

Turning super green



LOCAL GOVERNMENT®
SUPERANNUATION SCHEME

2023
ANNUAL
REPORT

The sustainable investment in your future



The Local Government Superannuation Scheme, together with four other leading Australian property owners, have joined with the Total Environment Centre to upgrade the efficiency of their office towers.

**The effect of this initiative
“...will be like Earth hour
every day.”**

Jeff Angel

Director
Total Environment Centre



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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.

A welcome from the Chair

The sustainable investment in your future

Dear member

This has been an extremely important year for your Scheme, one that has seen us make a firm and definite commitment to contributing to the combating of climate change.

Your Scheme has joined with the Total Environment Centre (TEC) and several other leading commercial property investors, to upgrade the energy efficiency of the buildings in our portfolios. In our case, it means fitting more efficient energy monitoring systems as well as computer controlled lighting and air conditioning in all 10 of our existing commercial properties. Together with our co-participants, the energy-saving effect of this program is estimated to be in the order of 50,000 tonnes of CO₂ per annum. As the Director of TEC, Jeff Angel, says, this is like having Earth hour every day.

Our sustainable investment in your future means more than just environmentally conscious building refurbishment. It's a culture that is now a part of virtually everything we do, from the way in which we select the shares the Scheme invests in to the specification of environmentally friendly paper for the production of documents, including this annual report. Your Scheme is very proud of its environmentally sensitive policies and we will continue to seek ways in which to build on them.

In terms of events on the markets this year, however, few could have predicted that the turmoil in a small part of the US housing market would have such major repercussions across the finance world. But this is the reality, and while Australia is nowhere near as reliant on the US economy as it once was, these conditions have affected us.

Inevitably, this has led to an impact on the performance of superannuation and we have all certainly felt the effects of a nervous and volatile market.

Remember, all financial markets naturally rise and fall from time to time. Superannuation, however, remains a tax-effective, long-term investment and your Scheme's performance over the long term continues to be strong.

I trust you find this annual report, together with our other regular communication vehicles, of value in terms of keeping you advised on all aspects of your superannuation membership.

Yours sincerely



Brian Harris OAM

Chair



2008 - the year in review

Our sustainable future

An effective superannuation fund will always see its purpose as providing strong retirement income for its members. An effective and environmentally conscious one will do this in a socially responsible and ecologically friendly way.

It's the idea of turning super green.

The Local Government Superannuation Scheme was committed to the concept of sustainable investing long before it became popular. Indeed, back in 2000, the board resolved never to own shares in tobacco companies. Then in 2001, we actively sought to largely remove from our Australian equities portfolio any shareholdings¹ relating to old-growth logging, uranium mining, nuclear technologies, armaments, gambling or in companies with poor environmental, social or governance practices. These were replaced with investments in companies demonstrating a high sustainability rating.

This strategy has proven both responsible and profitable. By putting back into the environment, the Scheme has moved forward by contributing more than \$10 million² in additional investment performance to members since it was introduced. Our next step will be the consideration of similar share selection criteria applied to our investments in international equities.

A commitment to greener property

During the 2008 financial year, the Local Government Superannuation Scheme, together with four other major commercial property owners, pledged to upgrade the energy efficiency of their buildings in line with strict codes. This means that all of your Scheme's commercial properties³, including landmarks such as Leichhardt Market Place and Allambie Grove Business Park, will have their energy and water systems upgraded to an Australian building greenhouse rating (ABGR) of 4.5 stars or better.

The net result of the implementation of these standards across our buildings and those of our co-participants is expected to reduce the overall annual emission of CO₂ by as much as 50,000 tonnes.

Your Scheme has also sought to encourage its tenants to reduce their carbon footprint, by providing advice on how to reduce energy consumption and offset the costs of transferring to clean energy.

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. ACSI monitors the governance practices of the companies in which these super funds invest.

Through ACSI, the Scheme is an active proxy voter at annual general meetings on issues of corporate governance and sustainability. The Scheme is also a signatory to the Carbon Disclosure Project and a member of the Responsible Investment Association of Australia.

A stable and strong manager of your super

Despite the difficulties associated with the turbulent financial conditions that have impacted the world over the past 12 months, the Local Government Superannuation Scheme continues to be a stable and strong manager of your super.

Assets total \$5.7 billion and the membership as at 30 June 2008 stood at 101,316. Your Scheme is part of a larger group of superannuation schemes that together have more than 150,000 members and approximately \$10 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.

1. Can include shareholdings where less than 10% of revenue is derived from this industry/activity.

2. JPMorgan Custody Report.

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



2008 - the year in review

US sub-prime fallout fuels global market volatility

Global markets were affected by the fallout from the sub-prime¹ market which led to a credit crunch as lenders became nervous about parting with their money. This made it harder and more costly for companies to borrow. Also leaving its mark were concerns about the possibility of a recession in the US. The Australian market was also affected by interest rate hikes and many investors feared that this could lead to a slower local economy and a downturn in company earnings.

These conditions provided investors in Australian shares with their biggest annual fall in 26 years for the financial year to end June 2008 and the news from many of the world's major share markets was similar.

How did the sectors perform in the financial year to end 30 June 2008?

Australian shares

Australian shares produced their worst performance in 25 years, with the S&P/ASX 200 Index falling 13.4% over the year. In addition to the damage inflicted by the credit crunch, there were signs of a slowdown in the Australian economy and a drop in consumer spending.

Buoyed by rising oil prices, the energy sector produced the best performance but the materials sector also delivered a positive return.

International shares

Major markets around the world also performed poorly due to surging oil prices, concerns about inflation and lingering credit issues. Overall, world stock markets, as measured by the MSCI World Net Accum Index, sagged 21% over the year.

Japan's Nikkei fell by 25.7% over the financial year, Germany's DAX by 19.8%, the UK's FTSE by 16.3% and the US's S&P 500 by 15%.

Listed Property Trusts (LPTs)

After years of strong returns, LPTs delivered their first annual negative return since 1989, with the S&P/ASX 200 Property Trust Index falling 37.7% for the year. Nervousness has dogged this sector ever since December last year when Centro revealed its funding problems in the wake of the credit crunch. Investors then began questioning the safety of some LPTs because of their past borrowing practices and the prospects of higher interest rates further soured sentiment towards this sector.

Fixed interest and cash

Although returns from bonds declined towards the end of the financial year as expectations for higher inflation and interest rates grew, international bonds gained 7.9% (Lehman Bros Global Aggregate \$A Hedged Index) over the year and Australian bonds rose 4.4% (UBS Australian Composite Bond Index). Cash, as measured by the UBS Australian Bank Bill Index, returned a solid 7.4% for the year.

What's happened since?

Markets opened the new financial year with further falls and while markets initially took some comfort from moves by central banks around the world to ease the crisis the near term forecasts from the experts are far from positive.

Since then share markets have suffered further turmoil triggered by continuing liquidity problems and tight credit conditions in the world banking sector and the subsequent problems experienced by several large financial institutions. In response, governments and reserve banks have made bold interventions in the markets to increase liquidity and to free up the world credit markets and it is to be hoped that these measures will act to stabilise investment markets and to restore business confidence here and overseas.

1. The term 'sub-prime mortgages' has been widely used as a description for borrowings taken out by people with limited proven capacity to repay or who have poor credit history.

2008 - the year in review

While the immediate outlook for Australia is uncertain there are a few bright spots. The financial soundness of Australia's banks is strong by international standards and this should mean that Australia is better placed to bear the challenges presented by the recent shocks to the world banking system. The Australian Government, which is in a solid budgetary position, has responded quickly to the crisis by offering guarantees to the banking system and a spending package which is designed to stimulate domestic economic activity. Furthermore, Australia is also more than likely to benefit from being on the doorstep of booming economies like China and India which are expected to continue to buy our resources and help support our economic growth.

In the meantime, it is important to remember that markets move up and down, but over the long term they've generally moved upwards. It is said that share market investors can expect a negative return once every five years. So some experts say the Australian share market was due for a fall after delivering strong double digit returns in the previous four financial years.

What to do when markets are down

Financial markets fluctuate in terms of their performance as do returns on superannuation and other investment vehicles. When markets are down, it's important to remain calm and not make hasty decisions you may subsequently regret.

Instead, step back and look at the underlying features of the current market. Experts believe both local companies and the Australian economy are still in good shape and, with Asian economies continuing to grow, Australia's prospects remain sound.

There are also a few important points to remember when it comes to investing, no matter what is happening in investment markets:

- Diversification is a key investment strategy that basically means not having all your eggs in one basket. If one asset class is yielding negative returns another may be in positive territory, helping to smooth out your returns.



- Superannuation is a long-term investment. While there may be short-term dips in market returns, the experts also agree that most carefully selected and age-appropriate strategies work well for investors over the long-term.
- Keep in mind why you selected your investment strategy in the first place.
- Additionally, superannuation remains one of the most tax-effective strategies so it makes sense to be in it for the long term.

Your superannuation explained

About the Scheme

The Local Government Superannuation Scheme (the Scheme) 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 shows the Scheme's structure. FuturePlus Financial Services Pty Limited provides administration 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
- Account-Based Pension and Rollover 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

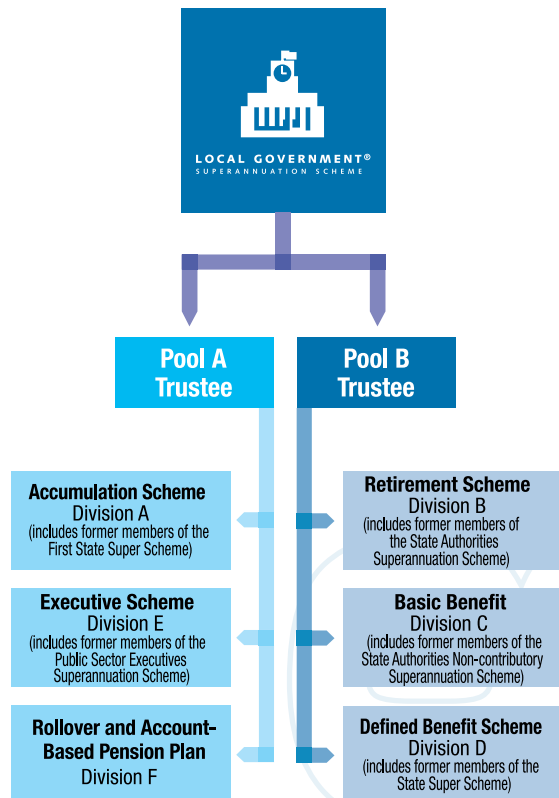
Both Pools are complying superannuation funds and are subject to concessional taxation treatment.

About the Trustee

LGSS Pty Limited (ABN 68 078 003 497) is the Trustee of Pool A (ABN 74 925 979 278) and Pool B (ABN 28 901 371 321) 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. This means that all profits go back to members.

The Trustee is responsible for managing the Scheme which includes the safekeeping of assets and ensuring the Scheme operates in accordance with the Trust Deed, the Corporations Act 2001, the Superannuation Industry (Supervision) Act 1993 and other relevant superannuation legislation (Superannuation Laws).

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



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 Local Government Superannuation Scheme and 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.



Your investment

This section of the Annual Report lists the strategies for each of the investment options, along with more detailed information on past performance, asset allocations and definitions. Net earnings rates (investment return on the assets of the Scheme after payment of transaction costs, taxes and other expenses) disclosed in the following tables 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 account during this period are calculated daily, based upon the applicable unit prices of the underlying investment strategies you are invested in. These unit prices are derived from 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 the tables on the following pages show returns for the past net earning rates and these figures are not an indicator of future net earning rates. Member benefits invested in any particular investment strategy are not guaranteed and the value of their investment may fall.

TOP 10 HOLDINGS as at 30 June 2008

Rank	International equity top 10 holdings	% portfolio holding
1	Wal-Mart	1.02%
2	Eon	1.02%
3	Nestle	1.00%
4	Rio Tinto	0.81%
5	Microsoft	0.72%
6	Companhia Providencia	0.68%
7	International Business Machines	0.64%
8	Apple	0.63%
9	Baker Hughes	0.61%
10	Xstrata	0.59%

Rank	Australian equity top 10 holdings	% portfolio holding
1	BHP Billiton	13.38%
2	Commonwealth Bank of Australia	4.50%
3	National Australia Bank	4.48%
4	Australia and New Zealand Bank	3.95%
5	Telstra	3.94%
6	Rio Tinto	3.93%
7	Westpac	3.04%
8	Woolworths	2.66%
9	Woodside petroleum	2.17%
10	QBE Insurance	1.96%



Your investment

High Growth

For high investment growth above the “cash”¹ 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 three 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”¹ rate, measured over a rolling three 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 classes ²	Asset allocation ranges	Actual 2007 ³	Actual 2008 ³
Australian equities (or shares)	37%-43%	48.1%	37.5%
International equities (or shares)	33%-38%	32.5%	32.8%
Australian listed property	0% ⁴	4.9%	1.4%
International listed property	5%-15%	3.9%	5.9%
Australian fixed interest	0%-5%	1.6%	0.5%
Australian inflation linked bonds (previously called index-linked securities)	0%-5%	1.6%	1.0%
International fixed income	0%-5%	0.8%	0.6%
Absolute return fund (previously called hedge funds)	5%-25%	6.6%	10.4%
Cash	0%-10%	0.0%	0.4%
Australian direct property ⁵	0%-7.5%	0.0%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids ⁵	0%-15%	0.0%	
Private equity ⁵	0%-20%	0.0%	

Investment returns over 5 years for Pool A as at 30 June²

	2004	2005	2006	2007	2008
Accumulation and Executive Schemes (Divisions A and E)	16.6%	15.6%	18.7%	15.5%	-10.7%
Rollover Plan (Division F)	16.1%	13.9%	18.1%	15.3%	-10.9%
Account-Based Pension Plan (Division F)	17.5%	15.3%	18.9%	17.2%	-12.1%

Annualised 5 year returns for Pool A as at 30 June 2008²

Accumulation and Executive Schemes (Divisions A and E)	10.5%
Rollover Plan (Division F)	9.9%
Account-Based Pension Plan (Division F)	10.7%

- 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.
- All figures are represented to one decimal place except asset allocation ranges.
- As at 30 June.
- Please note that the strategic asset range for Australian Listed property has now changed to be between 0%-5%.
- Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.



Your investment

Diversified

For real investment growth above the “cash”¹ 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 three 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”¹ rate, measured over a rolling three 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 classes ²	Asset allocation ranges	Actual 2007 ³	Actual 2008 ³
Australian equities (or shares)	25%-30%	37.8%	27.1%
International equities (or shares)	25%-30%	24.7%	24.8%
Australian listed property	0% ⁴	5.2%	1.3%
International listed property	5%-15%	4.5%	5.7%
Australian fixed income	0%-10%	9.2%	8.5%
Australian inflation linked bonds (previously called index-linked securities)	5%-10%	5.8%	6.3%
International fixed income	0%-10%	6.0%	6.4%
Absolute return fund (previously called hedge funds)	5%-25%	6.8%	10.9%
Cash	0%-10%	0.0%	0.3%
Australian direct property ⁵	0%-7.5%	0.0%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids ⁵	0%-15%	0.0%	
Private equity ⁵	0%-20%	0.0%	

Investment returns over 5 years for Pool A as at 30 June

	2004	2005	2006	2007	2008
Accumulation and Executive Schemes (Divisions A and E)	12.9%	13.7%	14.7%	13.4%	-7.3%
Rollover Plan (Division F)	12.7%	12.7%	14.0%	11.9%	-7.6%
Account-Based Pension Plan (Division F)	13.9%	14.0%	15.3%	14.6%	-8.0%

Annualised 5 year returns for Pool A as at 30 June 2008²

Accumulation and Executive Schemes (Divisions A and E)	9.1%
Rollover Plan (Division F)	8.4%
Account-Based Pension Plan (Division F)	9.6%

- 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.
- All figures are represented to one decimal place except asset allocation ranges.
- As at 30 June.
- Please note that the strategic asset range for Australian Listed property has now changed to be between 0%-5%.
- Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.



Your investment

Balanced

For real investment growth above the “cash”¹ 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 three 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”¹ rate, measured over a rolling three 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 classes ²	Asset allocation ranges	Actual 2007 ³	Actual 2008 ³
Australian equities (or shares)	15%-20%	25.7%	18.1%
International equities (or shares)	15%-20%	17.5%	16.7%
Australian listed property	0% ⁴	5.4%	1.3%
International listed property	5%-10%	4.6%	5.9%
Australian fixed income	0%-15%	17.6%	14.5%
Australian inflation linked bonds (previously called index-linked securities)	10%-15%	10.5%	10.6%
International fixed income	0%-10%	11.8%	9.6%
Absolute return fund (previously called hedge funds)	5%-20%	6.8%	10.4%
Cash	0%-10%	0.0%	3.7%
Australian direct property ⁵	0%-7.5%	0.0%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids ⁵	0%-15%	0.0%	
Private equity ⁵	0%-20%	0.0%	

Investment returns over 5 years for Pool A as at 30 June²

	2004	2005	2006	2007	2008
Accumulation and Executive Schemes (Divisions A and E)	9.6%	11.9%	11.0%	10.3%	-3.7%
Rollover Plan (Division F)	9.2%	11.0%	10.3%	9.0%	-4.0%
Account-Based Pension Plan (Division F)	10.5%	12.3%	11.4%	11.0%	-4.6%

Annualised 5 year returns for Pool A as at 30 June 2008²

Accumulation and Executive Schemes (Divisions A and E)	7.6%
Rollover Plan (Division F)	6.9%
Account-Based Pension Plan (Division F)	7.9%

- 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.
- All figures are represented to one decimal place except asset allocation ranges.
- As at 30 June.
- Please note that the strategic asset range for Australian Listed property has now changed to be between 0%-5%.
- Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.



Your investment

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"¹ rate, measured over a rolling three 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 - Medium/Low.

Asset classes ²	Asset allocation ranges	Actual 2007 ³	Actual 2008 ³
Australian equities (or shares)	7.5%-12.5%	11.9%	7.7%
International equities (or shares)	10%-15%	10.9%	10.1%
Australian listed property	0% ⁴	5.7%	1.2%
International listed property	5%-10%	4.5%	4.7%
Australian fixed income	0%-25%	26.7%	23.5%
Australian inflation linked bonds (previously called index-linked securities)	15%-20%	15.8%	15.5%
International fixed income	0%-15%	17.6%	14.2%
Absolute return fund (previously called hedge funds)	5%-20%	6.9%	10.0%
Cash	0%-10%	0.0%	0.4%
Australian direct property ⁵	0%-7.5%	0.0%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids ⁵	0%-15%	0.0%	
Private equity ⁵	0%-20%	0.0%	

Investment returns over 5 years for Pool A as at 30 June²

	2004	2005	2006	2007	2008
Accumulation and Executive Schemes (Divisions A and E)	6.4%	10.2%	7.5%	7.2%	0.1%
Rollover Plan (Division F)	6.3%	9.5%	7.0%	6.1%	-0.2%
Account-Based Pension Plan (Division F)	7.0%	10.6%	7.6%	7.5%	-0.2%

Annualised 5 year returns for Pool A as at 30 June 2008²

Accumulation and Executive Schemes (Divisions A and E)	6.2%
Rollover Plan (Division F)	5.7%
Account-Based Pension Plan (Division F)	6.5%

- 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.
- All figures are represented to one decimal place except asset allocation ranges.
- As at 30 June.
- Please note that the strategic asset range for Australian Listed property has now changed to be between 0%-5%.
- Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.



Your investment

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 assets. In addition, a small proportion of the assets (up to 15%) are invested in global interest type assets having a longer maximum term. This gives this strategy 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 short-term investors or those seeking less volatile returns.

Objective - 0.25% net investment return per annum above the "cash"¹ rate, measured over a rolling 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

Asset allocation as at 30 June ²	Indicative 2008	Actual 2007	Actual 2008
Cash and incoming-producing assets	100%	100%	100%

Investment returns over 5 years for Pool A as at 30 June³

	2004	2005	2006	2007	2008
Accumulation and Executive Schemes (Divisions A and E)	4.2%	4.2%	4.6%	6.7%	4.8%
Rollover Plan (Division F)	4.1%	3.8%	3.9%	5.7%	5.0%
Account-Based Pension Plan (Division F)	4.8%	4.4%	4.5%	6.8%	5.1%

Annualised 5 year returns for Pool A as at 30 June 2008³

Accumulation and Executive Schemes (Divisions A and E)	4.9%
Rollover Plan (Division F)	4.5%
Account-Based Pension Plan (Division F)	5.1%

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. Please note the asset allocation prior to 1 July 2006 was cash only.
 3. All figures are represented to one decimal place.

Your investment

BT Institutional Retirement PST

This strategy has been closed since 30 April 2008

(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 ¹	Actual 2007	Actual 2008 ²
Australian equities	35.8%	36.0%
International equities	21.7%	21.3%
Australian property	5.8%	5.0%
International property	3.3%	2.9%
Australian fixed income	16.7%	17.1%
International fixed income	4.5%	4.5%
Cash	2.2%	5.2%
Alternative investments	10.0%	7.9%

Investment returns over 5 years as at 30 June¹

	2004	2005	2006	2007	2008 ³
Executive Scheme (Division E)	14.7%	15.9%	17.2%	14.9%	-8.0%

Annualised 5 year returns as at 30 June 2007¹

Executive Scheme (Division E)	11.3% ⁴
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BT Institutional Conservative Growth PST

This strategy has been closed since 30 April 2008

(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 ¹	Actual 2007	Actual 2008 ²
Australian equities	14.5%	13.6%
International equities	10.3%	9.2%
Australian property	3.4%	3.0%
International property	1.9%	2.0%
Australian fixed income	34.0%	33.3%
International fixed income	13.2%	13.0%
Cash	16.8%	23.9%
Alternative investments	6.0%	2.1%

Investment returns over 5 years as at 30 June¹

	2004	2005	2006	2007	2008 ³
Executive Scheme (Division E)	6.4%	9.6%	10.4%	8.2%	-1.4%

Annualised 5 year returns as at 30 June 2007¹

Executive Scheme (Division E)	8.0% ⁴
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1. All figures are presented to one decimal place.
2. Reflects asset allocation until closure date on 30 April 2008.
3. Returns account for period until closure date on 30 April 2008.
4. Annualised 5 year return shown as at 30 June 2007 as option closed in April 2008.



Your investment

Retirement and Defined Benefit Schemes (Pool B)

Trustee Selection (Divisions B and D)

Definition - The Trustee Selection 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”¹ rate over a three 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”¹ rate, measured over a three 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 classes ²	Asset allocation ranges	Actual 2007 ³	Actual 2008 ³
Australian equities (or shares)	26%-31%	40.5%	28.3%
International equities (or shares)	26%-31%	26.6%	25.7%
Australian listed property	0%	0%	0%
International listed property	5%- 15%	3.3%	3.8%
Australian fixed income	0%-10%	2.7%	1.2%
Australian inflation linked bonds (previously called index-linked securities)	5%- 10%	3.4%	10.6%
International fixed income	0%- 10%	3.2%	4.2%
Absolute return fund (previously called hedge funds)	5%-25%	6.9%	11.0%
Cash	0%- 10%	0.6%	0.1%
Australian direct property ⁴	5%- 15%	9.9%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids ⁴	0%- 15%	0.0%	
Private equity ⁴	3%-20%	2.9%	

Investment returns over 5 years as at 30 June²

	2004	2005	2006	2007	2008
Retirement and Defined Benefit Scheme (Pool B) Contributory	13.4%	14.2%	17.3%	14.3%	-7.9%
Retirement and Defined Benefit Scheme (Pool B) Deferred	13.4%	14.2%	16.7%	13.5%	-8.8%
Retirement and Defined Benefit Basic Benefit Accumulation Account	N/A	14.2% ⁵	17.1%	14.1%	-8.2%

Annualised 5 year returns as at 30 June 2008²

Retirement and Defined Benefit Scheme (Pool B) Contributory	9.8%
Retirement and Defined Benefit Scheme (Pool B) Deferred	9.4%

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 allocation ranges.
3. As at 30 June.
4. Note that the combined investments of Australian Direct, Semi Liquids and Private Equity classes will not exceed 30%.
5. The return shown for 2005 is for the period 1 October 2004 to 30 June 2005 only.

Your investment

Member Investment Choice

Retirement Scheme members only (Division B)

Retirement Scheme members have access to member investment choice in addition to Trustee Selection by choosing one of 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

These investment strategies commenced 1 October 2005. As a result, there are no investment returns for previous periods. The table below shows the investment returns for the period 1 October 2005 to 30 June 2006.

Investment returns 1 October 2005 to 30 June 2006¹

Strategies ¹	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 and 2008¹

Strategies ¹	At 30 June 2007			At 30 June 2008		
	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred members	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred members
High Growth	15.6%	15.2%	14.6%	-11.6%	-11.9%	-12.4%
Diversified	12.8%	12.5%	11.9%	-8.0%	-8.3%	-8.7%
Balanced	9.9%	9.6%	9.1%	-4.5%	-4.8%	-5.3%
Capital Guarded	7.0%	6.7%	6.2%	-1.2%	-1.5%	-1.9%
Cash Plus	6.9%	6.6%	6.1%	4.3%	4.0%	3.6%

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



Making the most of your super



Choosing the right super fund

It is always important to ensure that you are with a superannuation fund that has the right mix of assets, services, fees and charges that meet your needs. This is even more critical when times are tough, because when investment markets fall, as they will inevitably do from time-to-time, the return on your investment can reduce. This can be compounded if you are in a fund with high fees.

Fortunately, as a member of the Local Government Superannuation Scheme, the charges you pay are competitive. This is because the Scheme is a profit-to-members scheme, meaning that all profits are distributed to members.

In addition, the Scheme is part of a much larger profit-to-members financial services group that looks after the needs of more than 150,000 members and has funds of around \$10 billion under management. A key benefit of this is that the Scheme enjoys the economies of scale and enhanced bargaining power that allows us to negotiate a range of member services, such as life and other insurances, at highly competitive rates that would be extremely difficult for an individual to match.

Financial planning

Furthermore, because this group includes FuturePlus Financial Services, which is part-owned by the Scheme, we can provide you with a wide range of services, including access to qualified financial planners. As the planners do not earn commissions, you know they will give you advice that is best for you, rather than for their back pockets.

Members can make an appointment to see a financial planner at any one of our offices. Contact Member Services on **1300 369 901**, or visit the Scheme's website **www.lgsuper.com.au** to find out more.

Seminars

You also have access to an ever increasing number of informative seminars, conducted by FuturePlus Financial Services. These seminars are presented by our team of friendly client relationship managers and financial planners at work sites and at local venues on subjects including:

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

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

Member Services Contact Centre

The most common way for members to contact us is by phone, through our Member Services Contact Centre.

All our Member Services Officers have completed an extensive training and induction program so that they can provide members with accurate and appropriate information.

To speak to a Member Services Officer simply call **1300 369 901**.

Making the most of your super

Looking for more of a Fair Go?

We're also working hard to help you cut costs on other expenses so that you can save more and further bolster your personal wealth. Through the Fair Go program, members can obtain discounts on a wide range of services.

Some of the offerings now available to you include:

- 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
- A state-of-the-art alarm system package worth \$499.90 for only \$99.00 (incl. GST) when you sign up for back-to-base monitoring
- Save up to 30% off Travel Insurance with AIG Australia
- 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.fairgo.com.au to find out how you can take full advantage of the Fair Go member loyalty program.

Services where you need them

The Scheme has also worked hard to bring its services closer to you. With seven branches spread across NSW our staff are available to answer any questions you have about super or any of the services we offer.

So, whatever your circumstances, we are here to help you. To find out more about any of the services we offer, or any of the ways we can continue to make this the right superannuation fund for you, please call Member Services on **1300 369 901**.

Your Scheme benefits

The services you're offered as a member of the Scheme include:

- Low fees
- A track record of impressive long-term investment returns
- Access to financial planning at no additional cost
- Flexibility in your investment strategy
- 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 from an early 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 office and regional network
- 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 options at retirement
- Member communications to keep you up to date, including newsletters, statements and Annual Reports.



Making the most of your super

Low cost home loans

You can have a Chifley home loan with a competitive rate of interest right now. As you are a part of a member-based organisation that includes the Scheme and Chifley Financial Services who offer services designed to benefit members we can offer home loans at very competitive interest rates¹.

Chifley Home Loans² have received a Cannex 5 star rating³ 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. 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 fee⁴
- \$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**

Insurance for your peace of mind

One way to obtain life, permanent disability or income protection insurance is through the 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 pay for insurance. 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 the Scheme has negotiated, which are among the cheapest available.

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 underinsured 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.

1. Although there is no loan document preparation fee, some charges such as valuation fees and costs charged by the lender's solicitors are payable. These charges may be non-refundable should the loan be approved and not proceeded with. Other fees and charges may be payable.
2. The Trustee does not accept liability for any loss or damage incurred by any person as a result of products and services provided by Chifley Home Loans.
3. Credit Provider is Select Credit Union.
4. 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 231 148), 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.



Making the most of your super

Super Co-contribution scheme

The Government Co-contribution scheme has been very popular since it was introduced in July 2003. In fact, the Government recently announced that it had already paid out over \$1 billion in Co-contributions this financial year.

The Government's aim through this Co-contribution scheme is to help low and middle income earners boost their retirement savings by matching their personal contributions.

To be eligible, you must make an after-tax personal contribution of up to \$1,000 directly into your superannuation account during the tax year. If your annual income is \$30,342 or less, the Government will match the contribution with a payment of \$1.50 for every \$1 of after-tax contributions made. The amount the Government pays steadily reduces on incomes over \$30,342 and stops after the income level tops \$60,342.

To make an additional contribution, complete the 'Optional contributions' form found at <http://www.lgsuper.com.au/forms/forms.asp> and send it to the Scheme with your cheque.

Binding nominations and Wills

You 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, though, that you remember to renew your binding nomination every three years for it to remain valid. 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.

Please call Member Services on **1300 369 901** to make a binding death benefit nomination.



Your Board



Brian Harris OAM (Chair)

Appointed by United Services Union Association with Local Government for over 40 years as an Employee Union Official and as former General Secretary of the United Services Union



Beverley Giegerl OAM

Appointed by the Local Government Association of NSW
Councillor - Hurstville City Council
Former Treasurer - Local Government Association of NSW



Sam Byrne

Appointed by the Local Government Association of NSW
Former Councillor - Marrickville Council
Former Executive Member - Local Government Association of NSW
Member - The Greens



Martin O'Connell

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



John Beacroft

Appointed by United Services Union
Former Local Government employee in Finance Departments of various city and regional councils for over 40 years



Col Sullivan OAM

Appointed by the Shires Association of NSW
Mayor - Richmond Valley Council
Past President - Shires Association of NSW
Chair - Local Government Financial Services



Leo Kelly OAM

Appointed by the Local Government Association of NSW
Councillor and former Mayor - Blacktown City Council
Former Vice President - Local Government Association of NSW
Chair - Audit, Compliance & Risk Management Committee
Chair - FuturePlus Financial Services



Ian Robertson

Appointed by the Development and Environmental Professionals' Association
Secretary of the Development and Environmental Professionals' Association
Chair - Investment Committee
Chair - Determinations Committee
Chair - Australian Institute of Superannuation Trustees (AIST)
Member ASX Corporate Governance Council

Peter Woods resigned as a director on 24 August 2007 and was replaced by Sam Byrne.

John Ernst resigned as a director on 26 March 2008 and was replaced by John Beacroft.



Scheme Governance

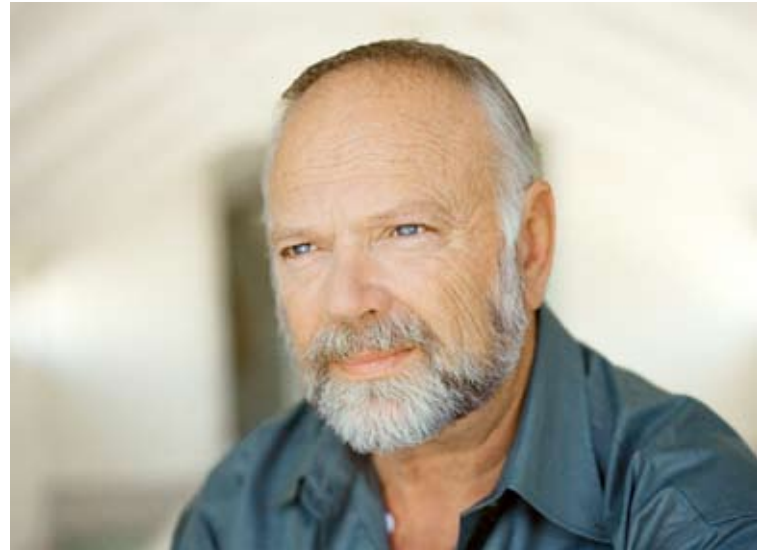
Role of the Trustee

The Trustee 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 Trustee meets monthly and receives and reviews reports from its service providers. Where necessary, the Trustee calls upon specialist advice from advisors, such as solicitors, accountants and the Scheme's actuary.

The Trustee 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 Beacroft 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 Trustee 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 which helps protect the Scheme in the event of a claim against its assets.

Taxes, fees and charges



General tax information

The Scheme is required to pay tax of up to 15% on all employer contributions¹ 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, where it is held as a debt until the time your benefit is paid).

Fees and other costs

There are a number of fees levied by the 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 the 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 weekly basis. A separate administration fee is not charged on the Rollover Plan, Account-Based Pension Plan, the Defined Benefit Scheme (Division D) or deferred accounts. Pages 25–26 list all fees charged to member 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 fee 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).

¹ Net allowable deductions e.g. Administration and insurance fees.

Taxes, fees and charges

Administration, other fees and Insurance premiums charged in Pool A

For the year ended 30 June 2008	Accumulation Scheme	Executive Scheme	Rollover and Account-Based Pension
Administration fee - Non contributing member	75c per week	\$3.00 per month	N/A
Administration fee contributing member	75c per week	\$6.33 per month	N/A
Basic Death or Invalidity cover	\$5.00 per month	\$25.00 per month ¹	N/A
Benefit payment fee	\$20	\$30	No charge
Optional investment switch in any financial year	\$20 per switch ²	\$30 per switch ²	No charge
Voluntary insurance	The cost will vary depending on the amount insured and other factors.		N/A

Management costs charged in Pool A

Management costs charged to Division A³ and E³ members for the year ended 30 June 2008

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

Management costs charged to Division F⁴ members for the year ended 30 June 2008

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



Taxes, fees and charges

Management costs charged in Pool B (Accumulation accounts only)

Management costs charged in Division B to contributory members excluding any Basic Benefit Accumulation Account for the year ended 30 June 2008¹

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

Management costs charged in Division B to contributory members for the Basic Benefit Accumulation Account for the year ended 30 June 2008²

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%

Management costs charged in Division B to deferred members for the year ended 30 June 2008³

Months	High Growth	Trustee Selection	Diversified	Balanced	Capital Guarded	Cash Plus
July - June	1.42%	1.40%	1.40%	1.34%	1.30%	1.07%

Family law fees

As at 30 June 2008, 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 (includes GST)	
Request for information ⁴	\$110
Benefit split fee ⁵	\$88
Retirement, Basic Benefit and Defined Benefit Schemes (includes GST)	
Request for information ⁴	
Current members	\$275
Deferred members	\$110
Pensioners	\$110
Benefit split fee ⁵	\$88

Further fees and charges disclosure is provided in your annual member statement and also in the Product Disclosure Statements which are available at 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 2008

	30-Jun-08 (\$ '000)	30-Jun-07 (\$ '000)
Revenue		
Net investment revenue	(151,786)	246,254
Employer contributions	203,888	185,603
Member contributions	23,227	38,239
Transfers in	275,115	238,267
Other revenue	17	266
Total revenue	350,461	708,629
Less outgoings		
Administrative expenses	17,671	14,670
Contributions surcharge	71	616
Income tax expense	17,865	40,021
Total outgoings	35,607	55,307
Benefits accrued as a result of operations	314,854	653,322

Statement of financial position for the year ended 30 June 2008

	30-Jun-08 (\$ '000)	30-Jun-07 (\$ '000)
Investments		
Short-term investment	-	35
Unit trusts	2,455,929	2,367,541
Pooled Superannuation Trusts	-	11,871
Total investments	2,455,929	2,379,447
Other assets		
Cash	44,661	53,510
Receivables	163	409
Deferred tax asset	21,822	-
Total assets	2,522,575	2,433,366
Less liabilities		
Payables	3,135	3,473
Current tax liability	29,989	34,375
Deferred tax liability	-	3,230
Total liabilities	33,124	41,078
Net assets available to pay benefits	2,489,451	2,392,288

The complete Financial Statement, 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

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. 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

Pool B

Statement of changes in net assets for the year ended 30 June 2008

	30-Jun-08 (\$ '000)	30-Jun-07 (\$ '000)
Net investment revenue	(288,677)	489,666
Employer contributions	78,925	71,459
Member contributions	20,624	34,089
Transfers in	7,789	16,788
Total revenue	(181,339)	612,002
Less outgoings		
Benefits paid	298,851	211,856
Administrative expenses	15,599	14,003
Contributions surcharge	26	438
Income tax expense (benefit)	(18,227)	35,726
Total outgoings	296,249	262,023
Net profit	(477,588)	349,979

Statement of net assets for the year ended 30 June 2008

	30-Jun-08 (\$ '000)	30-Jun-07 (\$ '000)
Investments		
Unlisted equities and trusts	3,155,730	3,710,110
Other assets		
Cash	15,007	10,320
Receivables	183	101
Deferred tax asset	27,254	-
Total assets	3,198,174	3,720,531
Less liabilities		
Payables	5,287	3,298
Current tax liability	29,390	52,801
Deferred tax liability	-	23,347
Total liabilities	34,677	79,446
Net assets available to pay benefits	3,163,497	3,641,085

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

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 the Local Government Property Fund.



More information

Service providers

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

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

Actuary

Mercer Human Resource Consulting

Administration

FuturePlus Financial Services Pty Limited¹

Asset Consultant

Intech Investment Consultants

Auditor

Deloitte Touche Tohmatsu

Custodian

JPMorgan Chase Bank

Investment managers for the year ended 30 June 2008

AllianceBernstein Investment Management Australia Limited

Apostle Asset Management Ltd

AQR capital Management, LLC

Barclays Global Investors Australia Limited

BlackRock Alternative Advisors

BlackRock Investment Management (Australia) Limited

BNY Mellon Asset Management Australia Limited

BT Investment Management Ltd

Colonial First State Investments Limited

Dexion Capital PLC

Fortis Investment Management Australia Limited

FRM Australia Pty Ltd

FuturePlus Financial Services Pty Limited¹



Genesis Investment Management, LLP

Goldman Sachs JBWere Asset Management

Hawkesbridge Limited

LaSalle Investment Management

LSV Asset Management

Macquarie Investment Management Limited

Marvin & Palmer Associates

MM&E capital Pty Limited

Orion Asset Management

Perennial Investment Partners Limited

PIMCO Australia Pty Ltd

QIC

State Street Global Advisors Australia Limited

Turner Investment Partners

Warakirri Asset Management Pty Ltd

Wellington International Management Company Pty Ltd

Wilshire Australia Pty Limited

WO Venture Fund

Legal advisor

DLA Phillips Fox

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



More information



Complaints

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

Local Government Superannuation Scheme
PO Box N835
Grosvenor Place NSW 1220

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.

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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. The administration and tax reserves 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 three years are as follows:

Year	DORI (\$'000)	UPER (\$'000)	Admin (\$'000)	Tax (\$'000)
2006	144	110	139	8,857
2007	1,788	1,320	(273)	(8,609)
2008	1,362	1,974	(135)	1,340

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 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 2007/2008. The Trustee requires 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 paid¹.

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 (where no superannuation contributions are being made) with less than \$400.

1. Industry Funds Investments Limited (IFI) - ABN 17 006 883 227, AFSL 229881 is the Responsible Entity of AUSfund, Australia's Unclaimed Super Fund - ABN 85 945 681 973.



Important changes

The Local Government Superannuation Scheme going green

From 1 July 2007, LGSS replaced traditional energy sources with 100% green energy for all nine of its directly held properties, which together are valued at more than \$500 million.

New Additional Benefit Cover premium for Div B

The LGSS Trustee adopted the new reduced Additional Benefit levy rates (as recommended by the Scheme Actuaries) for Division B members effective from 1 April 2008.

Paternity Leave

The Scheme Board approved the extension of prescribed (approved) leave in Divisions B and D to paternity leave.

Executive Scheme (Division E) investment changes

BT investment options have been removed from Division E and are no longer available for investment. Both options closed on 30 April 2008 and Executive Scheme members were informed by letter in January 2008.

Changes in Accounting Standards

The directors elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standards AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' in the current accounting period, even though those Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2009.

Div C cashing provision

A new provision was inserted to Div C to allow payments by transfer of the amount to Div F for persons that have satisfied a condition of release which does not have a nil cashing restriction.

Using Ordinary Time Earnings to calculate the Super Guarantee

From 1 July 2008, employers are required by law to use ordinary time earnings (OTE) as defined by the ATO to calculate compulsory contributions for their employees. For Retirement & Defined Benefit Schemes, the administration system is being amended to ensure that any benefit calculated will be compared against a minimum benefit (which will reflect these OTE changes to compulsory super).

Better Super changes

As part of the major changes to super (Better Super) that came into effect from 1 July 2007, amendments to the Scheme's Trust Deed were made to reflect the changes.

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Important changes

Anti-Money Laundering & Counter-Terrorism Financing measure

With the commencement of the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act) on 12 December 2007, a member of a superannuation entity must provide proof of identity and date of birth when making application for payment of a benefit (i.e. application for release, transfer, deferral or insurance claim).

We cannot process an application for payment of a benefit unless we are reasonably satisfied that we have identified the member (i.e. the member is the person they claim to be) and that we have verified the member's date of birth. Under the AML/CTF Act we are also required to report to the regulator any instances where we form suspicions about the identity of someone we are transacting with or about the transaction itself.

Full details of what is required, especially the certification process, are detailed in 'What is Required for Proof of Identity and Date of Birth' in the Forms section of the Scheme's website.

Superannuation lump sums paid to the terminally ill

The Government has made effective from 1 July 2007 that lump sum superannuation benefits paid to members with a terminal illness be exempt from tax. The regulations introduced a new condition of release for people suffering from terminal medical conditions on 15 February 2008. The new condition of release gives those with terminal medical conditions unrestricted access to their superannuation benefits.



Clarification on Councillor superannuation payments

We had previously advised that the Australian Tax Office (ATO) has now made a definitive ruling (ATO ID 2007/205) that allows for Councillors to redirect their annual fees into superannuation. A clear point in the ruling is that Councillors are deemed not to be an employee under common law.

Councils need to determine for themselves, by Council resolution and/or within an appropriate Council policy, whether and how Councillors may redirect their fees into superannuation.

The Local Government Superannuation Scheme (LGSS) is, of course, a complying superannuation scheme and would be delighted if Councillors choose to be a member of the superannuation fund that specifically provides for employees from the Local Government sector.

Important changes

Changes to salary sacrifice and its impact on the Government Co-contribution

The 2008 Federal Budget proposed that salary sacrifice super contributions be counted as income for the purpose of income tested government benefits, effective from 1 July 2009. As a result, salary sacrifice will be assessed as income for all relevant tax and transfer programs, including the Government Co-contribution.

Providing your Tax File Number (TFN)

It is not compulsory to provide your TFN. If you don't:

- An extra 31.5% tax on employer and salary sacrifice contributions will apply
- You will be unable to make personal contributions to the Scheme
- You may miss out on the Government Superannuation Co-contributions scheme even if you are eligible
- It may be more difficult to trace all of your superannuation accounts.

Fee changes

In March 2008 the Board resolved to adopt a uniform management cost across all products and to increase the administration fee to \$1 per member per week in all divisions except D and F. This became effective 1 November 2008 and was designed to make the application of fees more equitable.

Unit pricing error

Since the declaration of 30 June 2008 returns, the Trustee has discovered a unit pricing error which affected a number of investment strategies. Rather than correct the 30 June 2008 unit prices, an adjustment has been made effective 30 September 2008 and measures taken to prevent a recurrence of this error. All affected members have been notified.



Contact us

Local Government Superannuation Scheme

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Mail: PO Box N835
Grosvenor Place
NSW 1220
Sydney office: Local Government House
Ground Floor
28 Margaret Street
Sydney NSW
Email: info@lgsuper.com.au
Website: www.lgsuper.com.au



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	Shop 2/209 Baylis Street Ph: (02) 6926 8000
Wollongong	Shop 2/60 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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