2009 ANNUAL REPORT

Long-term returns for your super and the environment

LOCAL GOVERNMENT®
SUPERANNUATION SCHEME

Contents

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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 investment decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your membership and seek professional investment advice.

Report from the Chair

Long-term returns for your super and the environment

In recent years we have seen an economic boom followed by a severe global downturn which has had a significant impact on all Australians in some way.

As the markets and the economy are now recovering we expect to see the emergence of good investment opportunities in environmentally sustainable industries delivering strong long-term returns for investors willing to embrace these opportunities.

Our strong focus on sustainability, together with our range of diverse and flexible investment strategies, is designed to achieve long-term returns for your super.

We cover these important aspects of managing your super in this annual report along with all the regular financial details, the changes to super, and some details on the recent improvements we've made to our range of investment options.

We have also included some facts about our sustainable portfolio program and highlighted a few of the environmental projects our members and their councils and shires have been involved in over the last twelve months.

To reduce our environmental footprint even further, this year we have put our annual report on-line and reduced the size of our paper report.

I recommend you read over the report and take the opportunity to learn more about your super fund.

Yours sincerely

Leo Kelly

Chair

PS. Did you know that this year Local Government Super took out a Green Globe Award for Commercial Property Sustainability? The award recognised our achievement in reducing the environmental footprint of the buildings in our property portfolio.

Why Local Government Super?

Your choice of super fund can make a real difference to your long-term financial future.

You need a super fund which gives you the right mix of investment options with competitive fees and charges to make sure you maximise your retirement savings. High fees and hidden commissions can eat away at your savings and substantially reduce your eventual super payout.

Local Government Super looks after the long-term financial needs of more than 100,000 members with over five billion dollars in funds under management. This size means that we have the bargaining power to negotiate wholesale rates on insurance and provide access to financial planning services at no extra cost.

Local Government Super is run solely to benefit its members so all profits are distributed back to members instead of shareholders.

Highly competitive insurance

You can take out life, permanent disability or income protection insurance and take advantage of the highly competitive wholesale rates we have negotiated on your behalf, rates you would find difficult to obtain as an individual.

You can arrange for the insurance premiums to come directly out of your super account or to cover your premiums you can salary sacrifice some extra contributions into your super which is a very tax-effective way to pay for your premiums.

Financial planning

Local Government Super is part-owner of FuturePlus Financial Services and this means you can get financial planning advice at no extra cost.

A qualified financial adviser can help you analyse your financial needs, identify your goals and help you plan for your long-term financial future. They can provide expert advice on how to:

- Plan for your retirement
- Choose the right investment strategy
- Ensure you have the right level of insurance.

FuturePlus financial planners do not earn commissions so you can be confident that they will always put your financial interests first.

For more information about the benefits of being a member of Local Government Super just go to our website **www.lgsuper.com.au**.

Super checklist

How much do you really know about your super?

Super is one of the most important investments you will make in your life so it is absolutely essential that you get it right. What you do now can make a real difference to your long-term financial future.

To find out how much you know about your own super see how many of the following questions you can answer.

- How much income will you need in retirement?
- What super investment strategy is appropriate for someone your age?
- Do you know exactly how many super accounts you have?
- What financial options would you have if you were made redundant?
- Are you adequately insured if something happened to you?
- What would happen to your super if you died?

If any or all of these questions have got you stumped you're not alone, but a qualified financial planner can help with the answers. A planner can also help you better understand your super, plan for retirement, and achieve long-term returns on your super investment.

As a member of the Local Government Super you can get financial planning advice at no extra cost. For more details, just call us on 1300 369 901.

Peter Davies – Ku-ring-gai Council Member since 2002

Peter is the Manager, Corporate Planning and Sustainability at Ku-ring-gai Council and has worked in state and local government, and as a consultant for over 18 years. He is also an associate at the University of Technology's Centre for Local Government and an honorary lecturer at Macquarie University.

Greenhouse emissions project

An audit conducted in 2002 revealed that Ku-ring-gai Council's facilities, vehicle fleet and street lighting produced significant amounts of greenhouse emissions so in response the council set a target to reduce their emissions by 20%.

As part of the project the council installed solar panels at the council's environmental education facility at the Ku-ring-gai Wildflower Garden. The solar installation replicates one which can be used in a suburban home and this gives thousands of visitors each year a first-hand look at solar panels they can use in their own home.

This installation reduced CO2 emissions and the operating costs of the facility while increasing community awareness of how technology can be used to tackle climate change.

Peter says that "Ku-ring-gai is fortunate as we have a very motivated community who actively take up sustainability initiatives and are very willing to be a part of the council's sustainability planning."

The council is now working closely with local business and residents to help them improve their own sustainability practices.

Sustainability and our commercial property portfolio

Signing up to the UN principles

Local Government Super is a signatory to the UN Principles for Responsible Investment (UN PRI) initiative.

All signatories to the UN PRI commit to incorporate environmental, social and governance (ESG) considerations into their investment decision making processes.

The aim is to benefit the wider community and at the same time improve the long-term investment returns for our members.

Property portfolio NABERS rating

In 2007 we agreed to participate in the Total Environment Centre's (TEC) Existing Buildings Project and undertook to improve our average NABERS ratings for all the buildings in our commercial property portfolio.

NABERS is the National Australian Built Environment Rating System and it measures a commercial building's environmental performance based on the building's energy and water use, waste reduction, greenhouse emissions, and the quality of the indoor environment.

NABERS rates buildings annually and uses a five star system:

★★★★★ Exceptional – best building performance

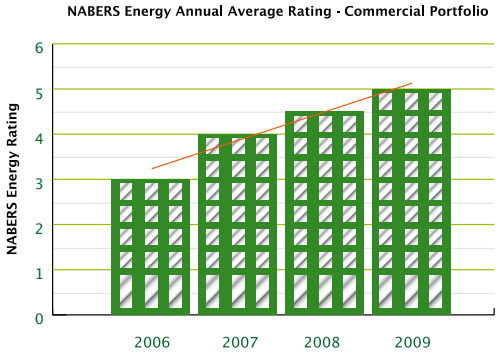
★★★★ Excellent – strong performance

★★★ Very good – current market best practice

As part of the Existing Buildings Project, we gave a commitment to improve our average NABERS ratings for the base building energy use across our property portfolio to 4.5 stars by January 2012.

Continual improvement

The NABERS ratings for all the buildings in our portfolio have continued to improve reflecting the use of wholly renewable energy.



Under our sustainable property portfolio program, each building in the portfolio sources 100% of its base building energy from fully accredited renewable GreenPower reducing emissions by approximately 10,000 tonnes of carbon dioxide per annum.

We also encourage all existing tenants to use renewable energy for their own electricity needs and all new leases require tenants to source their power from green energy suppliers.

One of our priorities is to improve the energy, water and recycling efficiencies across the entire portfolio and while we are delighted with our progress to date, we will continue to look for opportunities to take advantage of technology and new practices as they emerge.

LGS property portfolio NABERS ratings

Symantec House, 181 Miller Street, North Sydney

★★★★★ NABERS energy rating reflecting 100% GreenPower usage

★★★ Overall property rating

People Telecom House, 76 Berry Street, North Sydney

★★★★★ NABERS energy rating reflecting 100% GreenPower usage

★★★½ Overall property rating

2–4 Lyon Park Road, North Ryde

★★★★★ NABERS energy rating reflecting 100% GreenPower usage

★★★½ Overall property rating

SKM House, 100 Christie Street, St Leonards

★★★★★ NABERS energy rating reflecting 100% GreenPower usage

★★★½ Overall property rating

Local Government House, 28 Margaret Street, Sydney

★★★★★ NABERS energy rating reflecting 100% GreenPower usage

★★★★ Overall property rating

Xpand House, 120 Sussex Street, Sydney

★★★★★ NABERS energy rating reflecting 100% GreenPower usage

★★★½ Overall property rating

Sustainability and our commercial property portfolio

Green Globe Award

In recognition of our sustainable portfolio program Local Government Super was awarded a 2009 Green Globe Commercial Property Sustainability Award.

The Green Globe awards acknowledge the efforts of business and the community to actively reduce their environmental footprint.

Local Government Super won the Commercial Property Sustainability Award ahead of well-known property firms such as Mirvac, Brookfield Mulitplex, GPT, Macquarie Bank, and Colonial First State.

CEO of LGS Peter Lambert (left) receives Green Globe Award.

The economic year in review

The global economic crisis has had a major impact on the world economy. We've seen Gross Domestic Product (GDP) fall, unemployment rise, investments decline and a gloomy mood take hold in the market. While there's no guarantee that the worst is over, several indicators are suggesting the rate of decline may be slowing and the economy may just be starting to recover.

Here in Australia, the financial news appears to be being received with a feeling of cautious optimism. Some experts are predicting we've seen the worst of this recession and that recovery is imminent or may already be underway, while others are predicting a long, slow recovery. Which outcome is correct will depend in part on how and when the rest of the developed world, (particularly the US) resolves its significant debt and imbalance issues.

But whichever way you look at it, Australia would appear to be better placed in many ways to weather the financial storm.

Bucking a recessionary norm, for example, GDP has actually grown. Figures released by the Australian Bureau of Statistics (ABS) in early September revealed that GDP for the June quarter grew 0.6%. Our unemployment level of 5.7% in May was far less severe than in other western countries such as the US at 9.4% and the UK at 7.2%.

House prices are still rising and sales are reasonably buoyant. ABS figures show that home finance approvals grew 1.4% in June. And with historic low interest rates coupled with the Government's First Home Owners Grant, demand for property has remained healthy.

By the end of August 2009, the Australian share market had rallied 42% off its low of 3111 in March, with banking and resources sectors particularly strong. The Government's stimulus payments seem to have assisted as well, with the ABS reporting increases in retail sales of 0.1% in June. Additionally, exports rose by 0.2% in the June quarter.

Compared to the US and European economies, our economy is holding up relatively well.

Having said that, any number of factors or events could stall the economy once more, so at the moment, optimism still needs to be tempered with caution and a good dose of realism.

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 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 2009

Rank	International equity top 10 holdings	% portfolio holding	% of index*
1	Exxon Mobil	1.42%	2.02%
2	Nestle	1.07%	0.80%
3	Proctor & Gamble	0.93%	0.88%
4	Cisco Sytems	0.90%	0.64%
5	Waters	0.89%	0.03%
6	Microsoft	0.84%	1.11%
7	BP	0.82%	0.86%
8	Heineken NV	0.77%	0.05%
9	Cie Financiere	0.76%	0.06%
10	Walt Disney	0.76%	0.24%

Rank	Australian equity top 10 holdings	% portfolio holding	% of index*
1	BHP Billiton	11.47%	13.13%
2	Westpac	5.68%	6.64%
3	Commonwealth Bank of Australia	5.25%	6.67%
4	National Australia Bank	4.94%	4.85%
5	Australia and New Zealand Bank	4.66%	4.33%
6	Telstra	3.99%	3.99%
7	Woolworths	3.19%	3.65%
8	QBE Insurance	2.31%	2.25%
9	CSL	1.90%	2.18%
10	Westfield Group	1.78%	2.68%

* This measure shows how much of that share is held by the overall market. For Australia the index used is the ASX 300. For international shares the index is called the MSCI which is made up of all the world indices, such as the Dow Jones, Nickei etc. So even though we may hold enough of a share for it to be in our top ten, we may still hold less than its share of the overall market.

High Growth – For real investment growth above the "cash" rate over the longer term.

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

Objective – 3.5% net investment return per annum above the "cash"[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 2009[3]	Actual 2008[3]
Australian equities (or shares)	37–43%	36.5%	37.5%
International equities (or shares)	33–38%	31.6%	32.8%
Australian listed property[4]	0–5%	0.6%	1.4%
International listed property	5–15%	3.4%	5.9%
Australian fixed interest	0–5%	0.8%	0.5%
Australian inflation linked bond (previously called indexed-linked securities)	0–5%	0.9%	1.0%
International fixed income	0–5%	0.8%	0.6%
Absolute return fund (previously called hedge funds)	5–25%	6.9%	10.4%
Cash	0–10%	1.6%	0.4%
Australian direct property[5]	0–7.5%	4.0%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids[5]	0–15 %	0%	
Private equity[5]	0–20%	12.9%	

Investment returns over 5 years for Pool A as at 30 June[2]					
	2005	2006	2007	2008	2009
Accumulation and Executive Schemes (Divisions A and E)	15.6%	18.7%	15.5%	-10.7%	-21.5%
Rollover Plan (Division F)	13.9%	18.1%	15.3%	-10.9%	-20.4%
Account-Based Pension Plan (Division F)	15.3%	18.9%	17.2%	-12.1%	-23.8%

Annualised 5 year returns for Pool A as at 30 June 2009[2]	
Accumulation and Executive Schemes (Divisions A and E)	2.1%
Rollover Plan (Division F)	1.9%
Account-Based Pension Plan (Division F)	1.5%

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.
3 As at 30 June.
4 Please note that the strategic asset range for Australian Listed property has now changed to be between 0%–5%.
5 Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.

Your investment

Balanced Growth[1] – For real investment growth above the "cash"[2] rate over the medium to longer term.

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

Objective – 2.5% net investment return per annum above the "cash"[2] rate, measured over a rolling 3 year period.

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

Risk profile – High/Medium

Asset classes[3]	Asset allocation ranges	Actual 2009[4]	Actual 2008[4]
Australian equities (or shares)	25–30%	27.6%	27.1%
International equities (or shares)	25–30%	24.8%	24.8%
Australian listed property[5]	0–5%	0.6%	1.3%
International listed property	5–15%	3.3%	5.7%
Australian fixed income	0–10%	6.0%	8.5%
Australian inflation linked bond (previously called indexed-linked securities)	5–10%	5.3%	6.3%
International fixed income	0–10%	5.9%	6.4%
Absolute return fund (previously called hedge funds)	5–25%	11.1%	10.9%
Cash	0–10%	1.3%	0.3%
Australian direct property[6]	0–7.5%	4.1%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids[6]	0–15%	0%	
Private equity[6]	0–20%	10.0%	

Investment returns over 5 years for Pool A as at 30 June[3]					
	2005	2006	2007	2008	2009
Accumulation and Executive Schemes (Divisions A and E)	13.7%	14.7%	13.4%	-7.3%	-17.8%
Rollover Plan (Division F)	12.7%	14.0%	11.9%	-7.6%	-18.0%
Account-Based Pension Plan (Division F)	14.0%	15.3%	14.6%	-8.0%	-19.5%

Annualised 5 year returns for Pool A as at 30 June 2009[3]	
Accumulation and Executive Schemes (Divisions A and E)	2.4%
Rollover Plan (Division F)	1.7%
Account-Based Pension Plan (Division F)	2.2%

1 As at 30 September 2009 this investment strategy name changed from Diversified to Balanced Growth.
2 Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS bank bill index.
3 All figures are represented to one decimal place.
4 As at 30 June.
5 Please note that the strategic asset range for Australian Listed property has now changed to be between 0%–5%.
6 Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.

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 3 year period. There are more assets that produce income, which makes the strategy more stable than the High Growth and Balanced Growth strategies.

Objective – 1.5% net investment return per annum above the "cash"[1] rate, measured over a rolling 3 year period.

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

Risk profile – Medium

Asset classes[2]	Asset allocation ranges	Actual 2009[3]	Actual 2008[3]
Australian equities (or shares)	15–20%	17.3%	18.1%
International equities (or shares)	15–20%	14.8	16.7%
Australian listed property[4]	0–5%	0.6%	1.3%
International listed property	5–10%	3.8%	5.9%
Australian fixed income	0–15%	12.1%	14.5%
Australian inflation linked bond (previously called indexed-linked securities)	10–15%	13.2%	10.6%
International fixed income	0–10%	10.1%	9.6%
Absolute return fund (previously called hedge funds)	5–20%	12.1%	10.4%
Cash	0–10%	1.8%	3.7%
Australian direct property[5]	0–7.5%	4.2%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids[5]	0–15%	0%	
Private equity[5]	0–20%	10.0%	

Investment returns over 5 years for Pool A as at 30 June[2]	2005	2006	2007	2008	2009
Accumulation and Executive Schemes (Divisions A and E)	11.9%	11.0%	10.3%	-3.7%	-14.8%
Rollover Plan (Division F)	11.0%	10.3%	9.0%	-4.0%	-15.0%
Account-Based Pension Plan (Division F)	12.2%	11.4%	11.0%	-4.6%	-16.6%

Annualised 5 year returns for Pool A as at 30 June 2009[2]	
Accumulation and Executive Schemes (Divisions A and E)	2.4%
Rollover Plan (Division F)	1.7%
Account-Based Pension Plan (Division F)	2.0%

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.
3 As at 30 June.
4 Please note that the strategic asset range for Australian Listed property has now changed to be between 0%–5%.
5 Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.

Your investment

Conservative[1] – For shorter term investing with good security and some potential for growth.

Definition – The Conservative 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, Balanced Growth and Balanced strategies, the returns and the value of the investment can still fluctuate.

Objective – 1% net investment return per annum above the "cash"2 rate, measured over a rolling 3 year period.

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

Risk profile – Medium/Low

Asset classes[3]	Asset allocation ranges	Actual 2009[4]	Actual 2008[4]
Australian equities (or shares)	7.5–12.5%	6.2%	7.7%
International equities (or shares)	10–15%	7.8%	10.1%
Australian listed property[5]	0–5%	0.5%	1.2%
International listed property	5–10%	3.0%	4.7%
Australian fixed income	0–25%	14.9%	23.5%
Australian inflation linked bond (previously called indexed-linked securities)	15–20%	16.4%	15.5%
International fixed income	0–15%	14.8	14.2%
Absolute return fund (previously called hedge funds)	5–20%	14.1%	10.0%
Cash	0–10%	6.6%	0.4%
Australian direct property[6]	0–7.5%	3.3%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids[6]	0–15%	0%	
Private equity[6]	0–20%	12.4%	

Investment returns over 5 years for Pool A as at 30 June[3]	2005	2006	2007	2008	2009
Accumulation and Executive Schemes (Divisions A and E)	10.2%	7.5%	7.2%	0.1%	-11.7%
Rollover Plan (Division F)	9.5%	7.0%	6.1%	-0.2%	-12.1%
Account-Based Pension Plan (Division F)	10.6%	7.6%	7.5%	-0.2%	-13.6%

Annualised 5 year returns for Pool A as at 30 June 2009[3]	
Accumulation and Executive Schemes (Divisions A and E)	2.3%
Rollover Plan (Division F)	1.8%
Account-Based Pension Plan (Division F)	2.0%

1 As at 30 September 2009 this investment strategy name changed from Capital Guarded to Conservative.
2 Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS bank bill index.
3 All figures are represented to one decimal place.
4 As at 30 June.
5 Please note that the strategic asset range for Australian Listed property has now changed to be between 0%–5%.
6 Note that the combined investments of Australian Direct Property, Semi Liquid and Private Equity classes will not exceed 30%.

Cash[1] – For investors who want exposure to investments in money market securities with a very low risk of capital loss.

Definition – The Cash 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"[2] rate, measured over a rolling 3 year period.

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

Risk Profile – Low

Indicative asset allocation – 100% Cash and income producing assets.			
Asset allocation as at 30 June[3]	**Indicative 2009**	**Actual 2009**	**Actual 2008**
Cash and incoming producing assets	100%	100%	100%

Investment returns over 5 years for Pool A as at 30 June[4]					
	2005	2006	2007	2008	2009
Accumulation and Executive Schemes (Divisions A and E)	4.2%	4.6%	6.7%	4.8%	4.7%
Rollover Plan (Division F)	3.8%	3.9%	5.7%	5.0%	4.4%
Account-Based Pension Plan (Division F)	4.4%	4.5%	6.8%	5.1%	5.0%

Annualised 5 year returns for Pool A as at 30 June 2009[4]	
Accumulation and Executive Schemes (Divisions A and E)	5.0%
Rollover Plan (Division F)	4.6%
Account-Based Pension Plan (Division F)	5.2%

1 As at 30 September 2009 this investment strategy name changed from Cash Plus to Cash.
2 Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS bank bill index.
3 Please note the asset allocation prior to 1 July 2006 was cash only.
4 All figures are represented to one decimal place.

Your investment

Growth[1] – Retirement and Defined Benefit Schemes (Pool B)

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

Objective – 3% net investment return per annum above the "cash"[2] rate, measured over a 3 year period.

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

Risk profile – High/Medium

Asset classes[3]	Asset allocation ranges	Actual 2009[4]	Actual 2008[4]
Australian equities (or shares)	26–31%	28.5%	28.3%
International equities (or shares)	26–31%	25.6%	25.7%
Australian listed property	0%	0%	0%
International listed property	5–15%	2.6%	3.8%
Australian fixed income	0–10%	1.5%	1.2%
Australian inflation linked bond (previously called indexed-linked securities)	5–10%	3.5%	10.6%
International fixed income	0–10%	2.2%	4.2%
Absolute return fund (previously called hedge funds)	5–25%	10.2%	11.0%
Cash	0 –10%	1.1%	0.1%
Australian direct property[5]	5–15%	16.3%	Note that the combined investments in these three asset classes will not exceed 30%
Semi liquids[5]	0–15%	0%	
Private equity[5]	5–15%	8.5%	

Investment returns over 5 years as at 30 June[3]	2005	2006	2007	2008	2009
Retirement and Defined Benefit Scheme (Pool B) Contributory	14.2%	17.3%	14.3%	-7.9%	-19.7%
Retirement and Defined Benefit Scheme (Pool B) Deferred	14.2%	16.7%	13.5%	-8.8%	-20.7%
Retirement and Defined Benefit Basic Benefit Accumulation Account	14.2%6	17.1%	14.1%	-8.2%	-20.0%

Annualised 5 year returns as at 30 June 2009[3]	
Retirement and Defined Benefit Scheme (Pool B) Contributory	2.5%
Retirement and Defined Benefit Scheme (Pool B) Deferred	1.8%

1 As at 30 September 2009 this investment strategy name changed from Trustee Selection to Growth.
2 Note that each objective aims to return in excess of the cash rate. The benchmark for the cash rate is the UBS bank bill index.
3 All figures are represented to one decimal place.
4 As at 30 June.
5 Note that the combined investments of Australian Direct, Semi Liquids and Private Equity classes will not exceed 30%.
6 The return shown for 2005 is for the period 1 October 2004 to 30 June 2005 only.

Member Investment Choice – Retirement Scheme members only (Division B)

Definition – Retirement Scheme members have access to member investment choice in addition to Growth 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. The tables below show the investment returns for the period 1 October 2005 to 30 June 2006, and then the investment returns for the financial years ending in 2007, 2008 and 2009.

Investment returns 1 October 2005 to 30 June 2006[1]			
Strategies[1]	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred Members
High Growth	10.8%	10.5%	10.1%
Balanced Growth[2]	8.7%	8.5%	8.0%
Balanced	6.8%	6.6%	6.2%
Conservative[2]	5.0%	4.7%	4.4%
Cash[2]	3.4%	3.2%	2.9%

Investment returns as at 30 June 2007[1]			
Strategies[1]	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred Members
High Growth	15.6%	15.2%	14.6%
Balanced Growth[2]	12.8%	12.5%	11.9%
Balanced	9.9%	9.6%	9.1%
Conservative[2]	7.0%	6.7%	6.2%
Cash[2]	6.9%	6.6%	6.1%

Investment returns as at 30 June 2008[1]			
Strategies[1]	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred Members
High Growth	-11.6%	-11.9%	-12.4%
Balanced Growth[2]	-8.0%	-8.3%	-8.7%
Balanced	-4.5%	-4.8%	-5.3%
Conservative[2]	-1.2%	-1.5%	-1.9%
Cash[2]	4.3%	4.0%	3.6%

Investment returns as at 30 June 2009[1]			
Strategies[1]	Contributor Financed Benefit	Basic Benefit Accumulation Account	Deferred Members
High Growth	-21.5%	-21.4%	-22.1%
Balanced Growth[2]	-17.0%	-17.1%	-17.8%
Balanced	-13.3%	-13.6%	-13.9%
Conservative[2]	-9.7%	-9.8%	-10.4%
Cash[2]	5.1%	4.8%	4.7%

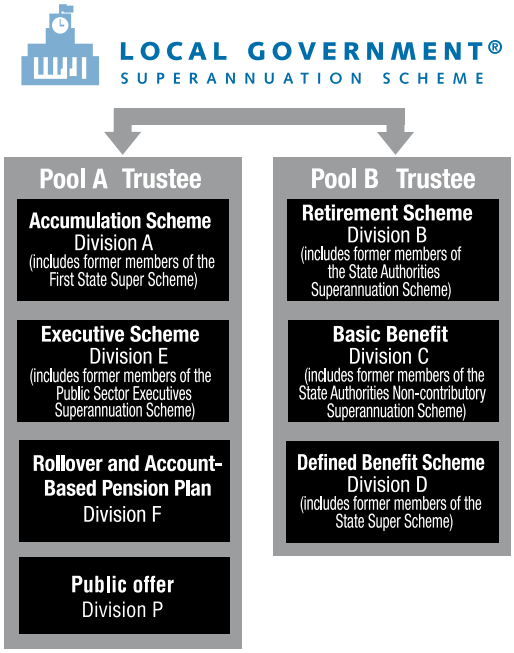
1 All figures are represented to one decimal place. There are no annualised 5 year returns for these strategies as they only commenced 1 October 2005.
2 These are the new investment strategy names as at 30 September 2009.

The team behind your super

About the Trustee

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

Now referred to as Local Government Super, it is divided into two pools (Pool A and Pool B). 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).
Both pools are complying superannuation funds and are subject to concessional taxation treatment.



The Trustee is a non-profit company solely engaged in the management and control of Local Government Super's assets for the benefit of its members. This means that all profits go back to members.

Governance

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

Role of the Board

The Board is responsible for setting the overall strategy and ensuring it is operating in accordance with the Trust Deed and all applicable laws.

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

The Board has in place an Investment Committee and an Audit, Compliance and Risk Committee to allow it to oversee the operations in greater detail.

The Investment Committee (made up of Ian Robertson – Chair, Sam Byrne, Beverly Giegerl and Martin O'Connell) generally meets twice a quarter. The main function of the Committee is to monitor the performance of the investment managers and oversee the work of the Investment Advisor.

The role of the Audit, Compliance and Risk Management Committee (made up of Col Sullivan – Chair, John Beacroft, Monica Clavijo and Leo Kelly) is to review the internal controls and risk management of Local Government Super and its service providers. Committee meetings are also attended by the Scheme's Internal Auditor. The Committee generally meets quarterly.

Industry Regulator

The operations of Local Government Super 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 Local Government Super. 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 Local Government Super in the event of a claim against its assets.

Your Board

Brian Harris OAM (Chair*)

Appointed by the United Services Union

Association with Local Government for over 40 years as a Union Official and as former General Secretary of the United Services Union

*Mr Harris resigned from the Board as at 30 June 2009 and Monica Clavijo was appointed to the Board 29 July 2009 as his replacement.

Leo Kelly OAM (Chair*)

Appointed by the Local Government Association of NSW

Councillor and former Mayor – Blacktown City Council

Former Vice President – Local Government Association of NSW

*Mr Kelly replaced Mr Harris as Chair in 1st April 2009.

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

John Beacroft

Appointed by the 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

Vice President General – Shires Association of NSW

Chair – Local Government Financial Services

Chair – Audit, Compliance & Risk Management Committee

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)

Ian Robertson

Appointed by the Development and Environmental Professionals' Association

Secretary – depa

Chair – Investment Committee

Chair – Determinations Committee

Chair – Australian Institute of Superannuation Trustees (AIST)

Beverley Giegerl

Appointed by the Local Government Association of NSW

Councillor – Hurstville City Council

Former Treasurer – Local Government Association of NSW

The team behind your super

About the service providers

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

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

Administrator

The administrator of Local Government Super is FuturePlus Financial Services Pty Limited. The administrator attends to the day-to-day operations 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 Local Government Super 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.

Actuary

Mercer Human Resource Consulting

Administration

FuturePlus Financial Services Pty Limited[1]

Asset Consultant

Intech Investment Consultants (in August 2009 Intech was replaced by Mercer)

Auditor

Deloitte Touche Tohmatsu

Custodian

JPMorgan Chase Bank

Investment managers at 30 June 2009

Barclays Global Investors Australia Limited

BlackRock Alternative Advisors

BlackRock Investment 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 Limited[1]

Genesis Investment Management, LLP

Goldman Sachs JB Were Asset Management

Hawkesbridge Limited

LaSalle Investment Management

Lazard Asset Management Pacific Co

LSV Asset Management

Macquarie Investment Management Limited

MFS Institutional Advisors, Inc

MM&E Capital Pty Limited

Orion Asset Management

Perennial Investment Partners Limited

PIMCO Australia Pty Ltd

QIC

Quentin Ayers Pty Limited

State Street Global Advisors Australia Limited

Turner Investment Partners

Vanguard Investments Australia Ltd

Warakirri Asset Management Pty Ltd

Wellington Management Company, LLP

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).

Taxes, fees and charges

General tax information

Local Government Super is required to pay tax of up to 15% on all employer contributions[1] 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).

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

Fees and other costs

There are a number of fees levied by Local Government Super. 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 Local Government Super (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

Jon Higlett – North Sydney Council

Member since 1991

Jon is the Engineering Infrastructure Manager at North Sydney Council and has been involved in local government engineering since he started at Sutherland Council in 1988.

Stormwater re-use project

The project kicked off in 2006 and the aim was to control stormwater run-off, and reduce erosion and pollution while creating opportunities to productively re-use this resource.

By re-using stormwater the council provides a reliable source of irrigation for a number of local sporting grounds including the Cammeray golf course. The plan is also for the storage dam at the course to become a refuge for native plants, aquatic animals and water birds.

There has been a significant reduction in the volume of stormwater run-off into local creeks and Sydney harbour, and the quality of the water has improved with traps removing 50-60 tonnes of gross pollutants per annum.

Jon says that the success of these projects depends on the involvement of the community, "the quality of stormwater is affected by all the activities in our catchment and the re-use of stormwater benefits both private and public recreational facilities."

The next stage of the project is to extend the re-use of stormwater to irrigate two more local parks.

Taxes, fees and charges

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 22-23 lists all fees charged to members' accounts. For further details refer to the Product Disclosure Statement, contact Member Services on 1300 369 901 or visit the website www.lgsuper.com.au

Member protection

If you are a protected member, any administration 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 (excluding insurance and taxes). 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 Local Government Super 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).

Administration, other fees and insurance premiums charged in Pool A

As at 30 June 2009[1]	Accumulation Scheme	Executive Scheme	Rollover and Account-Based Pension Scheme
Administration Fee-Non contributing member	$4.33 per month	$4.33 per month	N/A
Administration fee contributing member	$4.33 per month	$6.33 per month	N/A
Basic Death or Invalidity cover	$15 per month	$25 per month[2]	N/A
Benefit payment fee	$20	$30	No charge
Optional investment switch in any financial year	$20 per switch[3]	$30 per switch[3]	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 A[4] and E[4] members as at 30 June 2009[1]					
Months	High Growth	Balanced Growth[5]	Balanced	Conservative[5]	Cash[5]
July - Oct	0.97%	0.95%	0.89%	0.85%	0.62%
Nov - June	1.00%	0.97%	0.92%	0.88%	0.72%

Management costs charged to Division F[6] members as at 30 June 2009[1]					
Months	High Growth	Balanced Growth[5]	Balanced	Conservative[5]	Cash[5]
July - Oct	1.62%	1.59%	1.56%	1.52%	1.25%
Nov - June	1.00%	0.97%	0.92%	0.88%	0.72%

Administration fees charged in Pool B		
	Retirement Scheme	Defined Benefit Scheme
Administration fee - contributory	$4.33 per month	N/A
Administration fee - deferred	N/A	N/A
Administration fee - Accumulation account	N/A	N/A

1 Fees changed in November 2008. Refer to the "Important changes" section for further information.
2 Only available to new members from 1 July 2005.
3 The first switch is free in any financial year. Any subsequent switches in that financial year are charged at the stated amount.
4 Maximum 1% fee applies for all investment options.
5 These are new investment strategy names as at 30 September 2009.
6 The management costs include investment management, financial planning and account administration.

Management costs charged in Pool B (Accumulation accounts only)[1]

Management costs charged in Division B to contributory members excluding any Basic Benefit Accumulation Account as at 30 June 2009[2]						
Months	High Growth	Growth[3]	Balanced Growth[3]	Balanced	Conservative[3]	Cash[3]
July – Oct	0.49%	0.43%	0.47%	0.45%	0.43%	0.33%
Nov – June	0.45%	0.42%	0.41%	0.36%	0.32%	0.16%

Management costs charged in Division B to contributory members for the Basic Benefit Accumulation Account as at 30 June 2009						
Months	High Growth	Growth[3]	Balanced Growth[3]	Balanced	Conservative[3]	Cash[3]
July – Oct	0.83%	0.77%	0.81%	0.79%	0.77%	0.67%
Nov – June	1.00%	0.98%	0.97%	0.92%	0.88%	0.72%

Management costs charged in Division B to deferred members as at 30 June 2009[4]						
Months	High Growth	Growth[3]	Balanced Growth[3]	Balanced	Conservative[3]	Cash[3]
July – Oct	1.37%	1.30%	1.35%	1.33%	1.31%	1.21%
Nov – June	1.00%	0.98%	0.97%	0.92%	0.88%	0.72%

Family Law fees

As at the 30 June 2009, 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[5]	$110
Benefit split fee[6]	$88
Retirement, Basic Benefit and Defined Benefit Schemes (includes GST)	–
Request for information[5]	
Current members	$275
Deferred members	$110
Pensioners	$110
Benefit split fee[6]	$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 Fees changed in November 2008. Refer to the "Important changes" section for further information.
2 A maximum 0.55% fee applies for the Contributor Financed Benefit.
3 These are new investment strategy names as at 30 September 2009.
4 A maximum 1.5% fee applies.
5 This fee is payable by the person requesting the information.
6 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 2009	30-Jun-09 ($ '000)	30-Jun-08 ($ '000)
Revenue		
Net investment revenue	(391,528)	(151,786)
Employer contributions	225,606	203,888
Member contributions	16,990	23,227
Transfers in	199,791	275,115
Other revenue	92	17
Total revenue	**50,951**	**350,461**
Less outgoings		
Administrative expenses	18,594	17,671
Contributions surcharge	(2)	71
Income tax expense / (benefit)	(13,588)	17,865
Total outgoings	**5,004**	**35,607**
Benefits accrued as a result of operations	45,947	314,854

Statement of financial position for the year ended 30 June 2009	30-Jun-09 ($ '000)	30-Jun-08 ($ '000)
Investments		
Short-term investment	–	–
Unit trusts	2,207,913	2,455,929
Pooled Superannuation Trusts		–
Total investments	**2,207,913**	**2,455,929**
Other assets		
Cash	42,443	44,661
Receivables	1,099	163
Deferred tax asset	54,823	21,822
Total assets	**2,306,278**	**2,522,575**
Less liabilities		
Payables	3,689	3,135
Current tax liability	2,389	29,989
Total liabilities	**6,078**	**33,124**
Net assets available to pay benefits	2,300,200	2,489,451

The complete Financial Statements, including the Auditor's Report, are 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 Local Government Super 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.

Pool B

Statement of changes in net assets for the year ended 30 June 2009		
	30-Jun-09 ($ '000)	30-Jun-08 ($ '000)
Net investment revenue	**(648,549)**	**(288,677)**
Employer contributions	118,109	78,925
Member contributions	16,244	20,624
Transfers in	6,117	7,789
Total revenue	**(508,079)**	**(181,339)**
Less outgoings		
Benefits paid	208,724	298,851
Administrative expenses	13,616	15,599
Contributions surcharge	(19)	26
Income tax expense / (benefit)	(68,618)	(18,227)
Total outgoings	**153,703**	**296,249**
Net profit	(661,782)	(477,588)

Statement of net assets for the year ended 30 June 2009		
	30-Jun-09 ($ '000)	30-Jun-08 ($ '000)
Investments		
Unlisted equities and trusts	2,388,993	3,155,730
Deferred tax asset	92,669	27,254
Cash	13,264	15,007
Receivables	26	183
Current tax asset	10,981	-
Total assets	**2,505,933**	**3,198,174**
Less liabilities		
Payables	4,218	5,287
Current tax liability	-	29,390
Total liabilities	**4,218**	**34,677**
Net assets available to pay benefits	2,501,715	3,163,497

The complete Financial Statements, including the Auditor's Report, are 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 Local Government Super 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

Complaints

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

In previous years Local Government Super operated the following reserves in Pool A:

Death or Invalidity Reserve (DORI)

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

Unit Pricing Equalisation Reserve (UPER)

UPER was operated for the purpose of allowing reimbursement to members who had been disadvantaged by an error or anomaly to the unit price which they have been allocated, where that amount could not be recovered from external sources. The maximum amount that could be maintained in this reserve for this purpose was 0.3% of assets. If the reserve exceeded this figure for any reason, that excess amount could be credited to the earnings and distributed to members.

Operational Risk Reserve (ORR)

The ORR was established in November 2008 by amalgamating DORI and UPER. This reserve operates principally to meet any remaining self insured death/invalidity claims within Pool A and generally to protect LGS from other contingent events or the need for capital expenditure. A specific amount of $100,000 is also maintained in the ORR at all times to satisfy one of the requirements of the Trustee's public offer licence.

When amalgamating DORI and UPER, the Trustee decided to make a special distribution out of those reserves, which was reflected as an adjustment on members' statements of approximately 0.8%. This was allocated to accounts with effect on 3 December 2008.

Administration and tax reserves

Deductions are made from members' accounts and investment earnings to pay for Local Government Super'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)	ORR ($'000)
2007	1,788	1,320	(273)	(8,609)	–
2008	1,362	1,974	(135)	1,340	–
2009	(12,197)	(7,413)	99	4,590	5,278

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 be used for speculative trading. Various managers in LIF have, at times, made use of derivatives as part of their portfolio management activities during 2008/2009. The Trustees require that all derivatives positions (a) are fully cash covered; (b) are offset to existing assets; or (c) are used to alter the exposures in underlying asset classes.

Eligible Rollover Fund

An Eligible Rollover Fund (ERF) is a fund which is established for the purpose of accepting and protecting benefits in respect of members of superannuation funds. If transferred to an ERF, a member ceases to have any rights which he or she previously had against the transferring fund. The Trustee has nominated 'Australia's Unclaimed Super Fund' (AUSfund) as the ERF to which such members' benefits may be paid[1].

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

Family Law

From 1 March 2009 the superannuation splitting arrangements apply to de-facto partners (including same sex), whereas previously it only applied to legally married couples.

Fee changes

From 1 November 2008, Local Government Super advised all members of a change to the fee structure.

Old Management Fees % prior to 1 November 2008								
Investment option	Div A	Div B	Div B deferred	Div D	Div D deferred	Div C (accum)	Div E	Div F
Growth	N/A	0.425	1.300	0.52	1.395	0.767 thru Div B 0.850 thru Div D	N/A	N/A
High Growth	0.97	0.49	1.365	N/A	N/A	0.832 thru Div B	0.97	1.62
Balanced Growth	0.95	0.47	1.345	N/A	N/A	0.812 thru Div B	0.95	1.59
Balanced	0.89	0.45	1.325	N/A	N/A	0.792 thru Div B	0.89	1.56
Conservative	0.85	0.43	1.305	N/A	N/A	0.772 thru Div B	0.85	1.52
Cash	0.62	0.33	1.205	N/A	N/A	0.672 thru Div B	0.62	1.25

New Management Fees % from 1 November 2008								
Investment option	Div A	Div B	Div B deferred	Div D	Div D deferred	Div C (accum)	Div E	Div F
Growth	N/A	0.42	0.98	0.42	0.98	0.98	N/A	N/A
High Growth	1.00	0.45	1.00	N/A	N/A	1.00	1.00	1.00
Balanced Growth	0.97	0.41	0.97	N/A	N/A	0.97	0.97	0.97
Balanced	0.92	0.36	0.92	N/A	N/A	0.92	0.92	0.92
Conservative	0.88	0.32	0.88	N/A	N/A	0.88	0.88	0.88
Cash	0.72	0.16	0.72	N/A	N/A	0.72	0.72	0.72

Note:
- Management Fees may vary from time to time but are capped at a maximum of 1.00% for all investment options.
- You'll see that the new Div B & D fees are lower than the other Divisions (e.g. High Growth in Div A is 1.00% but in Div B it is only 0.45%). This is because the difference between Divs B & D and the other Divisions (in the case of High Growth 1.00% – 0.45% = 0.55%) is financed by the employer rather than the member.
- Some investment strategy names changed in September 2009.

Administration Fees

The Administration Fee was also affected by this change, as shown below:

Division	Old Fee	New Fee
A	75 cents per week	$4.33 per month
B – contributory	75 cents per week	$4.33 per month
B – deferred	Nil	Nil
C	Nil	Nil
D	Nil	Nil
E – contributory	$6.33 per month	$6.33 per month (unchanged)
E – deferred	$3.00 per month	$4.33 per month
F	Nil	Nil

Note: Division B and D pension accounts are not affected by these new Management and Administration fee rates

Public Offer notification

As of 1 March 2009, the Accumulation division of Local Government opened a public offer division, effectively offering the opportunity for 'lifetime' membership. This lifetime membership capability simply means that if a member leaves employment in the Local Government sector, they can:

- Remain a member of Local Government Super
- Nominate to have their new employer contribute into their account
- Continue to make personal contributions
- Rollover money from other complying superannuation funds into their account.

Portability from the Other Contributions Account

For Pool B members of Local Government Super, portability refers to their statutory ability to rollover some or all of their accumulated benefit from their Other Contributions Account only to another superannuation entity, regardless of employment status. The only limitations to taking a rollover under portability provisions are that:

- If a member elects to rollover only part of their accumulated benefit, they must have at least $5,000 remaining in their account after the rollover, otherwise their election will be invalid
- A member may only make one election in any 12 month period.

If applicable, any amount rolled over from the Other Contributions Account during the statement period is shown as a withdrawal on the member's statement. Importantly, you can continue to have contributions paid into their Other Contributions Account subsequent to a full or partial portability rollover.

Salary sacrificed superannuation counts towards Adjusted Taxable Income (ATI) as Income in Certain Circumstances

Up to 30 June 2009, where a person elected to salary sacrifice a portion of their income to superannuation, the sacrificed portion was not treated as part of their assessable income for some Federal Government benefits.

The definition of income for eligibility for Government support has been amended from 1 July 2009 to include certain salary sacrificed contributions to superannuation. This may affect eligibility for:

- Income Support Payments (prior to Age Pension age)
- Family Assistance
- Child Support
- Financial and retirement savings assistance delivered through the taxation system
- Government Co-contributions.

For example, prior to 1 July 2009 a person could be eligible for the Government Co-contribution by reducing their income below the limit ($60,342 for the 2008/2009 financial year) and making contributions from their after tax income. From 1 July 2009, salary sacrificed contributions will count towards the Adjusted Taxable Income when determining eligibility for the Co-contribution.

Change to Contribution Limits

Concessional Contributions

The Federal Government has announced a reduction in the amount of Concessional Contributions that a member can make during a financial year. Concessional Contributions are contributions to a superannuation fund for which a tax deduction can be claimed. These are generally contributions made by an employer (e.g. Superannuation Guarantee, salary sacrifice). Please note:

Important changes

1. Where a self employed person claims a tax deduction for personal contributions, these are treated as Concessional Contributions,

2. Where an employer deducts amounts from your after-tax salary and remits them to a superannuation fund on your behalf, they are classified as "Non-Concessional" Contributions. Salary Sacrifice contributions are from your pre-tax salary and are therefore treated as Concessional Contributions.

For the year ending 30 June 2010, the limit for members under age 50 years is $25,000 (reduced from the previous level of $50,000). This limit is subject to indexation and is therefore likely to increase in subsequent years.

For members aged 50 years and over (including people who turn 50 during the financial year) the limit for the year ending 30 June 2010 is $50,000 (reduced from the previous level of $100,000). This is a transitional limit and will not be subject to indexation. The Government has stated its intention that the lower (under age 50 years) limit will apply to all members irrespective of their age, from 1 July 2012.

Where a person makes contributions in excess of these limits, the amounts in excess of the limit will be subject to taxation at a rate of 31.5% (in addition to the 15% paid by the super fund).

Non-Concessional Contributions

These are contributions for which a tax deduction cannot be claimed, which are generally contributions that a person makes from their after-tax income.

The limit for these contributions has not been changed, it remains at:

- For members under age 65 years, $150,000 during a financial year, or $450,000 in one year where no further contributions can be made for the remaining two years,
- For members aged 65 and over, contributions of up to $150,000 can be accepted providing that the member is "gainfully employed" (worked at least 40 hours in a period of 30 consecutive days during the year in which the contribution was made).

Any single contribution in excess of these limits cannot be accepted and will be refunded. Where multiple contributions are made, or if you contribute to more than one fund, and the combined contribution exceeds the limit, additional taxation may be payable. Please refer to the Local Government Super Product Disclosure Statement for full details.

Reduction of the Co-contribution

The Federal Government has announced a temporary reduction in the rate of the Co-contribution payment from 1 July 2009.

For the previous financial year, people eligible for the maximum Co-contribution received $1.50 for every $1.00 worth of contributions that they made from their after tax income (on contributions of up to $1,000). From 1 July 2009, the maximum Co-contribution will be $1.00 for every $1.00 contributed from after tax income (on contributions of up to $1,000).

From July 1 2009, to be eligible for the scheme, 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 $31,920 or less, the Government will match your contribution dollar for dollar. The amount the Government pays steadily reduces on incomes over $31,920 and stops after the income level reaches $61,920.

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

The Government's current intention is that the Co-contribution will remain at the current level until 30 June 2012. It is proposed that it will be increased to:

- $1.25 for every $1.00 of after-tax income contributed, from 1 July 2012, and
- $1.50 for every $1.00 of after-tax income contributed from 1 July 2014.

Reduced Minimum Payments from Superannuation Pensions

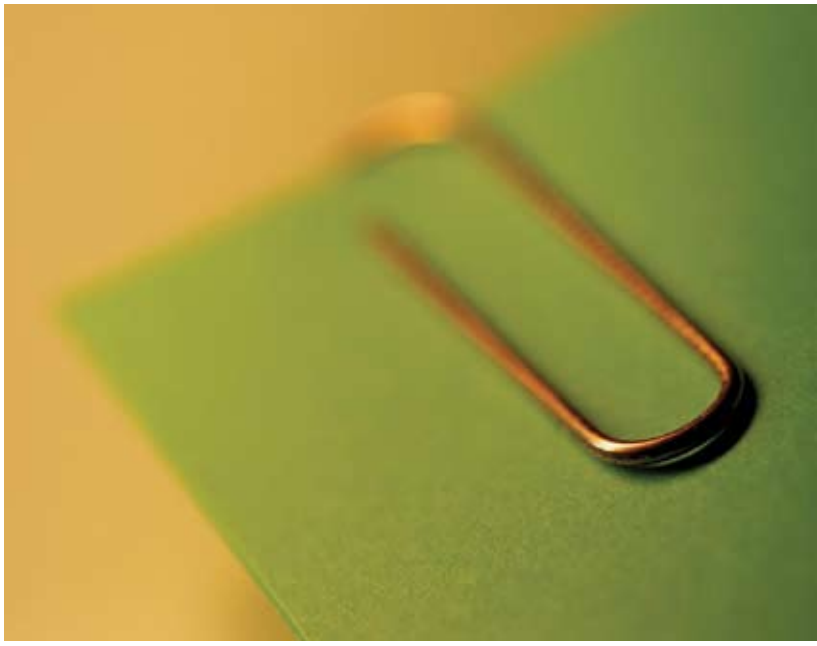
Superannuation Pension members who are members of an account based pension are required to receive a minimum amount of their account balance as a pension each year, based on their age. In February 2009, due to the effects of the Global Financial Crisis, the Federal Government relaxed this requirement, by reducing the minimum pension payments by 50%. For example, a member aged 65 or less, who had been required to receive at least 4% of their pension balance as pension payments was only required to receive a minimum of 2%.

The Government announced that this relief will be extended to cover the 2009/2010 financial year. The current intention is that from 1 July 2010 the minimum pension payments will revert back to 100% of the published minimums.

Portability of Superannuation between Australia and New Zealand

It was announced in the Federal Government's 2009 Budget that in principle agreement has been reached between the Governments of Australia and New Zealand regarding the portability of superannuation benefits between the two countries.

The date of effect, and details of how this will work, is currently under negotiation. Local Government Super will provide details on our website www.lgsuper.com.au as soon as they are advised.



Lost Superannuation Accounts

Currently, superannuation funds are required to report to the Australian Taxation Office, details of members who the fund is no longer able to contact. For Local Government Super a member is lost where we have sent mail to the member and it has been returned indicating that the member is no longer at that address. We are also required to report details for members where they have not made a contribution for over five years.

The detail of these member accounts is stored on the ATO's Lost Member Register. You can search the Lost Member Register at any time to locate superannuation accounts that were reported by Local Government Super (or any other funds) by phoning the ATO on 13 28 65 or at the "Super Seeker" section of their website www.ato.gov.au. If you have super with other funds that you had forgotten about, you may wish to transfer it into your Local Government Super account!

If when you reach age 65 we have not received a contribution for you in the last two years and we are unable to contact you, we are required to transfer your entitlements to the ATO or where you die and we are unable to make payment to a

Important changes

dependent, personal legal representative or non-dependent.

The Government proposes that from 1 July 2010, the following additional requirements will apply to members who are classified as lost:

- Any account classified as lost and has a balance of less than $200 must be transferred to the ATO, and
- Any account that has been inactive for five years and there are insufficient records to identify the owner, must be transferred to the ATO.

At the time of writing the Government has not advised the criteria for "insufficient records to identify the owner". We will provide members with final details of this requirement prior to the intended commencement date.

Change to Minimum Age Pension Age

The Government has advised that it intends to increase the minimum age pension eligibility age from 65 years to 67 years from 1 July 2023.

The superannuation industry is opposed to this change, and various lobby groups within the industry are making representations to the Government regarding this change.

Local Government Super members will be advised of any details of this change as they are released, in future communications.

Temporary Residents

From 18 December 2008 changes apply to unclaimed super for former temporary residents. People working in Australia under a temporary resident visa are entitled to claim payment of their superannuation entitlements where their visa has expired and they have permanently departed Australia.

To be eligible you must be the holder of a specific class of visa. Please contact the Australian Taxation Office (ATO) on 13 10 20 or at www.ato.gov.au for details. Please note that residents of New Zealand are not eligible for release of superannuation under the temporary resident provisions.

Details of how to claim your benefit can be obtained from the ATO website section titled "Temporary Residents – Departing Australia" or by contacting the ATO on 13 10 20.

The change means that generally if you are a former temporary resident and have not claimed your superannuation from Local Government Super within six months of the expiry of your visa and your departure from Australia, Local Government Super is required to transfer your benefits to the ATO. Where this occurs, you will need to claim your benefits directly from the ATO.

Please note your account balance with Local Government Super must be transferred to the ATO after the six months has expired in accordance with any notice issued by the ATO.

Restriction on payment to Temporary Residents from 1 April 2009

If you are a Temporary Resident you may only claim payment of superannuation benefits under the following circumstances:

- Departing Australia permanently,
- Permanent or temporary incapacity,
- Death
- Terminal medical conditions
- Excess contributions release authority.

If none of these conditions are met, the money must either remain with a superannuation fund or be transferred to the ATO (see above).

Switching Death Benefit to Cash

In June 2009, the Directors resolved to implement a change to the way that a deceased member's account remains invested up until the time of payment to the beneficiaries. With effect from 1 September 2009, upon notification of a member's death the Trustee will transfer the deceased member's account to the cash investment option. This change gives beneficiaries greater certainty during the time that it takes to process payment of the benefit.

Insurance changes

Local Government Super introduced new improved insurance arrangements with effect from 1 March 2009 as a consequence of the appointment of Tower Australia Limited as the insurer. The major changes are as follows:

Accumulation Scheme (Division A)

- Basic insurance cover has increased from 1 to 3 units of death and total and permanent disablement cover (with an opt out provision).
- The value of each unit of cover has increased by approximately 69%
- The cost of each unit remains at $5 per month. Three units of cover costs $15 per month.
- Members also have the option, in certain circumstances, to apply for 1 extra unit of cover.
- The maximum cover age has increased from up until age 65 to up until age 70 for the basic cover.
- Basic cover will continue when members become inactive provided premiums continue to be paid and the other terms and conditions of the policy are met.
- There were also significant reductions in the cost of the voluntary insurance offered by Local Government Super.

Executive Scheme (Division E)

- The value of each unit of death and total and permanent disablement cover has increased by approximately 69%.
- The cost of each unit remains at $5 per month. Five units of basic cover remains at $25 per month.
- Members also have the option, in certain circumstances, to apply for 1 extra unit of cover.
- The maximum cover age has increased from up until age 65 to up until age 70 for the basic cover.
- Basic cover will continue when members become inactive provided premiums continue to be paid and the other terms and conditions of the policy are met.
- There were also significant reductions in the cost of the voluntary insurance offered by the Local Government Super.

Important changes

Change to the Defined Benefit Scheme

The Trust Deed for the Defined Benefit Scheme was amended with effect from 30 April 2008 to introduce an alternative minimum benefit calculation. The Trust Deed provides the method by which the withdrawal benefit is to be calculated. A further calculation places a cap on the amount that the member is to receive on cash withdrawal both before and after age 55. The Trust Deed amendment limits the operation of this cap by providing that, if the amount calculated before the application of the cap is higher than the amount calculated after the application of the cap, the member is to receive the higher amount.

Benefit improvement for members of Retirement Scheme with 180 points

Effective from 1 July 2008 the Trustee approved an arrangement under which Retirement Scheme members who have accrued 180 benefit points and 30 years of membership receive an additional employer contribution of 6.5 % of superable salary paid to a separate accumulation style account. This change ensures that members who have accrued their full 180 points continue to receive superannuation entitlements equivalent to employees who are members of the Accumulation Scheme.

Unit Pricing Errors

Two unit pricing errors occurred during the year ending 30 June 2009.

The first resulted in the returns for all investment strategies other than Cash Plus being overstated in the Annual Statements as at 30 June 2008. The error was rectified and an adjustment was shown in the September 2008 Quarterly Statement.

The second resulted from an error made by an external investment manager impacting the valuation of all investment options other than Cash Plus. This error was rectified and an adjustment was shown in the Annual Statement for the year ending 30 June 2009.

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Wollongong	Shop 2/60 Burelli Street
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Office hours 8.30am – 5.00pm Monday – Friday.

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

This report looks great online

Our annual report looks great online and that saves a lot of paper too.

We encourage you to read all about Local Government Super online at www.lgsuper.com.au, you will help us keep our costs down and that means better long-term returns for you and your environment.

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2009 ANNUAL REPORT

Long-term returns for your super and the environment

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