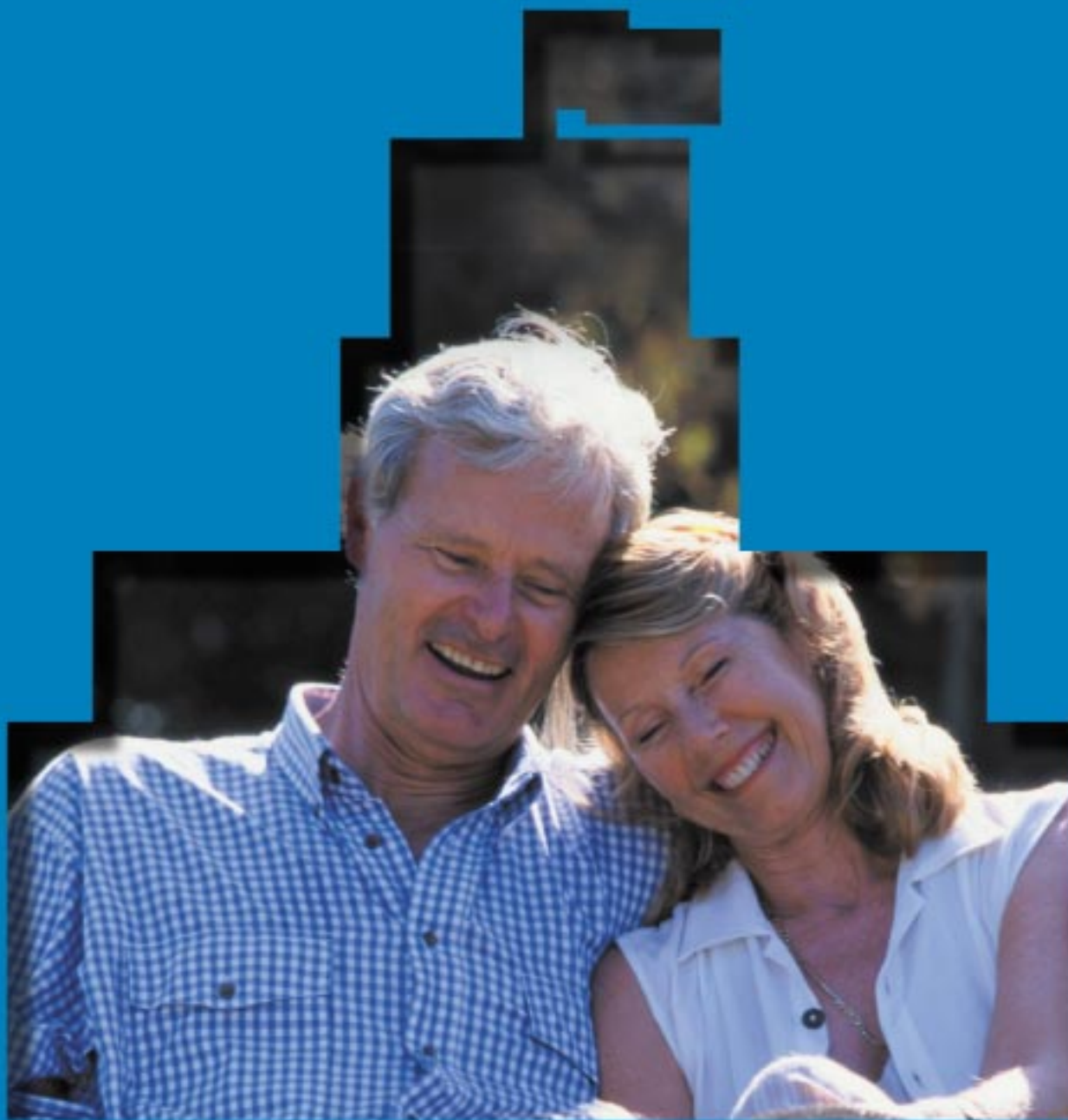




annual report to members  
1999-2000



retirement & defined benefit schemes



# c o n t e n t s

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The Local Government Superannuation Scheme consists of two distinct schemes: Local Government Superannuation Scheme Pool A; Local Government Superannuation Scheme Pool B (ABN 28 901 371 321).

The following report relates to the Local Government Superannuation Scheme Pool B. This covers members of the Retirement Scheme, the Basic Benefit Scheme and the Defined Benefit Scheme.

# chairman's overview





On behalf of the Directors of the Trustee, I am pleased to present the Annual Report to Members of the Local Government Superannuation Scheme.

The Local Government Superannuation Scheme has had an outstanding year 1999–2000. The Scheme performed well, and Pool B assets grew to \$2.9 billion.

Calendar year 1999–2000 was the third year of operation of the re-established Local Government Superannuation Scheme in New South Wales. It was a positive year of achievement and advancement in the affairs of the Scheme, and demonstrated the benefits of planning, member focus and resource commitments over the prior years.

The sound investment performance significantly improved the retirement benefits of all Scheme members. The superior performance has now been maintained for three consecutive years, making the Local Government Superannuation Scheme one of the best in Australia.

Providing members with improved retirement benefits was just one of the Scheme's objectives during the year. Another pleasing result was the acceptance by the members of their own financial planning service – FuturePlus Financial Services Pty Limited.

This new financial planning arm of the Local Government Superannuation Scheme (jointly owned with the Energy Industries Superannuation Scheme) was created to provide members with a comprehensive, cost-effective financial planning and post-retirement service. Many members have taken advantage of this service ensuring that when they retire they continue to enjoy the same low-fee, high-value service they received as a scheme member.

One of the most significant Scheme initiatives this year was the launch of the Regional Development Trust. The Regional Development Trust will seek investment opportunities in regional and rural NSW. The Regional Development Trust is designed to provide competitive returns for Scheme members, and will benefit regional NSW by generating jobs and economic activity in those areas.

Since its inception in July 1997, The Local Government Superannuation Scheme has had many successes. Plans for the future will capitalise on these foundations. I wish to thank the Chief Executive Officer, Mr Brett Westbrook, our Executive Officers, Advisers, staff and Directors who worked so hard to ensure another successful year.

A handwritten signature in white ink on a blue background. The signature is cursive and appears to read 'Peter Woods'.

Peter Woods OAM  
Chairperson  
Local Government Superannuation Scheme

# highlights

The Local Government Superannuation Scheme is committed to improving the long-term benefit to members' retirement incomes. This is achieved via the implementation of long-term investment strategies which seek to maximise investment returns consistent with an appropriate risk/return profile.

The Scheme is committed to improving the delivery of member services and is aiming for industry leader status in this regard.

Improved member servicing throughout 1999–2000 was reflected by the success of the work Site visits program, the Retirement Seminars, and the acceptance of financial planning services through FuturePlus Financial Services Limited.

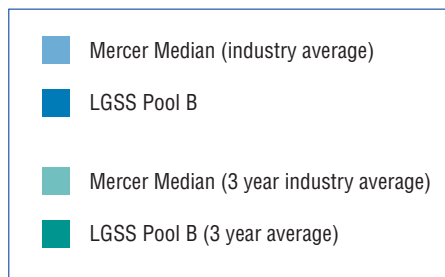
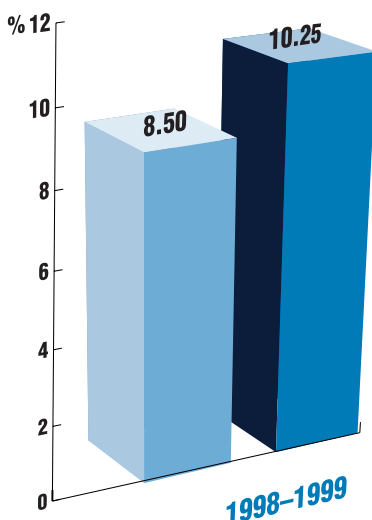
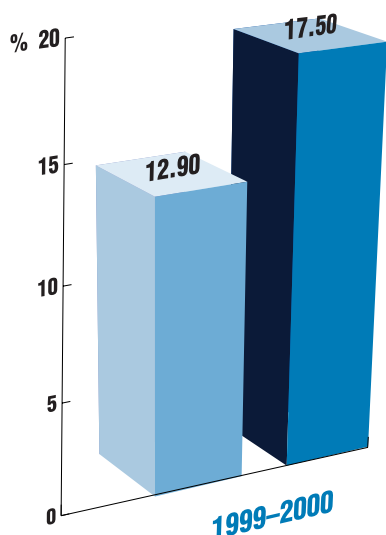
#### As at 30 June 2000:

- The Scheme had 20,554 members.
- Assets grew to \$2,880.44 million.
- Contributions received totalled \$97.02 million.
- Members received \$164.846 million in benefit payments over the year.



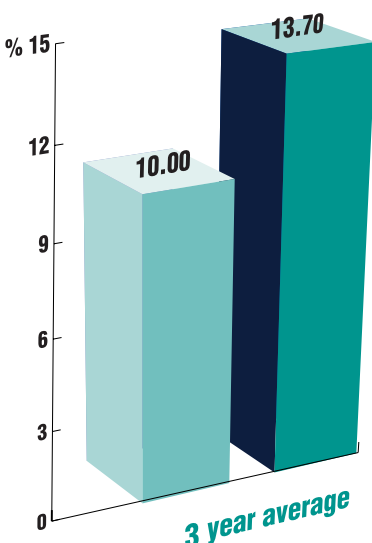
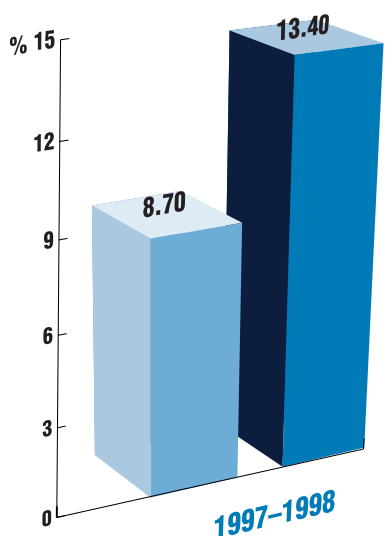
# net investment

crediting rates (after tax) for year ended 30 june 2000



#### Investment Objectives

- To target a real rate of return of 6.5% per annum over a five-year period.
- For the chance of a negative return to be less than 1 in 5.
- To ensure there is a greater than 90% likelihood that there will be 100% of members' benefits at the end of five years.



#### Investment Strategy

To meet the investment objectives, the Trustee has determined that the Pool should be invested in a diversified portfolio with an emphasis on growth assets such as shares and property. The Trustee has established guidelines for the Pool's investment managers. Performance benchmarks, encouraging the achievement of the investment objectives, were put in place to ensure optimum performance.

\* Note: The earnings rate credited to members is the actual earnings after adjusting for investment costs. No reserves are kept.

# mission statement

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

**The Scheme aims to achieve this by:**

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

**The Trustee is committed to:**

- Always acting in the best interests of members.

## trustee



Peter Woods OAM,  
BA, MLITT, MACE  
*Appointed by Local  
Government Association  
of NSW*

Chairperson, LGSS Pty  
Limited; President, Local  
Government  
Association of New  
South Wales; Mayor of  
Concord;  
President, International  
Union of Local Authorities  
(IULA) – Asia  
Pacific Region; Member,  
Board of Environment  
Protection  
Authority of NSW;  
Director, Inner Sydney  
Waste Board



John Wearne OAM  
*Appointed by Shires  
Association of NSW*

Councillor, Bingara Shire  
Council; Patron and  
Former President, Shires  
Association of NSW;  
Former Senior Vice-  
President, Australian  
Local Government  
Association;  
Commissioner, National  
Roads and Transport  
Commission;  
Board Member, NSW  
Centenary of Federation  
Committee and Australia  
Day Council of NSW



Bernadette O'Connor  
*Appointed by Local  
Government Association  
of NSW*

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

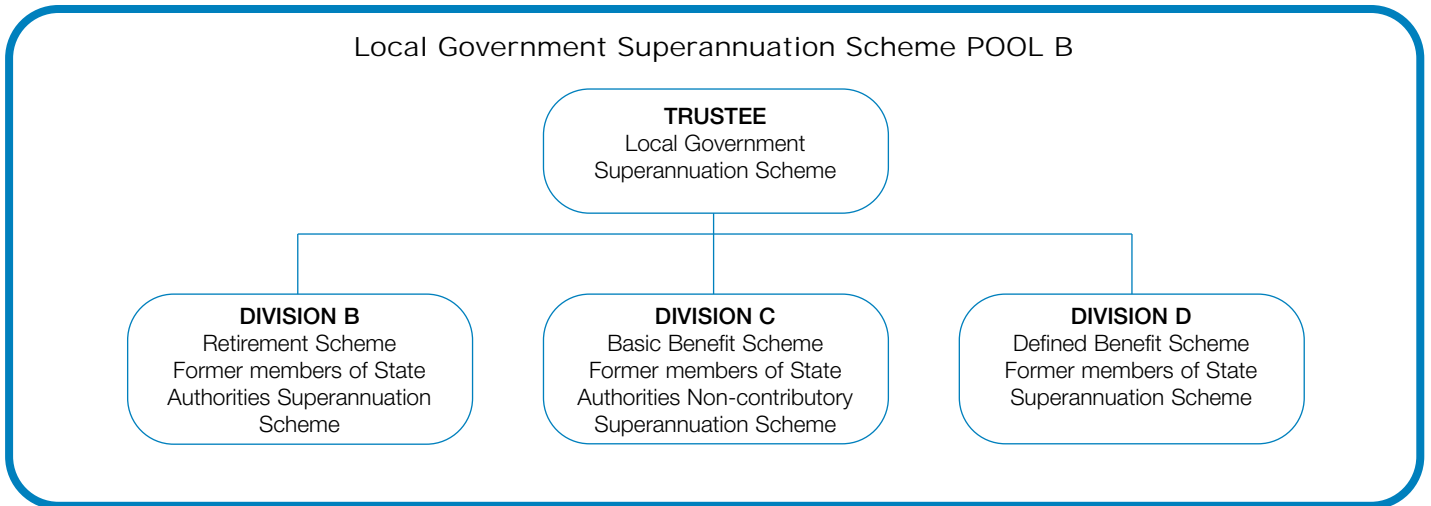


Leo Kelly  
Deputy Mayor, Blacktown  
Council; Executive Member,  
NSW Local Government  
Association; Member of  
NSW Local Government  
Committees – Planning,  
Environment, Industrial,  
Waste Management; Local  
Government Representative,  
NSW Department of  
Environment and Planning  
Green Space Program  
Selection Committee; Local  
Government Representative  
to Hawkesbury – Nepean  
Catchment Management  
Trust, Phosphorus Action  
Program Committee;  
Director, Waste Services  
NSW Member, NSW State  
Waste Advisory Council



- Continually improving the level of service to members.
- Developing first-class products and services for members.

The Scheme has two segregated pools of assets, Pool A and Pool B. This report has been produced for members covered by Pool B. Pool B of the Scheme includes members of the Retirement Scheme, the Basic Benefit Scheme and the Defined Benefit Scheme.



**Ian Robertson**  
*Representing  
Environmental Health and  
Building Surveyors'  
Association of NSW*

Secretary/Treasurer, the  
Environmental Health and  
Building Surveyors'  
Association of NSW  
(HABSA); Member, Local  
Government Reform Task  
Force



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

President, Metropolitan  
Salaried Officers Branch  
(MEU) Chairperson,  
Superannuation Services  
Company



**Barry Mason**  
*Representing Federal  
Municipal and Shire  
Council Employees Union  
of Australia*

Expenditure/Risk/Assets  
Co-ordinator, Kogarah  
Council; Associate  
Institute Municipal  
Management



**Martin O'Connell**  
*Representing Local  
Government Engineers'  
Association*

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

# member

## services

During the year 1999–2000, the Scheme has focused on providing members with improved levels of communication, assistance, and quality advice.

These aims are being achieved via the worksite visits program, the Retirement and Financial Planning Seminars, the enhanced Web Site: ([www.lgsuper.com.au](http://www.lgsuper.com.au)) and the member newsletters.

The Scheme is committed to ensuring service providers deliver in a timely, efficient and cost effective manner.

### Enquires, Help and Advice

Member Services is your enquiry service centre. If you have any enquiries about the Scheme, these should be directed to:

**Member Services**  
**Ground Floor**  
**28 Margaret Street**  
**Sydney NSW 2000**  
**Tel: 1300 369 901**  
**Fax: (02) 9279 4131**

Telephone enquiries can be made between 8.30am and 5.30pm, Monday to Friday, and personal interviews can be arranged with a Member Services Officer between 9am and 4.30pm, Monday to Friday.

Written enquiries should be sent to:

**PO Box N835**  
**Grosvenor Place**  
**Sydney NSW 1220**

Some examples of how you may be able to use the Member Services centre include:

- Enquiries about the amount of your benefit, when you may be able to receive it and rollover opportunities.
- Information concerning your current investment selection and alternatives available to you.
- Information on making member contributions.
- Information concerning death and invalidity cover.
- Reviewing copies of Scheme documents such as the audited accounts and the Trust Deed and Rules.

Remember, this service is a benefit of your membership. It is absolutely free of charge to you and we encourage you to use it.





# complaints

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

All complaints should be made in writing to:

**Complaints Resolution Officer, Superannuation Services Company Pty Limited, Level 12, 28 Margaret Street, Sydney NSW 2000. Tel: (02) 9299 3000.**

The Complaints Resolution Officer, who maintains a register of all complaints and actions, will consider your complaint on behalf of the Trustee and provide you with a suitable response as soon as possible.



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

The Tribunal has been established by the Federal Government for the purpose of providing totally independent input into disputes which may arise between superannuation funds and their members, former members or beneficiaries. The Tribunal can only consider matters which impact on members personally and not in respect of the overall conduct of the Scheme.

You may only approach the Tribunal if you have first been through the Scheme's internal complaints procedure. In exercising its power, the Tribunal cannot alter the

provisions of the Trust Deed. All complaints to the Tribunal must be made in writing and at your own expense.

The staff at the Tribunal will attempt to resolve the matter by conciliation, which involves assisting you and the Scheme to come to a mutual agreement. If no agreement is reached by conciliation, the Tribunal will determine the matter.

The contact details are:

**The Secretary, Superannuation Complaints Tribunal,  
 Locked Bag 3060 GPO  
 Melbourne Vic 3001  
 Tel: 13 14 34.**

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

# fees & charges

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

- As a result of the financial strength of the Scheme, the traditional administration fee has been waived rather than being debited to employee or employer reserves.
- The cost of your Additional Benefit Cover insurance for Retirement Scheme members.

Members benefits are reduced by an amount to cover the Government's 15 per cent contributions tax. The additional surcharge tax for high-income earners is deducted from the end benefit of affected members at the time of exit from the Scheme.

#### Goods and Services Tax

The Government has introduced a 10 per cent Goods and Services Tax (GST) operational from 1 July 2000. Contributions and Benefit Payments are not subject to GST. However, the Scheme will incur GST on some of its costs including the ongoing management charges. The Scheme will generally claim back 75 per cent of the GST incurred and the remaining amount is incorporated in the fees.



# changes to super

## Superannuation and Family Law

The Commonwealth Government has introduced a Bill into Parliament on the reform of the treatment of superannuation assets during divorce settlements. The aim is to allow the parties



involved to reach an agreement on how all assets, including superannuation, will be split. Where the parties cannot reach agreement, the Family Court will be able to order an apportionment of accrued superannuation benefits.

The Bill is yet to be debated or to become law. However, a considerable amount of the detail on how orders or agreements are to be implemented are contained in draft regulations.

## Trust Deed Amendments and Recent Developments **Mobility**

In December 1998, legislation was passed through the NSW

Parliament that enabled Regulations and Trust Deed amendments to permit members of the closed defined benefit schemes to transfer between State, Energy and Local Government employment, without loss of superannuation entitlements. These regulations and Trust Deed amendments were not effective until 1 October 1999.

Conditions attach to these transfer rights. Members should contact Member Services for advice when contemplating a change of employment between the sectors.



### Trust Deed amendments affecting the Retirement Scheme (Division B) and Basic Benefit (Division C)

From 4 May 2000, the Trustee is able to release benefits on the grounds of severe financial hardship and compassion to current members. Previously, only deferred members could access benefits on these grounds.

Severe financial hardship and compassionate grounds are defined in the Superannuation Industry (Supervision) Act and the eligibility criteria are very strict. Financial hardship requires the member to be on certain Commonwealth income support payments. Compassionate releases can only be approved by Australian Prudential Regulation Authority.

Where releases are made to current members, a debt will be maintained to be deducted from any future benefit payment.

### Trust Deed amendments affecting the Defined Benefit Scheme (Division D) only

From 1 July 1999, administration costs cannot be charged to the Contributor's reserve.

A Trust Deed amendment signed 4 May 2000 means that members granted a breakdown pension are now entitled to immediate payment without having to exhaust the period of leave that has been paid as a lump sum (eg sick and annual leave). This measure was backdated to 1 July 1999 and the administrator has contacted affected members about the changed entitlements.

Two Trust Deed amendments introduced on 30 June 1999 came into effect on 1 January 2000. These are:

- Members in receipt of a breakdown pension will be able to commute their pension to a lump sum from age 55. Most breakdown pensioners previously could not commute their pension until age 60; and
- Where a pension became payable before 1 July 1985, the member was not allowed to commute the whole of the benefit. Many such pensioners will now be entitled to commute the remainder of their pension if they so wish. Pensioners affected were contacted by the administrator directly.





# investment review

## Retirement and Defined Benefit Schemes

The Scheme had another good year – its third in a row – of top quartile investment performance.

In what was, again, a volatile investment climate, particularly in the last half of the year, the assets of the Scheme were well placed to both benefit from the good rises in the equity markets, and to protect against the sometimes rapid falls in those same markets.

Underpinning the result was the ability of the Scheme to flexibly adapt to the investment environment that confronted it. The consistent theme over each of the years has been to identify the principal “risks” to the investment return:

- In 1997/98, the Scheme needed to have in place no currency hedge, so that the portfolio benefited from the fall in the Australian dollar.
- In 1998/99, the Scheme needed to have a solid allocation to Australian shares, and operate a good currency hedging program to protect against some of the impact of a rise in the value of the Australian dollar.
- In 1999/2000, the Scheme again needed to have a good allocation to the right stocks both here and offshore, and a currency hedging strategy which did not impede too heavily the financial year’s performance.



Portfolio protection was also employed to guard against a significant fall in equity markets – and the quality of its implementation is reflected in the ability of the Scheme to deliver such strong returns.

Contributions from the other asset classes – property and fixed income – also made valuable additions to the relative strength of the performance.

After the strong performance in each of the last three years, the important feature is to identify where the past good performance has come from, and to try to continue to reduce the investment risks which may arise in the future.

As with all investment portfolios, there are no guarantees in relation to future performance, although the Scheme remains committed to continuing to maintain good investment outcomes under a range of potential investment climates.

# f i n a n c i a l o v e r v i e w

## STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2000

	30 June 1999 (\$'000)	30 June 2000 (\$'000)
Net assets at the beginning of the year	<b>2,385,557</b>	<b>2,520,674</b>
<b>PLUS</b>		
<b>REVENUE</b>		
Net investment revenue	243,714	459,361
Employer contributions	65,082	49,585
Member contributions	37,461	46,283
Transfers in	–	1,154
Other income	185	190
<b>TOTAL REVENUE</b>	<b>346,442</b>	<b>556,573</b>
<b>LESS</b>		
<b>OUTGOINGS</b>		
Benefit payments	176,521	164,856
Administration expenses	6,858	8,653
Investment transfers out	–	132
Income tax expense	27,623	22,676
Contributions surcharge	323	491
<b>TOTAL OUTGOINGS</b>	<b>211,325</b>	<b>196,810</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>2,520,674</b>	<b>2,880,437</b>

Below is abridged financial information for Pool B of the Scheme for the year ended 30 June 2000. This information is based on accounts currently being audited. If you wish to inspect the complete Scheme accounts, they are available by contacting Member Services on 1300 369 901 (8.30am-5.30pm Monday-Friday).

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2000

	30 June 1999 (\$'000)	30 June 2000 (\$'000)
<b>INVESTMENTS</b>		
Short-term investments	70,987	134,636
Australian fixed interest	400,240	475,342
Australian equities	977,644	1,374,233
International investments	947,012	742,442
Property	198,350	221,868
<b>TOTAL INVESTMENTS</b>	<b>2,594,233</b>	<b>2,948,521</b>
<b>OTHER ASSETS</b>		
Cash	3,491	15,622
Receivables	43,496	36,583
<b>TOTAL ASSETS</b>	<b>2,641,220</b>	<b>3,000,728</b>
<b>LESS</b>		
<b>LIABILITIES</b>		
Reserve Units	2	–
Creditors	75,716	63,789
Provision for income tax	5,141	16,768
Provision for deferred taxation	39,687	39,734
<b>TOTAL LIABILITIES</b>	<b>120,546</b>	<b>120,291</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>2,520,674</b>	<b>2,880,437</b>

# further information

Should you wish, you may examine the following documents:

- The Trust Deed.
- The Scheme accounts and Auditor's report.
- An Actuarial statement and other advice.

For access to these documents or further information on the Scheme, you should contact:

Member Services, Ground Floor, 28 Margaret Street, Sydney 2000.

Tel: 1300 369 901 (8.30am–5.30pm, Monday to Friday).

Or visit our Web site at [www.lgsuper.com.au](http://www.lgsuper.com.au)

## DIRECTORY

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

### ACTUARY ADMINISTRATOR AUDITOR CUSTODIAN

William M Mercer Pty Limited  
NSP Buck Pty Limited  
Arthur Andersen  
Commonwealth Custodial Services Limited

### INVESTMENT MANAGERS

State Street Global Advisors Australia Limited  
Deutsche Asset Management (Australia) Limited  
Standish Ayer & Wood Inc  
Commonwealth Financial Services Limited  
Barclays Global Investor Austral Limited  
LGSS Pty Ltd

### SOLICITORS

Phillips Fox  
Deacons

### SECRETARIAT TO TRUSTEE

Superannuation Services Company Pty Limited

## TAX FILE NUMBER COLLECTION

Superannuation fund trustees are now required to ask you to provide your Tax File Number (TFN).

This is a legal requirement authorised by tax laws, the Superannuation Industry (Supervision) Act 1993 and the Privacy Act 1988.

Your TFN may be used by the Trustee for the following authorised purposes:

- Taxing Eligible Termination Payments at concessional rates.
- Finding and amalgamating your superannuation benefits where insufficient information is available.
- Passing your TFN to the Australian Taxation Office where you receive a benefit or have unclaimed superannuation money after reaching the aged pension age.
- Allowing the Trustee to provide your TFN to another superannuation provider receiving any benefits you may transfer. The Trustee will not pass on your TFN to any other fund if you tell the Trustee in writing not to do so.
- Allowing the Trustee to quote your TFN to the Australian Taxation Office when reporting details of contributions for the purposes of the Superannuation Contributions Tax (Surcharge).

You are not required to provide your TFN. Declining to quote your TFN is not an offence. However, if you do not give the Trustee your TFN, either now or later:

- You may pay more tax on your superannuation benefits than you have to. (You will get this back at the end of the financial year in your income tax assessment.)
- It may be more difficult to find your superannuation benefits if you change address without notifying the Scheme or if you want to amalgamate multiple superannuation accounts.
- The surcharge may apply to your superannuation contributions.

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

## The Local Government Superannuation Scheme

Send to: PO Box N835, Grosvenor Place, Sydney NSW 1220

\_\_\_\_\_  
surname

\_\_\_\_\_  
first name

\_\_\_\_\_  
date of birth

sex:  male  female

\_\_\_\_\_  
signature

\_\_\_\_\_  
date

I agree to provide my Tax File Number:  yes  no

My Tax File Number<sup>#</sup> is: \_\_\_\_\_

<sup>#</sup>If you have previously provided your Tax File Number to the Scheme, you will not need to provide it again.

# Thinking of retiring?

Let FuturePlus Financial Services secure your future



## What will FuturePlus Financial Services do for me?

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

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

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

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

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

## When should I contact FuturePlus Financial Services?

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

## How much will this cost me?

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

## What do I do next?

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

## FuturePlus Financial Services belongs to you

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

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

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

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



**LOCAL GOVERNMENT®**  
SUPERANNUATION SCHEME

The logo for FuturePlus Financial Services, featuring a stylized blue leaf or flame icon to the left of the text. The text 'FUTURE PLUS' is in a large, blue, serif font, with 'FINANCIAL SERVICES' in a smaller, blue, sans-serif font below it. A registered trademark symbol (®) is to the right of 'PLUS'.

**FUTURE PLUS®**  
FINANCIAL SERVICES