

2008 annual report
to members



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LGsuper— a complying fund

During the 2007/08 financial year, the LGsuper Board of Directors ran LGsuper as a complying super fund in line with Australian Government legislation. As a complying fund, LGsuper members receive concessional tax treatment.

During this time there were no changes made to the LGsuper Trust Deed. If you would like a copy of the LGsuper Trust Deed, please contact us on 1800 444 396.

→ Welcome to LGsuper's annual report to members

The 2007/08 financial year proved a difficult one for investors, as the Australian sharemarket dropped 13% and overseas sharemarkets ended the year 16% lower. These declines followed the realisation of the extent of the subprime crisis. At the same time, sharp increases in oil and food prices triggered further inflation concerns and the Reserve Bank increased interest rates four times, in an effort to fight inflation and slow down the economy.

Despite this difficult environment, LGsuper members will be pleased to know their fund performed better than most other superannuation funds during 2007/08. In fact, independent ratings agency SuperRatings ranked the Growth Smoothed option first among at least 50 other super fund growth options for the year. The Balanced option was also ranked highly, fifth among other Balanced funds for 2007/08. What's more, these options have outperformed average returns in their categories over 3 and 5 year periods to 30 June 2008. You can find out more on our investment options by turning to page 7.

The Board and its staff have also been busy introducing new initiatives for you, including:

- a new LGsuper online service to view your account balance and update personal details
- weekly interim earning rates and more flexible investment switches
- a BPAY calculator to make adding to your super easy

To better service our members, we've also relocated to level 17, 333 Ann Street in Brisbane.

I encourage you to take a few minutes to read this annual report to members, and trust you will find some useful information to help you grow and plan your financial future.



David Todd
Chief Executive Officer



→ Who is looking after your super?

The Queensland Local Government Superannuation Board (ABN 94 085 088 484) is responsible for managing LGsuper in the best interests of members. Half of the Board is elected by members, with the other half nominated by the Local Government Association of Queensland (LGAQ) to represent employers.

Directors are appointed for 4-year terms, with the most recent term ending 30 June 2008.

The Board of Directors works closely with the Chief Executive Officer and his staff to ensure your financial future is looked after.

Like most trustees, the Board has obtained trustee liability insurance. This insurance protects the fund from losses that might result from wrongful acts of the Board or its staff. Furthermore, a Director can be removed in the same way they were appointed or if they fail to meet strict requirements under superannuation legislation.

Independent Director and Chairman

Brian Roebig OAM

- Chairman and Independent Director since August 1995
- Member, Audit & Risk Management Committee
- Former General Manager Queensland, National Mutual Life Association of Australasia Ltd.

Member representatives at 30 June 2008

Fiona Connor

- Director since July 2001
- Former LGsuper employee

Marianne Ryan

- Director from July 2004 to June 2008
- Librarian, Ipswich City Council

Brian Sullivan

- Director from September 1988 to June 2008
- Chairman of the Audit & Risk Management Committee to June 2008
- Former employee, Warwick Shire Council



Brian Roebig OAM

Fiona Connor

Marianne Ryan

Brian Sullivan

Employer representatives at 30 June 2008

Cr. Paul Bell AM

- Director since July 2004
- President, Local Government Association of Queensland (LGAQ)
- President, Australian Local Government Association
- Deputy Mayor of Central Highlands Regional Council

Cr. Tony Mooney

- Director from July 2004 to June 2008
- Former member, Executive of Local Government Association of Queensland (LGAQ)
- Former Mayor of Townsville City Council

Cr. Peter Taylor

- Director since July 1998
- Member, Audit & Risk Management Committee to June 2008
- Member, Executive of Local Government Association of Queensland (LGAQ)
- Mayor of Toowoomba Regional Council

Changes from 1 July 2008

An election and nomination process took place in early 2008 to select Directors for the 4 years from 1 July 2008. Fiona Connor was re-elected by the members, and will be joined by new member representative Directors Noel Cass and Peter Smith. The LGAQ renominated Cr. Paul Bell and Cr. Peter Taylor as employer representative Directors, with Cr. Les Tyrell joining them as a new Director.

Member representatives

Noel Cass

- LGsuper Director from July 1995 to June 2004

Peter Smith

- Former LGsuper Chief Executive Officer

Employer representatives

Cr. Les Tyrell

- Mayor of Townsville City Council
- LGsuper Director from July 1995 to June 2004
- Member Executive of the Local Government Association of Queensland (LGAQ)



Cr. Paul Bell AM

Cr. Tony Mooney

Cr. Peter Taylor

Noel Cass

Peter Smith

Cr. Les Tyrell

Appointment of independent Director

The Board of Directors has the option to appoint an independent Director. Prior to the end of the term for the current independent Director, the LGsuper Board of Directors considers whether to appoint an independent director for a further term and whether to seek a new candidate or offer the position to the incumbent.

At its first meeting in July 2008, the new LGsuper Board of Directors resolved to appoint an independent Director. The Board unanimously re-elected Brian Roebig OAM for a further 4-year term commencing from 1 August 2008, and Brian has accepted this appointment.

Appointment of Chairman

A Chairman is generally chosen by the Directors at their first Board meeting. In July 2008 the new LGsuper Board of Directors re-appointed Brian Roebig, the previous Chairman, to the position of Chairman for another 4 years.

Appointment of Audit & Risk Management Committee

If necessary, the Board of Directors establishes committees to assist the Board in the efficient and effective discharge of its responsibilities.

The Audit & Risk Management Committee comprises up to three Directors of the Board. If three Directors are appointed to the Committee, at least one must be an employer representative Director and at least one must be a member representative Director.

In July 2008, the new LGsuper Board of Directors appointed Paul Bell as Chairman of the Audit & Risk Management Committee, with Fiona Connor and Brian Roebig as members.

→ Investment returns

High Growth

Aim to achieve returns of 5.5% p.a. above inflation over 5-year periods
Risk high
Fees 0.14% administration
(2007/08) 0.67% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	-5.72	-6.66
2007	17.51	19.25
2006	5.86*	6.60*
2005	n/a	n/a
2004	n/a	n/a
Avg since inception (% p.a.)	6.58	7.08
% p.a. over CPI	n/a	n/a

*introduced from 1 January 2006.

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	89.98	89.98
Australian shares	26.65	26.65
International shares	26.65	26.65
Property	20	20
Alternatives	16.68	16.68
Risk-controlling	10.02	10.02
Alternatives	10.02	10.02
Fixed interest	0	0
Cash	0	0

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	88.70	91.16
Australian shares	25.40	28.55
International shares	26.18	27.05
Property	20.48	19.72
Alternatives	16.64	15.84
Risk-controlling	11.30	8.84
Alternatives	10.00	8.02
Fixed interest	0	0
Cash	1.30	0.82

Growth

Aim to achieve returns of 5.0% p.a. above inflation over 5-year periods
Risk high
Fees 0.14% administration
2007/08 0.59% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	-5.04	-5.84
2007	16.00	17.60
2006	15.68	17.03
2005	14.03	14.67
2004	14.66	15.82
5-yr avge (% p.a.)	10.75	11.47
% p.a. over CPI	7.63	8.35

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	77.98	77.98
Australian shares	25.65	25.65
International shares	25.65	25.65
Property	15	15
Alternatives	11.68	11.68
Risk-controlling	22.02	22.02
Alternatives	7.02	7.02
Fixed interest	15	15
Cash	0	0

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	76.67	79.40
Australian shares	24.45	27.48
International shares	25.20	26.03
Property	15.36	14.79
Alternatives	11.66	11.10
Risk-controlling	23.33	20.60
Alternatives	7.00	5.61
Fixed interest	15.45	15
Cash	0.88	-0.01

Growth Smoothed

default for Accumulation Benefits Fund

Aim to achieve returns of 5.0% p.a. above inflation over 5-year periods
Risk moderate to high
Fees 0.14% administration
2007/08 0.59% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	2.25	2.16
2007	14.95	16.13
2006	14.09	15.10
2005	12.16	12.80
2004	9.62	10.35
5-yr avge (% p.a.)	10.52	11.19
% p.a. over CPI	7.40	8.07

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	77.98	77.98
Australian shares	25.65	25.65
International shares	25.65	25.65
Property	15	15
Alternatives	11.68	11.68
Risk-controlling	22.02	22.02
Alternatives	7.02	7.02
Fixed interest	15	15
Cash	0	0

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	76.67	79.40
Australian shares	24.45	27.48
International shares	25.20	26.03
Property	15.36	14.79
Alternatives	11.66	11.10
Risk-controlling	23.33	20.60
Alternatives	7.00	5.61
Fixed interest	15.45	15
Cash	0.88	-0.01

As an LGsuper member, you can select how your super is invested. Our options range from low risk/low return to higher risk/higher return, so you can make a choice that suits your current situation.

→ Investment returns

Socially Responsible

Aim to achieve returns of 4.0% p.a. above inflation over 5-year periods
Risk high
Fees 0.14% administration
2007/08 0.83% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	-9.95	-10.15
2007	15.67	17.42
2006	5.33*	6.01*
2005	n/a	n/a
2004	n/a	n/a
Avg since inception (% p.a.)	3.78	4.58
% p.a. over CPI	n/a	n/a

*introduced from 1 January 2006.

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	74	70
Australian shares	42	40
International shares	20	20
Property	12	10
Alternatives	0	0
Risk-controlling	26	30
Alternatives	0	0
Fixed interest	23	25
Cash	3	5

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	72.20	68
Australian shares	38.00	39
International shares	22.80	19.6
Property	11.40	9.40
Alternatives	0	0
Risk-controlling	27.80	32
Alternatives	0	0
Fixed interest	23	24.5
Cash	4.8	7.5

Balanced

Default for Retained Benefits Fund and Pension accounts

Aim to achieve returns of 4.0% p.a. above inflation over 5-year periods
Risk moderate
Fees 0.14% administration
2007/08 0.50% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	-1.46	-1.67
2007	11.90	13.18
2006	11.39	12.51
2005	12.18	13.04
2004	11.45	12.41
5-yr avge (% p.a.)	8.96	9.73
% p.a. over CPI	5.84	6.61

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	55.5	55.5
Australian shares	16.5	16.5
International shares	16.5	16.5
Property	15	15
Alternatives	7.5	7.5
Risk-controlling	44.5	44.5
Alternatives	4.5	4.5
Fixed interest	40	40
Cash	0	0

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	54.78	56.33
Australian shares	15.73	17.67
International shares	16.21	16.75
Property	15.36	14.79
Alternatives	7.48	7.12
Risk-controlling	45.22	43.67
Alternatives	4.49	3.60
Fixed interest	41.20	40
Cash	-0.47	0.07

Conservative

Aim to achieve returns of 3.0% p.a. above inflation over 5-year periods
Risk moderate
Fees 0.14% administration
2007/08 0.41% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	1.22	1.46
2007	9.19	10.32
2006	8.68	9.62
2005	10.03	10.95
2004	8.51	9.32
5-yr avge (% p.a.)	7.48	8.28
% p.a over CPI	4.36	5.16

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	37.48	37.48
Australian shares	9.15	9.15
International shares	9.15	9.15
Property	15	15
Alternatives	4.18	4.18
Risk-controlling	62.52	62.52
Alternatives	2.52	2.52
Fixed interest	40	40
Cash	20	20

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	37.25	37.86
Australian shares	8.72	9.80
International shares	8.99	9.29
Property	15.36	14.79
Alternatives	4.18	3.98
Risk-controlling	62.75	62.14
Alternatives	2.51	2.01
Fixed interest	41.20	40
Cash	19.04	20.13

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→ Investment returns

Defensive

Aim to achieve returns of 2.0% p.a. above inflation over 5-year periods
Risk moderate to low
Fees 0.14% administration
2007/08 0.32% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	3.34	3.92
2007	6.59	7.50
2006	2.07*	2.38*
2005	n/a	n/a
2004	n/a	n/a
Avg since inception (% p.a.)	4.80	5.52
% p.a. over CPI	n/a	n/a

*introduced from 1 January 2006

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	18.77	18.77
Australian shares	4.6	4.6
International shares	4.6	4.6
Property	7.5	7.5
Alternatives	2.07	2.07
Risk-controlling	81.23	81.23
Alternatives	1.23	1.23
Fixed interest	50	50
Cash	30	30

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	18.64	18.96
Australian shares	4.38	4.93
International shares	4.52	4.67
Property	7.68	7.4
Alternatives	2.06	1.96
Risk-controlling	81.36	81.04
Alternatives	1.23	0.99
Fixed interest	51.50	49.99
Cash	28.63	30.06

Cash

Aim to protect capital over any 1-year period
Risk low
Fees 0.14% administration
2007/08 0.13% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2008	4.87	5.70
2007	5.42	6.41
2006	5.03	5.90
2005	4.69	5.74
2004	4.47	5.20
5-yr avge (% p.a.)	4.90	5.74
% p.a. over CPI	1.78	2.62

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	0	0
Australian shares	0	0
International shares	0	0
Property	0	0
Alternatives	0	0
Risk-controlling	100	100
Alternatives	0	0
Fixed interest	0	0
Cash	100	100

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	0	0
Australian shares	0	0
International shares	0	0
Property	0	0
Alternatives	0	0
Risk-controlling	100	100
Alternatives	0	0
Fixed interest	0	0
Cash	100	100

Defined Benefits Fund

accumulation comparison rate

Aim to achieve returns of 3.0% p.a. above the average rate of member salary growth over 5-year periods
Risk medium.

Year ending 30 June	Accumulation comparison rate (%)
2008	0.62
2007	11.69
2006	14.26
2005	12.88
2004	10.22
5-yr avge (% p.a.)	9.82
% p.a. over AWOTE*	5.01

*Proxy for salary growth

Strategic asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	55.5	55.5
Australian shares	16.5	16.5
International shares	16.5	16.5
Property	15	15
Alternatives	7.5	7.5
Risk-controlling	44.5	44.5
Alternatives	4.5	4.5
Fixed interest	40	40
Cash	0	0

Actual asset allocation

At 30 June	2008 (%)	2007 (%)
Return-seeking	54.78	56.33
Australian shares	15.73	17.67
International shares	16.21	16.75
Property	15.36	14.79
Alternatives	7.48	7.12
Risk-controlling	45.22	43.67
Alternatives	4.49	3.60
Fixed interest	41.20	40
Cash	-0.47	0.07

As an LGsuper member, you can select how your super is invested. Our options range from low risk/low return to higher risk/higher return, so you can make a choice that suits your current situation.

→ Investment market performance

After four consecutive years of strong investment returns, negative super fund returns made headlines this year. So what contributed to these returns, and how are things shaping up for the future?

Australian shares

2007/08 saw the Australian sharemarket record its worst annual return since 1982, falling by 13.4%. Returns varied greatly across industries, with resources climbing 27.7% (due to strong demand for resources from emerging economies like China), while industrial shares fell by 26.7% over the same period.

The financial year started strongly, with record highs during the first quarter. However August set the scene for the rest of the year, as the sharemarket became increasingly volatile when the fallout from the US subprime crisis became more severe. The December quarter saw Australian shares experience their first negative quarter since mid-2006, despite touching record highs in November 2007. Earnings downgrades and credit concerns dragged down the market, with property and infrastructure suffering the worst declines.

The new year saw the biggest quarterly decline in the sharemarket since the 1987 crash, with March the fifth consecutive negative month for the market. Financial shares continued to dominate headlines as subprime write offs damaged balance sheets and market sentiment. During the final quarter of the year, the market dropped another 1.7%.

International shares

Sharemarkets across the globe declined 15.7%, as funding available to banks and other institutions evaporated in the wake of the subprime crisis. Liquidity was almost non-existent during the March quarter, so the Federal Reserve and other central banks moved to make funds more freely

available. Despite the slowing of the US economy, growth remained positive as strong US exports offset a severe housing recession.

Outside the US, the global economy grew strongly in the second half of 2007, led by emerging markets such as China. A clear slowing of industrial economies became more apparent in the main industrial economies as the year progressed, especially in the UK. At the same time, global inflationary pressures climbed sharply as food and energy prices rose. This slowing growth accompanied by high inflation is known as stagflation — a possibility that is very negative for sharemarkets.

Property

After peaking in February 2007, listed property trusts fell by 38% in Australia and 20% overseas during 2007/08. In Australia, listed property held up relatively well following the subprime fallout, until Centro sent shockwaves through the sector by announcing difficulties refinancing some of its short-term debt. Globally, listed property was sold off as investors became increasingly concerned about the credit related write-downs by investment banks.

Losses in LGsuper's property portfolio were dampened by our direct holdings which performed strongly, returning 9% for the year. Australian unlisted property trusts returned 12.7% over the same period, and overseas unlisted property performed well, earning 24% for LGsuper members.

Alternatives

LGsuper invests in alternative assets such as hedge funds, emerging/high-yield debt and infrastructure to reduce risk and smooth investment returns. These investments returned 6.5% for members, and are designed to perform well when sharemarkets are weak.

Fixed interest and cash

Following low returns in 2006/07, fixed interest, became the outstanding performer for LGsuper members in 2007/08. A strong Australian economy for most of 2007/08 led to four interest rate increases by the Reserve Bank of Australia cash rate from 6.25% to 7.25%.

Around one third of LGsuper's portfolio is invested in inflation-linked bonds, which performed extremely well in the current inflationary environment.

Looking forward

The LGsuper Board of Directors continues to focus on achieving the fund's long-term objectives when investing members' retirement savings. We have been communicating our expectation that the double digit returns seen for the 4 years up to 30 June 2007 would not continue indefinitely.

We believe the current period of lower returns will continue for some time given ongoing concerns surrounding the subprime crisis, though we cannot predict for how long. Members should continue to focus on the strong long term returns to be expected from LGsuper's diversified investments.

Where your money is invested

Top 10 Australian shares at 30 June 2008

- 1 National Australia Bank**
FINANCE
- 2 ANZ**
FINANCE
- 3 BHP Billiton**
MINING
- 4 Telstra**
TELECOMMUNICATIONS
- 5 Rio Tinto**
MINING
- 6 Commonwealth Bank**
FINANCE
- 7 Westpac**
FINANCE
- 8 Macquarie Infrastructure Group**
INFRASTRUCTURE
- 9 Brambles**
LOGISTICS
- 10 Suncorp**
FINANCE

Top 10 international shares at 30 June 2008

- 1 Conoco Phillips**
ENERGY
- 2 Chevron**
ENERGY
- 3 Credit Suisse**
FINANCE
- 4 Monsanto**
BIOTECHNOLOGY
- 5 Shell**
ENERGY
- 6 ABB**
ENERGY
- 7 Xstrata**
MINING
- 8 Anadarko Petroleum**
ENERGY
- 9 Pfizer**
PHARMACEUTICALS
- 10 Hong Kong Exchanges and Clearing Ltd**
SECURITIES EXCHANGE

→ Investing your money

The LGsuper Board of Directors is responsible for investing your money to achieve sound returns over the long term. To do this, the Board has carefully selected 22 well known and trusted professional investment managers, who each have a specific area of investment expertise. By combining the skills of these managers, members can expect reduced risk and improved investment performance.

The Board continuously monitors the performance of each investment manager against benchmark returns. From time to time, new investment managers are appointed to increase returns or improve diversification. The Board may also stop using a particular manager due to underperformance, or when their style of investing or area of expertise is no longer required.

The following investment managers have been working hard for you this year:

Investment manager	At 30 June 2008	
	\$M	%
Australian shares	688.4	18.8
Acorn	36.4	1.0
AMP	73.2	2.0
Challenger	63.2	1.7
Eley Griffiths	40.3	1.1
Lazard	127.3	3.5
JF Capital Partners	140.0	3.8
Independent	63.0	1.7
Macquarie Pure Index Trust	145.1	4.0

Investment manager	At 30 June 2008	
	\$M	%
International shares	700.3	19.2
Alliance Emerging Market	60.6	1.7
Alliance Growth	98.9	2.7
Bernstein Value	96.3	2.6
BGI	280.7	7.7
Lazard Thematic	165.0	4.5
Property	554.2	15.1
AMP Capital Investors	554.2	15.1
Alternatives	569.6	15.6
BT Grosvenor	107.4	2.9
K2 Advisors	112.9	3.1
Bridgewater	156.7	4.3
Stone Harbour	104.6	2.9
Morgan Stanley Infrastructure Fund No. 3	5.5	0.2
AMP RIL Balanced Fund	3.0	0.1
Apostle Loomis Sayles	78.6	2.1
Diversified fixed interest	1067.9	29.2
Colonial First State	105.8	2.9
Vianova	101.2	2.8
PIMCO Global Real Return Fund	267.6	7.3
QIC	334.4	9.1
PIMCO Global Bond Fund	258.9	7.1
Cash	82.4	2.2
Total	3662.8	100

Use of derivatives

Derivatives are only used by LGsuper and its investment managers to reduce investment risk or achieve or maintain exposure to particular asset classes or markets. Even then, they are only used within the limits specified in our Derivative Risk Statement parts A and B.

Surcharge payments

The superannuation surcharge tax was an additional tax paid by higher income earners on employer contributions they received. This tax was abolished from 1 July 2005. If you've incurred any surcharge tax, LGsuper will pay it directly to the Australian Taxation Office (ATO), and then recover it from your account.

Defined Benefits Fund

The Defined Benefits Fund is regularly reviewed through actuarial valuations to determine if there are sufficient funds to pay members' benefits. The last actuarial valuation of LGsuper's Defined Benefits Fund was conducted at 1 July 2006. Following this review, the actuary recommended the establishment of a prudential reserve to increase the funds' ability to withstand extremely poor investment returns while still being able to pay all benefits. See page 15 for more details. In addition to actuarial reviews, the Vested Benefits Index shows the ratio of fund assets to the amount of members' vested benefits (see below).

30 June	2008	2007	2006
Vested Benefits Index	106-107%*	110.9%	108.4%

*preliminary

Tax

Employer contributions and investment earnings are subject to income tax at the rate of 15%. The full 15% tax on employer contributions is deducted from members' accounts. The tax on investment earnings can be less than 15% due to tax deductions, credits and offsets. Members who receive insurance premiums deducted from their accounts will receive a 15% tax deduction on the premiums.

→ Abridged financial statements

The abridged financial statements below were prepared before the audit of accounts was completed, using information available at the time of publication. The LGsuper Board of Director's annual report includes the audited financial statements, and will be available to members on request from January 2009.

LGsuper is made up of three separate funds—an Accumulation Benefits Fund, Defined Benefits Fund, and Insurance Fund.

Fund	2008 Balance \$M	2007 Balance \$M
Accumulation Benefits Fund	2,479.8	2,364.3
Defined Benefits Fund	1,124.6	1,254.9
Insurance Fund	23.4	25.4
Total	3,627.8	3,644.6

Preliminary statement of net assets

		2008 \$M	2007 \$M
Investments	Australian shares	667.5	790.5
	International shares	688.7	748.1
	Alternatives	568.6	500.4
	Property	536.4	534.4
	Fixed interest	1,043.1	1,020.0
	Cash	86.3	57.8
Other assets		72.1	129.4
Total assets		3,662.7	3,780.6
Liabilities	Tax liabilities	17.6	83.6
	Other	17.2	52.4
Total liabilities		34.8	136.0
Net assets to pay benefits at 30 June		3,627.9	3,644.6

Preliminary statement of changes in net assets

	Total \$M*		Accumulation \$M		Defined Benefit \$M	
	2008	2007	2008	2007	2008	2007
Net assets to pay benefits at 1 July	3,644.6	3,021.6	2,364.4	1,841.6	1,254.9	1,158.7
Prior year adjustments	0.0	0.0	(1.7)	0.0	2.0	0.0
Amended opening balance	3,644.6	3,021.6	2,362.7	1,841.6	1,256.9	1,158.7
Plus income						
Contributions revenue	307.9	314.0	252.7	252.8	55.2	61.1
Benefits retained	278.2	197.8	278.1	197.8	0.0	0.0
Transfers from other super funds	79.8	49.3	79.8	49.3	0.0	0.0
Insurance claim proceeds – External Insurer	2.4	0.0	2.4	0.0	0.0	0.0
Insurance claim proceeds – Insurance Fund	0.0	0.0	1.2	2.0	0.8	1.2
Net investment income	(140.2)	491.4	(96.9)	293.4	(43.9)	196.2
Less expenses						
Benefits paid	506.1	349.9	365.8	246.9	140.3	102.8
Administration expenses	6.0	5.6	0.0	0.0	5.8	4.8
Insurance premium	11.0	0.0	7.5	3.6	3.5	3.5
Tax provision	21.7	73.5	26.9	21.5	(5.2)	52.0
Contributions surcharge	0.0	0.5	0.0	0.5	0.0	0.0
Net assets to pay benefits at 30 June 2008	3,627.9	3,644.6	2,479.8	2,364.4	1,124.6	1,254.9

*Total includes Insurance Fund as set out below, as well as Accumulation and Defined Benefit monies.

Reserves

Reserves are maintained for insurance, to support smoothing of the earning rate for the Growth Smoothed investment option and to further secure the Defined Benefits Fund.

Insurance Fund

The Insurance Fund is subject to actuarial review every 3 years. The last review was conducted at 1 July 2006. The Insurance Fund invests 60% in cash and 40% in the same asset allocation as the Balanced investment option.

	2008 \$M	2007 \$M	2006 \$M
Balance at 1 July	25.3	21.3	18.3
Prior year adjustments	(0.3)	0.0	0.0
Insurance premiums	0.0	6.2	6.3
Investment income	0.6	1.8	1.5
Claims paid	(2.0)	(3.2)	(4.2)
Administration expenses	(0.2)	(0.8)	(0.6)
Balance at 30 June	23.4	25.3	21.3

Smoothing Reserve

The Smoothing Reserve was maintained to support smoothing of investment returns for the Accumulation Benefits Fund Growth Smoothed investment option. The allowable range for the reserve is 1% to 10% of the total amount invested in the Growth Smoothed option. The Reserve is invested in the Accumulation Benefits Fund Growth Smoothed investment option.

	2008 \$M	2007 \$M	2006 \$M
Balance at 1 July	132.5	100.3	71.6
Prior year adjustments	(1.7)	0.0	0.0
Amounts to support smoothing of earning rates	(105.6)	14.9	16.1
Investment income	(6.4)	17.3	12.6
Balance at 30 June	18.8	132.5	100.3
% of member balances	1.27%	9.36%	8.99%

Defined Benefits Fund prudential reserve

The Defined Benefits Fund Prudential Reserve was established during the 12 months to February 2008 to ensure the Fund has a high probability of meeting its objective of being able to pay salary based defined benefits to members as and when they fall due. The reserve was established through a 0.50% reduction per month from the Accumulation Comparison Rate over the period March 2007 to February 2008. The reserve will not be accounted for separately in LGsuper's accounts, but will be reflected in the pool of assets representing the Defined Benefits Fund and in its Vested Benefits Index.

→ Specialist advisers and consultants

Where necessary, the LGsuper Board of Directors takes specialist advice from external professional advisors and consultants. In some cases, the Board also outsources some operational tasks to specialist service providers.

These include:

Actuarial advice

Mr J Smith BS (Maths), FIAA
The Heron Partnership, Melbourne

Asset consultants

Watson Waytt Investment Consulting, Sydney

Auditor – external

Auditor General of Queensland, Brisbane

Auditor – internal

KPMG, Brisbane (to 30 June 2008)
Deloitte, Brisbane (from 1 July 2008)

Banking

Commonwealth Bank of Australia, Brisbane

Information services

Bravura, Sydney
Volante, Brisbane

Investment management

See page 12 for details

Master custodian

JP Morgan Investor Services, Sydney

Senior Medical Officer

Dr E Pollard MBBS FRACP, Brisbane

Solicitors

King & Company
Mr S Fynes-Clinton, Barrister at Law, Brisbane

Taxation advice

PricewaterhouseCoopers, Brisbane

Complaints

We hope you're happy with LGsuper and the service we provide. If you're not, we have procedures in place to review and respond to your complaint (in most cases within 14 days). Download our *Enquiries and complaints info sheet* from our website for more information.

If you're not satisfied by our response, you can take the matter to the Superannuation Complaints Tribunal (SCT). The SCT is an independent body set up by the Australian Government to resolve complaints only where a member has already made use of their fund's internal complaints procedure. You can contact the SCT by phoning 1800 780 808 or visiting their website at www.sct.gov.au.

Privacy

LGsuper respects your privacy. We comply with the Australian Government's Privacy Act, and only collect the information we need to look after your account and keep in touch with you. You can obtain a copy of our *Privacy policy* from our website or by phoning us on 1800 444 396.

Disclaimer

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