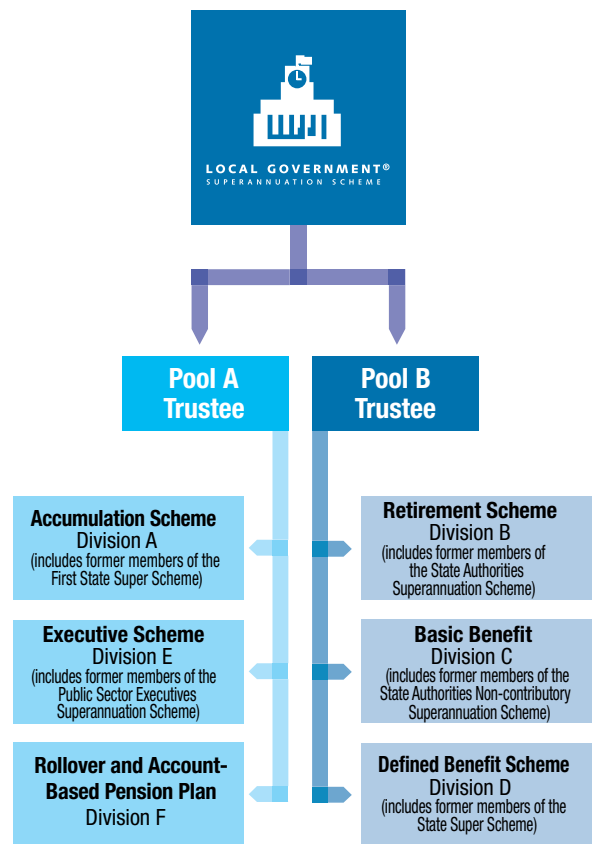
- Accumulation Scheme - Division A
- Executive Scheme - Division E
- Rollover and Account-Based Pension Plan - Division F

### Pool B Consists of the Assets of Three Divisions:

- Retirement Scheme - Division B
- Basic Benefit - Division C
- Defined Benefit Scheme - Division D

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

## Local Government Superannuation Scheme Divisions





## About the Trustee

LGSS Pty Limited (ABN 68 078 003 497) is the Trustee of the Scheme.

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.

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

LGSS Pty Limited is an APRA Registrable Superannuation Entity Licensee (RSEL L0001243). The Super Registration Number for Pool A is R1004656 and for Pool B is R1004663.

## About the service providers

The administrator of the Scheme is FuturePlus Financial Services Pty Limited. The administrator attends to the day-to-day operation of the Scheme under a written service agreement. FuturePlus also operates the various branches that service member queries and employs salaried financial planners to assist members.

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

The next section of this annual report lists the strategies for each of the available investment options, along with more detailed information on past performance, asset

allocations and definitions. Net earnings rates disclosed in this report may not be the same as the rate credited to a member's benefit because of the effect of cash flow timings.

The net earnings allotted to your accounts during this Statement period are calculated daily, based upon the applicable unit prices of the underlying investment strategies you are invested in. These unit prices are derived to be the market value of the investments in your underlying investment strategy after adjustments for taxes, fees and expenses. You should note that any direct fees, contributions tax or expenses (such as insurance premiums) are deducted directly from your account and are not taken into account when deriving applicable unit prices.

Please note that past net earning rates are not an indicator of future net earning rates and that members benefits invested in any particular investment strategy are not guaranteed and the value of their investment may fall.



# Investment Strategies in detail

After a review of its investments, the Trustee has made changes to some of the current investment options. These changes started to come into effect in early 2007. A Supplementary Product Disclosure (SPDS) was sent to members in November 2006, which included details of these changes. If you wish to obtain a copy of this SPDS

or a copy of the current Product Disclosure Statement please visit [www.lgsuper.com.au](http://www.lgsuper.com.au) or contact Member Services on **1300 369 901**. The following investment strategies are those that started to come into place from early 2007.

## High Growth Strategy

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

**Definition** - The High Growth strategy generally invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. This combination aims to earn high real investment growth above the cash rate over a 3 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short-term.

**Objective** - 3.5% net investment return per annum above the "cash" rate, measured over a rolling 3 year period.

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

**Risk profile** - High.

Asset Allocation as at 30 June <sup>2</sup>	Asset Ranges 2007 <sup>3</sup>	Actual 2007	Actual 2006
Australian Equities (or Shares)	37%-43%	48.1%	51.8%
International Equities (or Shares)	33%-38%	32.5%	34.0%
Australian Listed Property	0% <sup>4</sup>	4.9%	5.0%
International Listed Property	5%-15%	3.9%	0.0%
Australian Fixed Income	0%-5%	1.6%	1.8%
Australian Inflation Linked Bonds (previously called Indexed-Linked Securities)	0%-5%	1.6%	0.9%
International Fixed Income	0%-5%	0.8%	1.8%
Absolute Return Funds (previously called Hedge Funds)	5%-25%	6.6%	4.7%
Cash	0%-10%	0.0%	0.0%
Australian Direct Property <sup>5</sup>	0%-7.5%	0.0%	0.0%
Semi Liquids <sup>5</sup>	0%-15%	0.0%	0.0%
Private Equity <sup>5</sup>	0%-20%	0.0%	0.0%

Investment Returns over 5 years as at 30 June <sup>2</sup>	2003	2004	2005	2006	2007
Accumulation and Executive Schemes (Divisions A and E)	-2.6%	16.6%	15.6%	18.7%	15.5%
Rollover Plan (Division F)	-3.8%	16.1%	13.9%	18.1%	15.3%
Account-Based Pension Plan (Division F)	-4.1%	17.5%	15.3%	18.9%	17.2%

Annualised 5 year Returns as at 30 June 2007 <sup>2</sup>	
Accumulation and Executive Schemes (Divisions A and E)	12.5%
Rollover Plan (Division F)	11.6%
Account-Based Pension Plan (Division F)	12.6%



## Diversified

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

**Definition** - The Diversified strategy generally invests a high proportion of its funds in growth assets, such as Australian and international equities and property. The balance is invested in income producing assets. This combination aims to earn real investment growth above the cash rate over a 3 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call ‘short-term volatility’ in this strategy. In other words, the value of the investment may fluctuate over the short-term. This volatility is not as great as it is in the High Growth strategy.

**Objective** - 2.5% net investment return per annum above the “cash” rate, measured over a rolling 3 year period.

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

**Risk profile** - High/Medium.

Asset Allocation as at 30 June <sup>2</sup>	Asset Ranges 2007 <sup>3</sup>	Actual 2007	Actual 2006
Australian Equities (or Shares)	25%-30%	37.8%	40.6%
International Equities (or Shares)	25%-30%	24.7%	26.5%
Australian Listed Property	0% <sup>4</sup>	5.2%	5.0%
International Listed Property	5%-15%	4.5%	0.0%
Australian Fixed Income	0%-10%	9.2%	10.1%
Australian Inflation Linked Bonds (previously called Indexed-Linked Securities)	5%-10%	5.8%	6.5%
International Fixed Income	0%-10%	6.0%	6.5%
Absolute Return Funds (previously called Hedge Funds)	5%-25%	6.8%	4.8%
Cash	0%-10%	0.0%	0.0%
Australian Direct Property <sup>5</sup>	0%-7.5%	0.0%	0.0%
Semi Liquids <sup>5</sup>	0%-15%	0.0%	0.0%
Private Equity <sup>5</sup>	0%-20%	0.0%	0.0%

Investment Returns over 5 years as at 30 June <sup>6</sup>	2003	2004	2005	2006	2007
Accumulation and Executive Schemes (Divisions A and E)	-0.04%	12.9%	13.7%	14.7%	13.4%
Rollover Plan (Division F)	-0.3%	12.7%	12.7%	14.0%	11.9%
Account-Based Pension Plan (Division F)	-0.9%	13.9%	14.0%	15.3%	14.6%

Annualised 5 year Returns as at 30 June 2007 <sup>2</sup>	
Accumulation and Executive Schemes (Divisions A and E)	10.8%
Rollover Plan (Division F)	10.1%
Account-Based Pension Plan (Division F)	11.2%

1. Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS Bank Bill Index.
2. All figures are represented to one decimal place except Asset Ranges 2007. For a full description of the various asset classes listed, see our website.
3. Please refer to opening paragraph under Investment Strategies in detail.
4. Please note that the strategic asset range for Australian Listed Property has now changed to be between 0%-5%.
5. Note that the combined investments of Australian Direct Property, Semi Liquids and Private Equity classes will not exceed 30%.
6. All figures are shown to one decimal place except for 2003 Accumulation and Executive Schemes (Divisions A and E) Investment Returns over 5 years (-0.04%).



## Balanced

For real investment growth above the “cash”<sup>1</sup> rate over the medium term.

**Definition** - The Balanced strategy generally invests a proportion of its funds in growth assets such as Australian and international equities and property, semi liquids and private equity and the balance in income-producing assets, such as interest-bearing securities. This combination offers real investment growth above the cash rate over a 3 year period. There are more assets that produce income, which makes the strategy more stable than the High Growth and Diversified strategies.

**Objective** - 1.5% net investment return per annum above the “cash”<sup>1</sup> rate, measured over a rolling 3 year period.

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

**Risk profile** - Medium.

Asset Allocation as at 30 June <sup>2</sup>	Asset Ranges 2007 <sup>3</sup>	Actual 2007	Actual 2006
Australian Equities (or Shares)	15%-20%	25.7%	28.7%
International Equities (or Shares)	15%-20%	17.5%	18.4%
Australian Listed Property	0% <sup>4</sup>	5.4%	5.1%
International Listed Property	5%-10%	4.6%	0.0%
Australian Fixed Income	0%-15%	17.6%	18.9%
Australian Inflation Linked Bonds (previously called Indexed-Linked Securities)	10%-15%	10.5%	11.5%
International Fixed Income	0%-10%	11.8%	12.5%
Absolute Return Funds (previously called Hedge Funds)	5%-20%	6.8%	4.9%
Cash	0%-10%	0.0%	0.0%
Australian Direct Property <sup>5</sup>	0%-7.5%	0.0%	0.0%
Semi Liquids <sup>5</sup>	0%-15%	0.0%	0.0%
Private Equity <sup>5</sup>	0%-20%	0.0%	0.0%

Investment Returns over 5 years as at 30 June <sup>2</sup>	2003 2004 2005 2006 2007				
	Accumulation and Executive Schemes (Divisions A and E)	2.7%	9.6%	11.9%	11.0%
Rollover Plan (Division F)	2.0%	9.2%	11.0%	10.3%	9.0%
Account-Based Pension Plan (Division F)	2.2%	10.5%	12.3%	11.4%	11.0%

Annualised 5 year Returns as at 30 June 2007 <sup>2</sup>	
Accumulation and Executive Schemes (Divisions A and E)	9.0%
Rollover Plan (Division F)	8.2%
Account-Based Pension Plan (Division F)	9.4%



## Capital Guarded

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

**Definition** - The Capital Guarded strategy generally invests a small proportion in growth assets and the balance in income producing assets such as interest-bearing securities. This combination aims to keep investment return fluctuations to a minimum. Although it is relatively more stable than the High Growth, Diversified and Balanced strategies, the returns and the value of the investment can still fluctuate.

**Objective** - 1% net investment return per annum above the "cash"<sup>1</sup> rate, measured over a rolling 3 year period.

**Risks** - Although the emphasis is more on security, returns and the value of the investment can still fluctuate. The chance of a negative return in any year is 1 in 8.

**Risk profile** - Low.

Asset Allocation as at 30 June <sup>2</sup>	Asset Ranges 2007 <sup>3</sup>	Actual 2007	Actual 2006
Australian Equities (or Shares)	7.5%-12.5%	11.9%	16.4%
International Equities (or Shares)	10%-15%	10.9%	10.5%
Australian Listed Property	0% <sup>4</sup>	5.7%	5.3%
International Listed Property	5%-10%	4.5%	0.0%
Australian Fixed Income	0%-25%	26.7%	28.0%
Australian Inflation Linked Bonds (previously called Indexed-Linked Securities)	15%-20%	15.8%	16.6%
International Fixed Income	0%-15%	17.6%	18.2%
Absolute Return Funds (previously called Hedge Funds)	5%-20%	6.9%	5.0%
Cash	0%-10%	0.0%	0.0%
Australian Direct Property <sup>5</sup>	0%-7.5%	0.0%	0.0%
Semi Liquids <sup>5</sup>	0%-15%	0.0%	0.0%
Private Equity <sup>5</sup>	0%-20%	0.0%	0.0%

Investment Returns over 5 years as at 30 June <sup>2</sup>	2003	2004	2005	2006	2007
Accumulation and Executive Schemes (Divisions A and E)	5.2%	6.4%	10.2%	7.5%	7.2%
Rollover Plan (Division F)	4.7%	6.3%	9.5%	7.0%	6.1%
Account-Based Pension Plan (Division F)	5.3%	7.0%	10.6%	7.6%	7.5%

Annualised 5 year Returns as at 30 June 2007 <sup>2</sup>	
Accumulation and Executive Schemes (Divisions A and E)	7.3%
Rollover Plan (Division F)	6.7%
Account-Based Pension Plan (Division F)	7.6%

## Cash Plus

For investors who want exposure to investments in money market securities with a very low risk of capital loss.

**Definition** - The Cash Plus strategy invests predominantly in short term Australian money market and fixed interest assets. In addition, a small proportion of the assets (up to 15%) are invested in global interest type assets. This gives this option greater exposure to higher returns than by just investing in short term domestic assets with only a small increase in the overall volatility of the returns. This strategy offers investments for those with short term horizons or those seeking less volatile returns.

**Objective** - 0.25% net investment return per annum above the "cash"<sup>1</sup> rate, measured over a three year period.

**Risks** - Depending on market volatility, there is a chance that this investment may experience a negative return but this is expected to only be for periods of no more than a month. Over longer time frames, the chance of a negative return would be remote.

**Risk profile** - Low.

**Indicative asset allocation** - 100% Cash and income producing assets.

Asset Allocation as at 30 June <sup>6</sup>	Indicative 2007	Actual 2007	Actual 2006
Cash and income producing assets	100%	100%	100%

Investment Returns over 5 years as at 30 June <sup>2</sup>	2003	2004	2005	2006	2007
Accumulation and Executive Schemes (Divisions A and E)	3.5%	4.2%	4.2%	4.6%	6.7%
Rollover Plan (Division F)	3.6%	4.1%	3.8%	3.9%	5.7%
Account-Based Pension Plan (Division F)	3.8%	4.8%	4.4%	4.5%	6.8%

Annualised 5 year Returns as at 30 June 2007 <sup>2</sup>	
Accumulation and Executive Schemes (Divisions A and E)	4.7%
Rollover Plan (Division F)	4.2%
Account-Based Pension Plan (Division F)	4.8%

1. Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS Bank Bill Index.

2. All figures are represented to one decimal place except Asset Ranges 2007. For a full description of the various asset classes listed, see our website.

3. Please refer to opening paragraph under Investment Strategies in detail.

4. Please note that the strategic asset range for Australian Listed Property has now changed to be between 0%-5%.

5. Note that the combined investments of Australian Direct Property, Semi Liquids and Private Equity classes will not exceed 30%.

6. Please note the asset allocation prior to 1 July 2006 was cash only.



## BT Institutional Retirement PST

(For Executive Scheme members only)

**Definition** - The BT Institutional Retirement PST is a 'balanced' fund which invests across a broad range of asset sectors, including equities, property, fixed interest and cash.

**Objective** - Aims to provide a return (before fees) that exceeds the Fund's benchmark over the long-term (5+ years) through stock selection and asset allocation.

**Risks** - There is potential for the value of the investment to decrease in the short-term.

**Risk profile** - High/Medium.

Asset Allocation as at 30 June <sup>1</sup>	Strategic 2007	Actual 2007	Actual 2006
Australian Equities	38.0%	35.8%	37.8%
International Equities	20.0%	21.7%	21.9%
Australian Property	5.0%	5.8%	4.4%
International Property	3.0%	3.3%	3.0%
Australian Fixed Income	17.0%	16.7%	16.6%
International Fixed Income	7.0%	4.5%	4.9%
Cash	2.0%	2.2%	3.5%
Alternative Investments	8.0%	10.0%	7.9%

Investment Returns over 5 years as at 30 June <sup>1</sup>	2003	2004	2005	2006	2007
Executive Scheme (Division E)	-4.7%	14.7%	15.9%	17.2%	14.9%

Annualised 5 year Returns as at 30 June 2007 <sup>1</sup>	11.3%
Executive Scheme (Division E)	11.3%

## BT Institutional Conservative Growth PST

(For Executive Scheme members only)

**Definition** - The BT Institutional Conservative Growth PST invests primarily in fixed interest investments, but can hold up to 30% in other assets, including equities and property.

**Objective** - Aims to provide a return (before fees) that exceeds the Fund's benchmark over the medium term (3+ years) through stock selection and asset allocation.

**Risks** - Although the emphasis is more on security, returns and the value of the investment can still fluctuate.

**Risk profile** - Medium/Low.

Asset Allocation as at 30 June <sup>1</sup>	Strategic 2007	Actual 2007	Actual 2006
Australian Equities	15.0%	14.5%	15.4%
International Equities	8.0%	10.3%	9.4%
Australian Property	3.0%	3.4%	2.9%
International Property	2.0%	1.9%	2.0%
Australian Fixed Income	34.0%	34.0%	33.8%
International Fixed Income	15.0%	13.2%	13.6%
Cash	17.0%	16.8%	17.0%
Alternative Investments	6.0%	6.0%	5.9%

Investment Returns over 5 years as at 30 June <sup>1</sup>	2003	2004	2005	2006	2007
Executive Scheme (Division E)	5.3%	6.4%	9.6%	10.4%	8.2%

Annualised 5 year Returns as at 30 June 2007 <sup>1</sup>	8.0%
Executive Scheme (Division E)	8.0%

## Retirement and Defined Benefit Schemes (Pool B)

### Trustee Selection

**Definition** - The Trustee Selection strategy generally invests a very high proportion of its funds in growth assets, such as Australian and international equities and property. The balance is invested in income producing assets. This combination aims to earn real investment growth above the "cash"<sup>2</sup> rate over a 3 year period. Because the emphasis is on growth, you should keep in mind that there may be what financial professionals call 'short-term volatility' in this strategy. In other words, the value of the investment may fluctuate over the short-term. This volatility is not as great as it is in the High Growth strategy.

**Objective** - 3% net investment return per annum above the "cash"<sup>2</sup> rate, measured over a 3 year period.

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

**Risk profile** - High/Medium.

Asset Allocation as at 30 June <sup>3</sup>	Asset Ranges <sup>4</sup>	Actual 2007	Actual 2006
Australian Equities (or Shares)	26%-31%	40.5%	43.0%
International Equities (or Shares)	26%-31%	26.6%	27.9%
International Listed Property	5%-15%	3.3%	0.0%
Australian Fixed Income	0%-10%	2.7%	3.2%
Australian Inflation Linked Bonds (previously called Indexed-Linked Securities)	5%-10%	3.4%	3.8%
International Fixed Income	0%-10%	3.2%	3.5%
Absolute Return Funds (previously called Hedge Funds)	5%-25%	6.9%	4.9%
Cash	0%-10%	0.6%	1.6%
Australian Direct Property <sup>5</sup>	5%-15%	9.9%	9.6%
Semi Liquids <sup>5</sup>	0%-15%	0.0%	0.0%
Private Equity <sup>6</sup>	3%-20%	2.9%	2.5%

Investment Returns over 5 years as at 30 June <sup>3</sup>					
	2003	2004	2005	2006	2007
Retirement and Defined Benefit Scheme (Pool B) Contributory	0.4%	13.4%	14.2%	17.3%	14.3%
Retirement and Defined Benefit Scheme (Pool B) Deferred	0.4%	13.4%	14.2%	16.7%	13.5%
Retirement and Defined Benefit Basic Benefit Accumulation Account	N/A	N/A	14.2% <sup>6</sup>	17.1%	14.1%

Annualised 5 year Returns as at 30 June 2007 <sup>3</sup>	
Retirement and Defined Benefit Scheme (Pool B) Contributory	11.8%
Retirement and Defined Benefit Scheme (Pool B) Deferred	11.5%

## Member Investment Choice

### Retirement Scheme Members only (Pool B)

Retirement Scheme members have access to Member Investment Choice in addition to Trustee Selection by choosing the five (5) investment strategies shown below. Member investment choice is the facility by which you can elect which investment strategy is to apply to your following benefit components:

#### for Contributory members

- Your Contributor Financed Benefit; and
- Basic Benefit Accumulation account

#### for Deferred members

- Your total account balance

The table below shows the investment returns only for the period 1 October 2005 to 30 June 2006. There are no investment returns for previous periods as the investment strategies only commenced 1 October 2005.

### Investment Returns 1 October 2005 to 30 June 2006<sup>7</sup>

Strategies <sup>7</sup>	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred Members
High Growth	10.8%	10.5%	10.1%
Diversified	8.7%	8.5%	8.0%
Balanced	6.8%	6.6%	6.2%
Capital Guarded	5.0%	4.7%	4.4%
Cash Plus	3.4%	3.2%	2.9%

### Investment Returns as at 30 June 2007<sup>7</sup>

Strategies <sup>7</sup>	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred Members
High Growth	15.6%	15.2%	14.6%
Diversified	12.8%	12.5%	11.9%
Balanced	9.9%	9.6%	9.1%
Capital Guarded	7.0%	6.7%	6.2%
Cash Plus	6.9%	6.6%	6.1%



1. All figures are represented to one decimal place.

2. Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS Bank Bill Index.

3. All figures are represented to one decimal place except Asset Ranges 2007. For a full description of the various asset classes listed, see our website.

4. Please refer to opening paragraph under Investment Strategies in detail.

5. Note that the combined investments of Australian Direct Property, Semi Liquids and Private Equity classes will not exceed 30%.

6. The return shown for 2005 is for the period 1 October 2004 to 30 June 2005 only.

7. All figures are represented to one decimal place. There is no annualised 5 year returns for these strategies as they only commenced 1 October 2005.



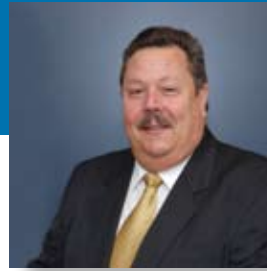
# The Board



Brian Harris OAM



Sam Byrne



John Ernst



Beverly Giegerl

## Brian Harris OAM

Appointed by United Services Union (NSW Division); Chair - LGSS Pty Limited; Association with Local Government for 40 years, as an Employee, Union Official and as former General Secretary of the United Services Union.

## Sam Byrne

Appointed by Local Government Association of NSW. Councillor - Marrickville Council; Executive Member - Local Government Association of NSW; Member - The Greens.

## John Ernst

Appointed by United Services Union (NSW Division). President - Metropolitan Salaried Officers Branch, United Services Union (NSW Division).

## Beverley Giegerl

Appointed by Local Government Association of NSW. Councillor - Hurstville City Council; Treasurer - Local Government Association of NSW.

## Leo Kelly OAM

Appointed by Local Government Association of NSW. Mayor - Blacktown City Council; Vice President - Local Government Association of NSW; Member of NSW Local Government Committee for Planning, Environment and Industrial Waste Management; Member - NSW Local Government Boundaries Commission; Chair - Audit, Compliance & Risk Management Committee.

## Martin O'Connell

Appointed by Local Government Engineers' Association. Director - Local Government Engineers' Association and Association of Professional Engineers, Scientists and Managers, Australia (NSW Branch).

## Ian Robertson

Appointed by Development & Environmental Professionals' Association (depa). Secretary - depa; Chair - Determinations Committee; Chair - Australian Institute of Superannuation Trustees; Chair - Investment Committee.

## Col Sullivan OAM

Appointed by the Shires Association of NSW. Past President - Shires Association of NSW; Vice President - Australian Local Government Association.

Peter Woods ceased as Chair on 31 March 2007. His position was replaced by Brian Harris.  
Peter Woods ceased as a Director on 24 August 2007 and was replaced by Sam Byrne.  
Paul Marzato was a Director until 27th September 2006. He was replaced by Brian Harris.  
John Wearne was a Director until 30th June 2007. He was replaced by Col Sullivan.



Leo Kelly OAM



Martin O'Connell



Ian Robertson



Col Sullivan OAM

## Scheme Governance



The Board is responsible for setting the overall strategy for your Scheme and ensuring it is operating in accordance with the Trust Deed and all applicable laws. The Board meets monthly and receives and reviews reports from its service providers. Where necessary, the Board calls upon specialist advice from advisors, such as solicitors, accountants and the Scheme's actuary.

The Board has appointed two Committees to allow it to oversee the operations of your Scheme in greater detail. The Investment Committee (made up of Ian Robertson – Chair, Beverly Giegerl, Martin O'Connell and Col Sullivan) generally meets twice a quarter. The main function of the Committee is to monitor the performance of the Scheme's investment managers and oversee the work of the Scheme's Investment Advisor – Intech Investment Consultants. The role of the Audit, Compliance and Risk Management Committee (made up of Leo Kelly – Chair, Sam Byrne, John Ernst and Brian Harris) is to review the internal controls and risk management of your Scheme and its service providers. Committee meetings are also attended by the Scheme's Internal Auditor – Leonard Yong. The Committee generally meets quarterly.

The financial services industry is becoming increasingly complex, as are the prudential requirements for Trustees of superannuation funds. To assist in meeting this challenge, the Board regularly undertakes courses/seminars aimed at keeping their skills and knowledge up to date.

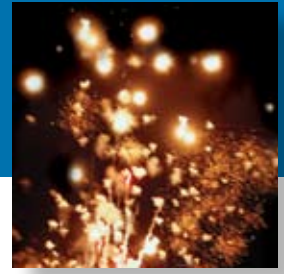
### Industry Regulator

The operations of your Scheme are supervised by the Australian Prudential Regulation Authority (APRA). Representatives of the Board meet APRA regularly, so as to keep the regulator informed about the activities of your Scheme. These meetings also provide an opportunity for the Board to hear APRA's views about the superannuation industry generally.

### Indemnity Insurance

The Trustee is indemnified by a policy of insurance in respect of its duties as Trustee of your Scheme.





## Taxes, fees and charges

### General tax information

Your Scheme is required to pay tax of up to 15% on all employer Contributions\* received (including contributions made by way of Salary Sacrifice). Any tax payable in respect of these contributions is deducted from your account. Personal contributions made on an after-tax basis are not subject to tax.

From 1 July 2005, the Federal government abolished the Surcharge payable on certain superannuation contributions. However, any debt accrued prior to this date is still payable and will be deducted from your account. The Australian Tax Office (ATO) determines the amount of Surcharge (if any) which relates to your contributions. All surcharge amounts are deducted from your account and paid to the ATO on your behalf (except for the Retirement and Defined Benefit Schemes), which is held as a debt until the time your benefit is paid.

### Fees and other costs

There are a number of fees levied by your Scheme. These include:

#### Investment costs and expense recovery fee

These are the fees and costs for investing the assets and for payment of certain other costs associated with operating your Scheme (full details of these types of fees can be found on our website or in your Product Disclosure Statement). Note that investment management fees are not charged directly to your account. These fees are applied daily on the market value of the assets in each particular investment strategy and are deducted prior to the declaration of the relevant unit price.

### Administration Fee

The Trustee sets the Administration Fee at the level needed to recover the cost of administering a member's account. Where applicable, this fee is charged on a monthly basis. A separate administration fee is not charged on Rollover Plan, Account-Based Pension Plan (previously called Allocated Pension Plan), Defined Benefit (Division D), or deferred accounts. The following page lists all fees charged to members' accounts. For further details refer to the Product Disclosure Statement, contact Member Services on **1300 369 901**, or visit the website **www.lgsuper.com.au**

### Member protection

If you are a protected member, any administration fees deducted from your account cannot exceed the earnings on your account balance in that financial year. This means that your account balance will not fall because of administration fees (insurance and taxes excluded). During the last financial year, account balances with less than \$1,000 were protected. It is important to note that member protection will not fully apply in times of poor or negative returns, as Superannuation law provides that the Scheme can charge a protected member a nominal administration fee of no more than the investment return, plus \$10 in such times (subject to certain pre-conditions met by the Trustee).

\* Net allowable deductions eg. administration and insurance fees.



## Administration, other Fees and Insurance premiums charged in Pool A

For the year ended 30 June 2007	Accumulation Scheme	Executive Scheme	Rollover and Account-Based Pension Plan
Administration Fee-Non contributing member	75c per week	\$3 per month	N/A
Administration Fee Contributing Member	75c per week	\$6.33 per month	N/A
Basic Death or Invalidity cover	\$5 per month	\$25 per month <sup>1</sup>	N/A
Benefit Payment Fee	\$20	\$30	No charge
Optional investment switch in any financial year	\$20 per switch <sup>2</sup>	\$30 per switch <sup>2</sup>	No charge
Voluntary Insurance	The cost will vary depending on the amount insured and other factors		N/A

## Investment Fees Charged in Pool A

### Investment Fees charged to Division A<sup>3</sup> and E<sup>3</sup> members for the year ended 30 June 2007

Months	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
July – June	0.97%	0.95%	0.89%	0.85%	0.62%

### Investment Fees charged to Division F<sup>4</sup> members for the year ended 30 June 2007

Months	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
July - June	1.62%	1.59%	1.56%	1.52%	1.25%

## Administration Fees Charged in Pool B

	Retirement Scheme	Defined Benefit Scheme
Administration Fee – contributory	75c per week	N/A
Administration Fee – deferred	N/A	N/A
Administration Fee – Accumulation Account	N/A	N/A

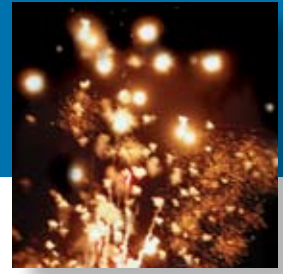
1. Only available to new members to the Scheme from 1 July 2005.

2. The first switch is free in any financial year. Any subsequent switches in that financial year are charged the stated amount.

3. Maximum 1% fee applies for all investment options. For information on the Executive Scheme BT options contact the Executive Scheme Relationship Manager – Member Services on 1300 369 901.

4. The Investment Fees include investment management, financial planning and account administration.





## Taxes, fees and charges - continued

### Investment Fees Charged in Pool B (Accumulation accounts only)

Investment Fees charged in Division B to contributory members excluding any Basic Benefit Accumulation Account for the year ended 30 June 2007<sup>1</sup>

Month	High Growth	Trustee Selection	Diversified	Balanced	Capital Guarded	Cash Plus
July-June	0.54%	0.52%	0.52%	0.46%	0.42%	0.19%

Investment Fees charged in Division B to contributory members for the Basic Benefit Accumulation Account for the year ended 30 June 2007<sup>2</sup>

Months	High Growth	Trustee Selection	Diversified	Balanced	Capital Guarded	Cash Plus
July-June	0.85%	0.85%	0.85%	0.80%	0.76%	0.53%

Investment Fees charged in Division B to deferred members for the year ended 30 June 2007<sup>3</sup>

Months	High Growth	Trustee Selection	Diversified	Balanced	Capital Guarded	Cash Plus
July-June	1.42%	1.40%	1.40%	1.34%	0.30%	1.07%

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### Family law fees

As at 30 June 2007, the following fees were payable for the provision of Family Law information and for the actual 'splitting of the benefit'.

Accumulation Scheme, Executive Scheme and Rollover and Account-Based Pension Plan (includes GST)	
Request for information <sup>4</sup>	\$110
Benefit Split Fee <sup>5</sup>	\$88
Retirement, Basic Benefit and Defined Benefit Schemes (includes GST)	
Request for information <sup>4</sup>	
Current members	\$275
Deferred members	\$110
Pensioners	\$110
Benefit Split Fee <sup>5</sup>	\$88

Further fees and charges disclosure is provided in your annual member statement and also in the Product Disclosure Statements available at [www.lgsuper.com.au](http://www.lgsuper.com.au)

1. A maximum 0.55% fee applies for the Contributor Financed Benefit.
2. A maximum 0.85% fee applies for the Basic Benefit Accumulation Account.
3. A maximum 1.5% fee applies.
4. This fee is payable by the person requesting the information.
5. This fee is generally payable by the member and non-member spouse in equal parts (\$44 each). However, if the non-member spouse is entitled to the whole amount of a splittable payment, the entire amount is payable by the non-member spouse. The member's share of the fee is deducted from the member's account and the non-member spouse's share is deducted from the non-member spouse's splittable payment prior to the transfer of the payment out of the Scheme.

# Financial Statements

## Pool A

### Operating Statement for the Year Ended 30 June 2007

	30-Jun-07 (\$ '000)	30-Jun-06 (\$ '000)
<b>Revenue</b>		
Net Investment Revenue	246,254	218,735
Employer Contributions	185,603	166,156
Member Contributions	38,239	17,945
Transfers In	238,267	207,891
Other Revenue	266	520
<b>Total Revenue</b>	<b>708,629</b>	<b>611,247</b>
<b>Less Outgoings</b>		
Administrative Expenses	14,670	12,840
Contributions Surcharge	616	1,244
Income Tax Expense	40,021	31,881
<b>Total Outgoings</b>	<b>55,307</b>	<b>45,965</b>
Benefits Accrued as a Result of Operations	653,322	565,282

### Statement of Financial Position for the Year Ended 30 June 2007

	30-Jun-07 (\$'000)	30-Jun-06 (\$ '000)
<b>Investments</b>		
Short-term Investment	35	7,376
Unit Trusts	2,367,541	1,787,669
Pooled Superannuation Trusts	11,871	11,692
Unlisted Hedge Fund	-	88,714
<b>Total Investments</b>	<b>2,379,447</b>	<b>1,895,451</b>
<b>Other Assets</b>		
Cash	53,510	36,572
Receivables	409	2,284
<b>Total Assets</b>	<b>2,433,366</b>	<b>1,934,307</b>
<b>Less Liabilities</b>		
Payables	3,473	3,994
Current Tax Liability	34,375	15,878
Deferred Tax Liability	3,230	10,307
<b>Total Liabilities</b>	<b>41,078</b>	<b>30,179</b>
Net Assets Available to Pay Benefits	2,392,288	1,904,128

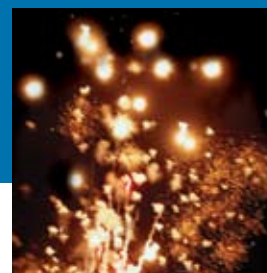
The complete Financial Statements, including the Auditor's Report is available on request by calling Member Services on 1300 369 901, or by going to our website [www.lgsuper.com.au](http://www.lgsuper.com.au)

### Large Investments

Local Investment Fund (LIF) is a wholesale investment trust and the majority of the assets of your Scheme are invested through LIF. The investment pool of LIF is allocated to a range of investment managers. Investment managers (and/or their weightings) are changed at appropriate times. Other than investments made through LIF, during the year there were no individual investments that exceeded 5% of Pool A assets, or 5% in a single enterprise.



## Financial Statements - continued



### Pool B

#### Statement of Changes in Net Assets for the Year Ended 30 June 2007

	30-Jun-07 (\$ '000)	30-Jun-06 (\$ '000)
<b>Net Investment Revenue</b>	489,666	508,238
Employer Contributions	71,459	52,706
Member Contributions	34,089	35,929
Transfers In	16,788	10,203
<b>Total Revenue</b>	<b>612,002</b>	<b>607,076</b>
<b>Less Outgoings</b>		
Benefits Paid	211,856	184,007
Administrative Expenses	14,003	11,925
Contributions Surcharge	438	948
Income Tax Expense (Benefit)	35,726	31,048
<b>Total Outgoings</b>	<b>262,023</b>	<b>227,928</b>
Net Profit	349,979	379,148

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#### Statement of Net Assets for the Year Ended 30 June 2007

	30-Jun-07 (\$ '000)	30-Jun-06 (\$ '000)
<b>Investments</b>		
Unlisted Equities and Trusts	3,710,110	3,345,114
Other Assets		
Cash	10,320	13,506
Receivables	101	306
<b>Total Assets</b>	<b>3,720,531</b>	<b>3,358,926</b>
Less Liabilities		
Payables	3,298	5,365
Current Tax Liability	52,801	19,535
Deferred Tax Liability	23,347	42,920
<b>Total Liabilities</b>	<b>79,446</b>	<b>67,820</b>
Net Assets Available to Pay Benefits	3,641,085	3,291,106

The complete Financial Statements, including the Auditor's Report is available on request by calling Member Services on 1300 369 901, or by going to our website [www.lgsuper.com.au](http://www.lgsuper.com.au)

#### Large Investments

Local Investment Fund (LIF) is a wholesale investment trust and the majority of the assets of the Scheme are invested through LIF. The investment pool of LIF is allocated to a range of investment managers. Investment managers (and/or their weightings) are changed at appropriate times. Only one other investment other than investments made through LIF exceeded 5% of Pool B assets, or 5% in a single enterprise. This was Local Government Property Fund.

## More Information

### Service providers

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

#### Actuary

Mercer Human Resource Consulting

#### Administration

FuturePlus Financial Services Pty Limited<sup>1</sup>

#### Asset Consultant

Russell Investment Group until replaced by Intech Investment Consultants on 1 August 2006

#### Auditor

Deloitte Touche Tohmatsu

#### Custodian

JPMorgan Chase Bank

#### Investment Managers for the year ended 30 June 2007

Aberdeen Asset Management (Australia) Limited (until 1 August 2006)

ABN AMRO Asset Management (Australia) Limited

Alliance Bernstein

AQR Capital Management LLC

BT Financial Group

CDC IXIS Asset Management Australia

Chifley Financial Services Limited

Concord Capital Limited (until 27 October 2006)

Deutsche Asset Management (Australia) Limited (until 1 August 2006)

FuturePlus Financial Services Pty Limited

Hawkesbridge Limited

LSV Asset Management

Marvin & Palmer Associates, Inc

Orion Asset Management Limited

Perennial Value Management Limited (until 27 October 2006)

PIMCO

Queensland Investment Corporation

State Street Global Advisors, Australia, Limited

The Boston Company Asset Management LLC

Wellington International Management Company Pty Ltd

#### Legal Advisor

Phillips Fox

#### Secretariat to Trustee

FuturePlus Financial Services Pty Limited

The Trustee reviews its service providers regularly and may from time to time make changes.

### Complaints

With our focus on quality service and transparency, the Trustee of your Scheme wishes to ensure that any enquiries or complaints are handled courteously and promptly. We hope that you will always receive satisfactory service from your 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

FuturePlus Financial Services Pty Limited  
PO Box N835  
Grosvenor Place NSW 1220

1. FuturePlus Financial Services Pty Limited (ABN 90 080 972 630) is an Australian Financial Services Licensee (AFSL: 238445).





## More Information - continued

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 complaint to the Superannuation Complaints Tribunal. The Tribunal is an independent body established by the Commonwealth Government to review certain types of decisions. The contact details are:

### Superannuation Complaints Tribunal

Locked Bag 3060  
GPO Melbourne VIC 3001  
Ph: 1300 780 808

### Pool A reserves

The Scheme operates the following reserves in Pool A:

#### Death or Invalidity Reserve (DORI)

DORI operates to allow for the payment of certain death and disability benefits provided to members. This reserve receives monies that are deducted from members' accounts from time to time. The Actuary regularly reviews this reserve to ensure that the premium charged to members is adequate to support likely future payments based on actuarial assumptions.

#### Unit Pricing Equalisation Reserve (UPER)

UPER operates for the purpose of allowing reimbursement to members who have been disadvantaged by an error or anomaly to the unit price they have been allocated and that amount cannot be recovered from external sources. The maximum amount that may be maintained in this reserve for this purpose is 0.3% of assets. If the reserve exceeds this figure for any reason, that excess amount may be credited to the earnings and distributed to members.

### Administration and tax reserves

Deductions are made from members' accounts and investment earnings to pay for the Scheme's income tax liabilities and operational expenses. They are invested in cash and apply towards the expenses they relate to as and when they become payable. Changes to the balance held in each of the abovementioned reserve accounts as at 30 June for the last 3 years are as follows:

Year	DORI (\$'000)	UPER (\$'000)	Admin (\$'000)	Tax (\$'000)
2005	4,434	619	(413)	(558)
2006	144	110	139	8,857
2007	1,788	1,320	(273)	(8,609)

### Reserves

The assets which support these reserves are held effectively in cash, either in a bank account, a cash management account or as a cash investment in a unit trust.

### Derivatives

Derivatives are used to adjust the weightings of the various portfolios in line with the overall investment strategy. Various derivatives may be applied, such as futures and options. Strict investment guidelines which detail all limits approved on the use of derivatives that are in place. Currency hedging activities are also carried out in relation to the international equities portfolio, within strictly defined parameters. Derivatives can also be used to protect against possible adverse moves in the markets, to implement tactical asset allocations, or to enter or exit the market at a defined price level. Under no circumstances can they be used to gear the investment portfolio or used for speculative trading. Various managers in LIF have, at times, made use of derivatives as part of their portfolio management activities during 2006/2007. The Trustees require that all derivatives positions (a) are fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes.



## Eligible Rollover Fund

An Eligible Rollover Fund (ERF) is a fund which is established for the purpose of accepting and protecting benefits in respect of members of superannuation funds. If transferred to an ERF, a member ceases to have any rights which he or she previously had against the transferring fund. The Trustee has nominated 'Australia's Unclaimed Super Fund' (AUSfund) as the ERF to which such members' benefits may be paid. Contact details are as follows:

### AUSfund Administration

PO Box 2468  
Kent Town SA 5071  
Ph: 1300 361 798  
Fax: 1300 366 233

The Trustee will transfer a benefit to the nominated ERF in circumstances where a benefit is split under family law. A benefit may also be transferred to that ERF for inactive accounts with less than \$400.

## Privacy Policy

Your Scheme's Privacy Policy allows our financial planning arm, FuturePlus and other organisations such as research companies to contact members that it believes may be approaching retirement. If a member approaching retirement wants to see a Financial Planner, the Policy also allows the Financial Planner whom they are seeing to access information about their superannuation benefit, so as to make the first interview productive and informative. This has been done as the Scheme believes that our members expect the Scheme to assist them in planning their retirement. Your Scheme acknowledges that some members may not want information on their superannuation benefit used in this way, and if this is the case, please contact Member Services on **1300 369 901**.





## Important Changes

These are some of the changes that have been made to your Scheme.

### **Change in asset range for Australian Listed Property**

In the SPDS sent to members in November 2006, the Trustee advised of changes to the investment options available to you. As part of that communication, you were informed that the range for Australian Listed Property would move to 0%. However, after a recent review the Trustee has decided to amend that range, to provide a degree of flexibility in this asset class, and has now moved to a new range of between 0%-5%.

### **Changes to Rollover and Account-Based Pension Plan (Division F) (formerly called Rollover and Allocated Pension Plan)**

The name of the division has changed to the Rollover and Account-Based Pension Plan to reflect the Government changes to super. Principally, there is no more annual maximum pension limits and from 20 September 2007, the Government has changed the Social Security rules and reduced the 'taper rate' by 50% for pensions that comply with the law.

### **Retirement (Division B) & Defined Benefit (Division D) Scheme super changes**

Annual concessional contribution limits apply with special rules for members of Divisions B & D. A Fact Sheet was mailed to members with the 2007 Annual Statements. If you wish to view this Fact Sheet please visit [www.lgsuper.com.au](http://www.lgsuper.com.au) or contact Member Services.

### **Changes to Rollover and Account-Based Pension Plan - (Division F) (formerly called Rollover and Allocated Pension Plan) membership eligibility changes**

Members should note that current or former members of any Division of the Scheme are now eligible for membership in Division F even if the member is currently not a member of the Scheme (only for Rollins and pensions).

### **Australian Government's Anti-Money Laundering & Counter-Terrorism Financing Measures Take Effect 12 December 2007**

On 12 December 2007 another element of the Australian Government's Anti-Money Laundering & Counter-Terrorism Act (AML/CTF) comes into effect.

Under the AML/CTF laws, from 12 December 2007 financial service providers are required to collect and verify certain information about you. This means that you may be asked for documentation to help verify your full name, your date of birth and/or your residential address. The law requires financial service providers to be satisfied that you are who you claim to be.

Generally, a certified copy of your current passport and current driver's licence will be sufficient to verify your full name, your date of birth and your residential address. A copy may be certified by a Justice of the Peace, solicitor, certain financial planners and certain employees of Australia Post, among others.

For members of a superannuation fund, identification and verification must be undertaken when the member is seeking a payment or transfer from the superannuation fund. Details of what is required is available on the website, see 'What is Required for Proof of Identity and Date of Birth'.

## Contact us

Please note that the information contained in this document is of a general nature only and is not for personal advice and has not taken into account your personal objectives, financial situation or needs. Any advice in this document is provided by FuturePlus Financial Services Pty Ltd (ABN 90 080 972 630) as an Australian Financial Services Licensee (AFSL 238445) on behalf of the Trustee of the Local Government Superannuation Scheme, LGSS Pty Ltd (ABN 68 078 003 497). LGSS Pty Ltd is an APRA Registrable Superannuation Entity Licensee (RSEL L0001243). Local Government Superannuation Scheme is a Registered Superannuation Entity (RSE Pool A - R1004656 and RSE Pool B - R1004663).

Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information. Prior to making any decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Scheme membership.

### Local Government Superannuation Scheme

Phone	1300 369 901
Fax	(02) 9279 4131
Mail	PO BOX N835 Grosvenor Place Sydney, NSW 1220
Sydney office	Local Government House Ground Floor 28 Margaret Street Sydney, NSW 2000
Email	<a href="mailto:info@lgsuper.com.au">info@lgsuper.com.au</a>
Website	<a href="http://www.lgsuper.com.au">www.lgsuper.com.au</a>

### Branches

Sydney	28 Margaret Street Ph: (02) 8234 6000
Lismore	81-83 Molesworth Street Ph: (02) 6627 5800
Newcastle	161 King Street Ph: (02) 4929 8200
Orange	187 Summer Street Ph: (02) 6360 8900
Parramatta	10-14 Smith Street Ph: (02) 9354 1400
Wagga Wagga	2/209 Baylis Street Ph: (02) 6926 8000
Wollongong	Shop 2 & 3 60 Burelli Street Ph: (02) 4224 8000
Albury*	621 Dean Street 1300 369 901

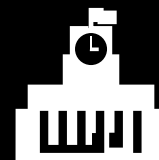
Office hours 8.30am - 5.00pm Monday - Friday.

\*Bookings are essential. Phone 1300 369 901 to make an appointment.



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SUPERANNUATION SCHEME