

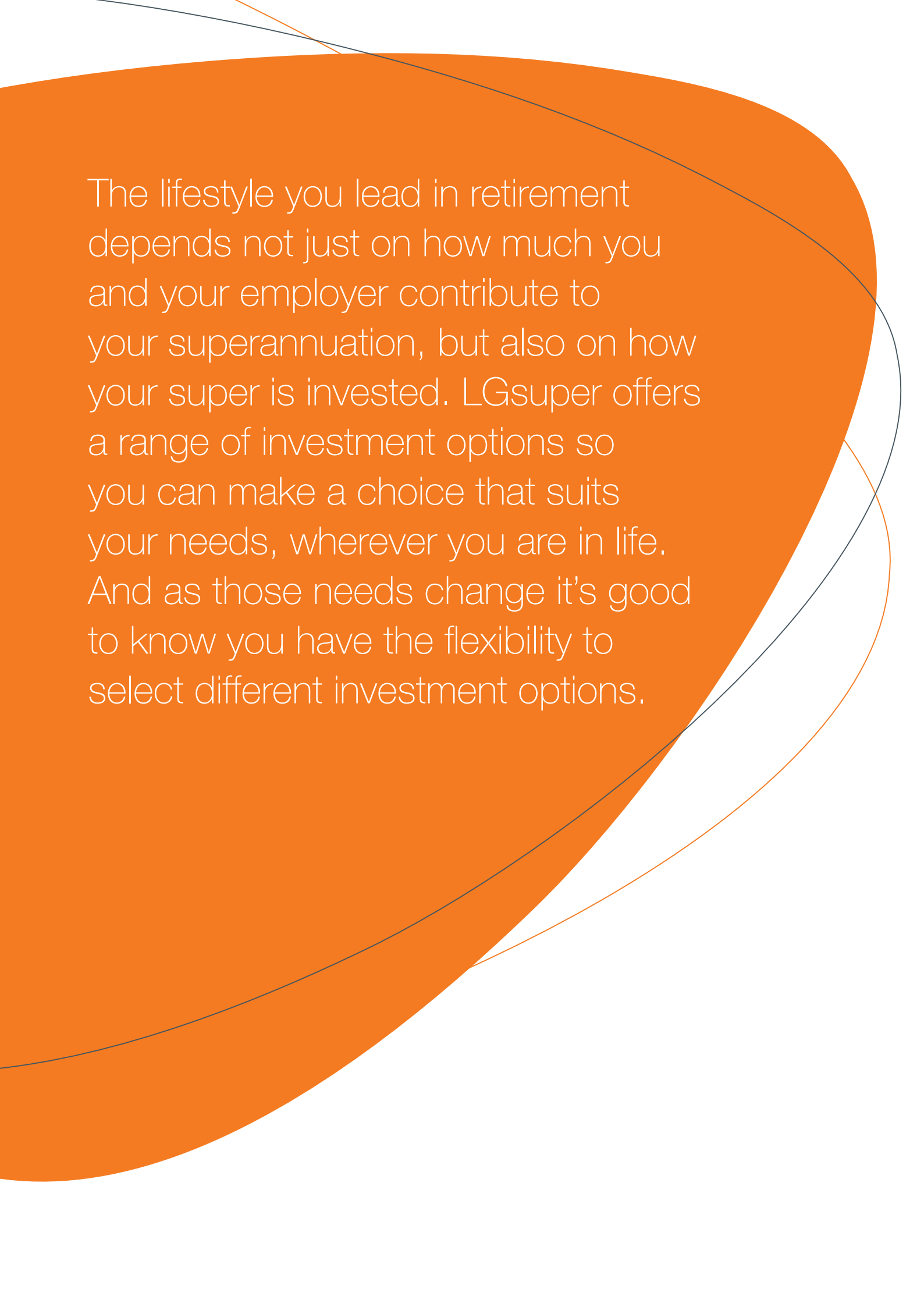


wherever you are in life

Investment choice guide

March 2010





The lifestyle you lead in retirement depends not just on how much you and your employer contribute to your superannuation, but also on how your super is invested. LGsuper offers a range of investment options so you can make a choice that suits your needs, wherever you are in life. And as those needs change it's good to know you have the flexibility to select different investment options.

What if I don't make a choice?

If you don't have a particular investment preference or you would rather not make the investment choice yourself, then LGsuper will make the choice for you. The investment option we choose for you is known as the default investment option. The following tables show LGsuper's default investment options for money received from 1 January 2010.

If you are under age 60

Account type	Default investment option
Accumulation accounts → Standard employer contributions → 6% standard member contributions	Growth Smoothed
Accumulation accounts → All other money including: – rollovers – voluntary contributions – co-contribution	Growth
Retained Benefit accounts (after you finish local government employment) → opened before 1 January 2010 → opened after 31 December 2009	Balanced Growth
Spouse accounts → opened before 1 January 2010 → opened after 31 December 2009	Balanced Growth
Pension accounts	Growth

If you are aged 60 or over

Account type	Default investment option
Accumulation accounts → Standard employer contributions → 6% standard member contributions	Growth Smoothed
Accumulation accounts → All other money including: – rollovers – voluntary contributions – co-contribution	Balanced
Retained Benefit accounts (after you finish local government employment)	Balanced
Spouse accounts	Balanced
Pension accounts	Balanced

What happens when I leave local government employment?

Accumulation monies invested in the Growth Smoothed option will be moved to the Growth option (if you are under age 60) or the Balanced option (if you are aged 60 or over) when we open a Retained Benefit account after you leave local government employment. You are unable to stay in the Growth Smoothed option.

If you are a member of the Defined Benefits Fund, LGsuper will move your defined benefit money to the Cash option and your accumulation money to the Growth option (if you are under age 60) or the Balanced option (if you are aged 60 or over) on the day after you leave local government employment. You will be given the opportunity to select a different investment option but if you do not select otherwise, your defined benefit money will be moved to the Growth option (if you are under age 60) or the Balanced option (if you are aged 60 or over) after a nominated period. We will write to you after you leave local government employment with more information about this process.

What if I re-commence employment with local government?

Your existing balance at the date you re-commence employment with local government will stay in the investment option/s where it is already invested. Money received by LGsuper after you re-commence employment will be invested in the default options for Accumulation accounts.

Our investment approach

LGsuper has chosen investment managers who aim to outperform other investment managers in the same markets. To do this, we carefully select well known and trusted professional investment managers who each have a specific area of investment expertise. By combining the skills of these managers, you can expect reduced risk and improved investment performance.

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

Types of investments

To further reduce risk, most LGsuper options invest in a wide range of return-seeking and risk-controlling asset classes. This is often referred to as 'not putting all your eggs in one basket', or diversification. Through diversification the risk is spread across a range of asset classes so that if one type of investment falls in value, others that are performing well over the same period could offset (or exceed) that loss. So, what are return-seeking and risk-controlling assets?

Return-seeking assets

Return-seeking assets include shares and property. Sometimes called 'growth assets', these are higher risk investments with a greater possibility of a negative return over short periods than risk-controlling assets. This extra risk generally allows return-seeking assets to earn higher long-term returns.

Risk-controlling assets

Cash and fixed interest are risk-controlling assets. You might see them also referred to as 'defensive assets'. They are lower risk and less likely to experience a negative return than return-seeking assets. Their low risk nature generally results in lower long-term returns than return-seeking assets.

Strategic asset allocation

The target mix of return-seeking assets and risk-controlling assets in each investment option is known as the Strategic asset allocation. Over long periods of time (10+ years) this mix of assets is expected to meet or exceed the LGsuper Board of Director's Investment objective around two thirds of the time. The Board of Directors also uses a process known as Dynamic strategic asset allocation to exploit or protect the portfolio against market extremes. This process, which has a timeframe of 3+ years, is intended to adjust the Strategic asset allocation by up to +/- 5% in order to reduce risk or enhance return.

Risk and return

When investing in super there will always be some risk. The risk that often comes to mind is the possibility of losing some of your money. But there is another risk—the risk that the value of your investment won't keep up with inflation.

Investment options with higher proportions invested in return-seeking assets (such as Growth and High Growth) generally provide higher returns over the long term than those invested in more risk-controlling assets (such as cash or fixed interest). In return for higher investment earnings though, you have a higher short-term risk of loss, as these investments regularly rise and fall in value.

But what happens if you invest too conservatively to avoid the risk of a short-term negative return? By reducing one type of risk too much, you're increasing another risk—the risk your long-term returns won't keep up with inflation, and in 'real' terms the value of your investment will go backwards.

So how do you make a choice? You need to find a balance between risk and return to suit your own needs over the short term and long term. Then, all you need to do is select the LGsuper option/s that best meets those needs.

Socially responsible investing

The Socially Responsible option is the only investment option to take into account labour standards or environmental, social or ethical considerations when making investment decisions. LGsuper does not require investment managers to take these factors into account for any other investment choice.

LGsuper requires managers within the Socially Responsible option to make share investments that screen out companies or sectors, or support industries, based on the following considerations:

- environmental grounds, for example, energy and resource use
- social considerations such as indigenous relations and community involvement
- ethical considerations, including meeting fundamental human rights and articulating and implementing a Code of Conduct
- labour standards, for example, occupational health and safety, International Labour Organisation standards, working considerations and the exclusion of child labour
- governance considerations, such as meeting corporate governance guidelines on board structures and remuneration
- avoiding investments in companies that operate in sectors with recognised high negative social impact, including companies that derive a significant portion of their total revenue from the production or manufacture of alcohol, armaments, gambling, pornography, tobacco and uranium

LGsuper may select investment managers that apply these considerations to other types of investments, such as property, or investment managers that apply socially responsible considerations in addition to the environmental, social and governance considerations outlined above.

Contact LGsuper if you would like more information on this option.

What's different about Growth Smoothed?

The only difference between our Growth Smoothed and Growth investment options is a reserve. Growth Smoothed has a reserve set aside to help smooth the ups and downs in investment returns from year to year. The reserve is added to investment earnings for the year and 60% of the total forms the earning rate (after fees and tax), with the other 40% kept in reserve for next year.

Some years the earning rate for Growth Smoothed will be higher than Growth, and other years it will be lower. Because of how the reserve works you are unable to return to the Growth Smoothed option once you have left it.

Can I switch my investment option/s?

Yes. You can choose to invest your super in up to three investment options in total. For example, you might choose to invest 25% of your account balance in the Socially Responsible option and the remaining 75% in the Growth option. Or, you might choose to invest in three different options such as 30% Cash, 30% Balanced and 40% Growth.

However, if you choose to invest in more than one option, for your existing balance and/or your future contributions, you may not include the Growth Smoothed option in your selection.

If you are currently invested in Growth Smoothed, you will forfeit this option if you choose to switch any of your investment options or change your option/s for future contributions. Furthermore, you cannot return to Growth Smoothed at a later date.

When deciding which option/s to invest in, you should consider the overall asset allocations of the combined options. You should also consider reviewing your investment strategy regularly to ensure your current investments best suit your needs.

If you choose to invest in more than one option, you will need to advise us which of your chosen options you would like your future contributions and rollovers to go into (non-pension accounts) or your pension payments to be withdrawn from (pension accounts).

Switching investment options is as easy as completing the *Investment switch form* in this guide and returning it to LGsuper.

When will my switch take effect?

Switches take effect from the third working day following Friday, as long as the completed *Investment switch form* is received before 5pm that Friday. In most cases switches will take effect from the following Wednesday.

For example, if we receive a completed *Investment switch form* before 5pm Friday 9 October, the switch will take effect from Wednesday 14 October. If we receive a switch form later than 5pm Friday 9 October, but before 5pm Friday 16 October, the switch will take effect from the next available switch date – Wednesday 21 October.

While your switch will take effect from the next available switch date, it may not be processed until all contributions are allocated to your account for the period up to this date. If your switch is to take place early in the new financial year, it will not be processed until final earning rates are applied to your account for the previous financial year.

How often can I switch my investment option/s?

You can switch investment options up to four times each financial year. Keep in mind though that superannuation is generally a long-term investment, and by changing investment options often, you could reduce your overall investment return. There is no fee to switch your investment option.

What is an earning rate?

An earning rate is the net investment return (after fees and tax) that applies to your account at the end of each financial year. It can be positive or negative. An earning rate is declared by the LGsuper Board of Directors for each investment option and is based on the investment return achieved on the underlying assets for that option for the year.

Growth Smoothed option

An interim earning rate is used when you withdraw money from the fund or switch investment options. The rate is determined at the start of each year based on the level of reserves at that time and the projected investment return for the year. The rate is updated each week using benchmark investment returns up to Friday and is applied from the third business day of the following week. The rate is also updated each month with any adjustment for the actual investment returns achieved for the previous month.

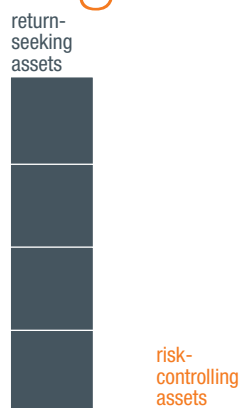
Other investment options

Earning rates are calculated on a daily basis. The rates reflect benchmark investment returns from 2 business days earlier. For example, the rates used on Thursday reflect the benchmark investment returns for the previous Tuesday. The rates may be updated each month with an adjustment for the difference between the benchmark returns allocated for the previous month and the actual investment returns achieved for that month.

During periods of significant market volatility, or other conditions which prevent LGsuper from determining daily and/or weekly benchmark rates, processing of claims and/or switches may be suspended for up to 7 days or longer, as dictated by market conditions.

→ Investment choices

High Growth



Investment objective

Returns of 4.5% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Those prepared to experience frequent negative returns in the short term to achieve higher returns over periods of 10 years or more.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	100	100
Australian shares	35	27.5–42.5
International shares	35	27.5–42.5
Property	15	7.5–22.5
Alternatives	15	7.5–22.5
Risk-controlling assets	0	0
Fixed interest	0	0
Cash	0	0

Earning rates

Past performance is not an indicator of future performance.

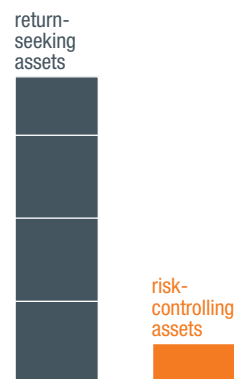
Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-16.66	-19.36
2008	-5.72	-6.66
2007	17.51	19.25
2006	5.86*	6.60*
2005	n/a	n/a
5-yr avge (% p.a.)	n/a	n/a
% p.a. over CPI	n/a	n/a

* introduced 1 January 2006

Total fees (2008/09)

0.83%

Growth



Investment objective

Returns of 4% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Those looking for high returns over periods of 10 years or more, with slightly lower risk than High Growth due to some investments in risk-controlling assets.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	85	77.5–92.5
Australian shares	25.7	18.2–33.2
International shares	25.7	18.2–33.2
Property	15	7.5–22.5
Alternatives	18.6	11.1–26.1
Risk-controlling assets	15	7.5–22.5
Fixed interest	15	7.5–22.5
Cash	0	0

Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-14.17	-16.46
2008	-5.04	-5.84
2007	16.00	17.60
2006	15.68	17.03
2005	14.03	14.67
5-yr avge (% p.a.)	4.52	4.42
% p.a. over CPI	1.61	1.51

Total fees (2008/09)

0.73%

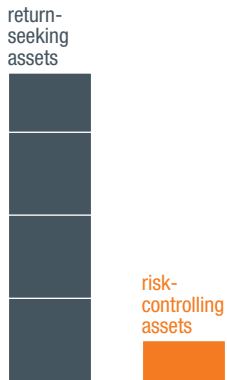
Risk

→ High
Medium
Low
Positive returns expected 5 out of 6 years

Risk

→ High
Medium
Low
Positive returns expected 5 out of 6 years

Growth Smoothed



Investment objective

Returns of 4% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Members already in this option who are seeking high returns over periods of 7 years or more, with the lower risk of negative returns due to smoothing.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	85	77.5–92.5
Australian shares	25.7	18.2–33.2
International shares	25.7	18.2–33.2
Property	15	7.5–22.5
Alternatives	18.6	11.1–26.1
Risk-controlling assets	15	7.5–22.5
Fixed interest	15	7.5–22.5
Cash	0	0

Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-14.10	-16.39
2008	2.25	2.16
2007	14.95	16.13
2006	14.09	15.10
2005	12.16	12.80
5-yr avge (% p.a.)	5.31	5.24
% p.a. over CPI	2.40	2.33

Total fees (2008/09) 0.73%

Socially Responsible



Investment objective

Returns of 4% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Anyone wanting to avoid investing in environmentally or socially damaging industries, who is prepared to accept frequent negative returns in the short term for moderate returns over periods of 10 years or more.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	74	66.5–81.5
Australian shares	42	34.5–49.5
International shares	20	12.5–27.5
Property	12	4.5–19.5
Alternatives	0	0
Risk-controlling assets	26	18.5–33.5
Fixed interest	23	15.5–30.5
Cash	3	0–10.5

Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-10.03	-11.63
2008	-9.95	-10.15
2007	15.67	17.42
2006	5.33*	6.01*
2005	n/a	n/a
5-yr avge (% p.a.)	n/a	n/a
% p.a. over CPI	n/a	n/a

* introduced 1 January 2006

Total fees (2008/09) 1.02%

Balanced



Investment objective

Returns of 3.5% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Those looking to achieve a moderate investment return with a lower level of investment risk than Growth and High Growth options. Suitable for periods of 7 years or more.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	60	52.5–67.5
Australian shares	16.5	9–24
International shares	16.5	9–24
Property	15	7.5–22.5
Alternatives	12	4.5–19.5
Risk-controlling assets	40	32.5–47.5
Fixed interest	40	32.5–47.5
Cash	0	0

Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-9.03	-10.33
2008	-1.46	-1.67
2007	11.90	13.18
2006	11.39	12.51
2005	12.18	13.04
5-yr avge (% p.a.)	4.62	4.88
% p.a. over CPI	1.71	1.97

Total fees (2008/09) 0.65%

Risk	
→	High
	Medium
	Low
	Positive returns expected 8 out of 9 years

Risk	
→	High
	Medium
	Low
	Positive returns expected 4 out of 5 years

Risk	
→	High
	Medium
	Low
	Positive returns expected 7 out of 8 years

Conservative

Defensive

Cash



Investment objective

Returns of 2.5% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Members looking for some growth from their investment while taking a low to medium level of investment risk. Suggested minimum investment timeframe is 5 years.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	40	32.5–47.5
Australian shares	9.2	1.7–16.7
International shares	9.2	1.7–16.7
Property	15	7.5–22.5
Alternatives	6.6	0–14.1
Risk-controlling assets	60	52.5–67.5
Fixed interest	40	32.5–47.5
Cash	20	12.5–27.5

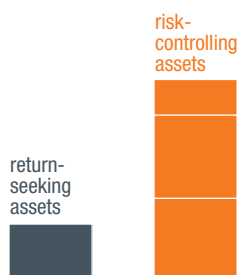
Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-4.79	-5.34
2008	1.22	1.46
2007	9.19	10.32
2006	8.68	9.62
2005	10.03	10.95
5-yr avge (% p.a.)	4.70	5.20
% p.a. over CPI	1.79	2.29

Total fees (2008/09) 0.61%

(includes 20% of 0.7% p.a. Australian Government bank guarantee charge)



Investment objective

Returns of 2% p.a. above inflation over rolling 5-year periods.

Who does it best suit?

Those wanting their investment to stay ahead of inflation with a very low risk of negative returns. Suitable for investment periods of 3 years or so.

Strategic asset allocation (SAA) and ranges

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	SAA %	Ranges %
Return-seeking assets	20	12.5–27.5
Australian shares	4.6	0–12.1
International shares	4.6	0–12.1
Property	7.5	0–15
Alternatives	3.3	0–10.8
Risk-controlling assets	80	72.5–87.5
Fixed interest	50	42.5–57.5
Cash	30	22.5–37.5

Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	-0.59	-0.64
2008	3.34	3.92
2007	6.59	7.50
2006	2.07*	2.38*
2005	n/a	n/a
5-yr avge (% p.a.)	n/a	n/a
% p.a. over CPI	n/a	n/a

* introduced 1 January 2006

Total fees (2008/09) 0.55%

(includes 30% of 0.7% p.a. Australian Government bank guarantee charge)



Investment objective

Protection of capital.

Who does it best suit?

For short-term investors and/or those who cannot accept a negative investment return. Will not provide growth, but is likely to match inflation.

Strategic asset allocation

The *Annual report to members* shows the actual asset allocation at 30 June each year.

	%
Return-seeking assets	0
Australian shares	0
International shares	0
Property	0
Alternatives	0
Risk-controlling assets	100
Fixed interest	0
Cash	100

Earning rates

Past performance is not an indicator of future performance.

Year ending 30 June	Accumulation accounts % p.a.	Pension accounts % p.a.
2009	3.77	4.27
2008	4.87	5.70
2007	5.42	6.41
2006	5.03	5.90
2005	4.69	5.47
5-yr avge (% p.a.)	4.75	5.55
% p.a. over CPI	1.84	2.64

Total fees (2008/09) 0.61%

(includes 0.7% p.a. Australian Government bank guarantee charge)

Risk	
→	High
	Medium
	Low
	Positive returns expected 16 out of 17 years

Risk	
→	High
	Medium
	Low
	Positive returns expected 49 out of 50 years

Risk	
→	High
	Medium
	Low
	Positive return expected every year

→ Investment switch form

Use this form if you want to switch your existing balance and/or your future contributions to a different investment option.

Member details LGsuper respects your privacy. All personal information collected is protected in line with the National Privacy Principles and LGsuper's Privacy policy.

Last name	Given names	Date of birth
Address	Member number	
Suburb	Postcode	Telephone number

Account type (must be completed in all cases)

I would like to switch my:

- Accumulation account / Defined benefit (accumulation money) / Retained Benefit account / Spouse account
– complete sections 1, 2 and 4
- Pension account
– complete sections 1, 3 and 4

1 Investment option for existing balance

Please leave my existing benefit invested as it is currently.

or

Please switch my benefit into the following option/s in the proportions indicated:

(You may choose up to three options. Please use whole percentages only.)

High Growth	Growth	Balanced	Socially Responsible	Conservative	Defensive	Cash	TOTAL
%	%	%	%	%	%	%	100%

Your switch will take effect from the next available switch date, but may not be processed until all contributions are allocated to your account for the period up to this date or before final earning rates are applied to your account for the previous financial year, if your switch is to take place early in the new financial year.

2 Investment option for future contributions

This section must be completed in all cases, whether you are working or not, unless you have an LGsuper Pension account.

Please invest all my future contributions, including rollovers, in the following option (tick one only):

High Growth Growth Balanced Socially Responsible Conservative Defensive Cash

If you are investing your existing balance (see Section 1) in three investment options, you must choose one of those options here for your future contributions to go to. If you are investing your existing balance in only one or two options you may, if you wish, choose a separate option here for your future contributions to go to. The number of investment options selected for your existing balance plus your future contributions must not exceed three options in total.

Continued over page

3 Pension payment option/s (must be completed if you have an LGsuper Pension account)

If you don't nominate a payment preference, your pension payments will be withdrawn from each of your investment options proportionately. If your benefit is invested in one option only, there is no need to complete this section.

Please withdraw my pension payments from the following option/s in the percentages or order of preference indicated:

Option 1 — Percentage (Use whole percentages only)

High Growth	Growth	Balanced	Socially Responsible	Conservative	Defensive	Cash	TOTAL
%	%	%	%	%	%	%	100%

or

Option 2 — Order of withdrawal preference (eg. 1,2,3 etc). The balance of each option will be exhausted before withdrawing from the next option.

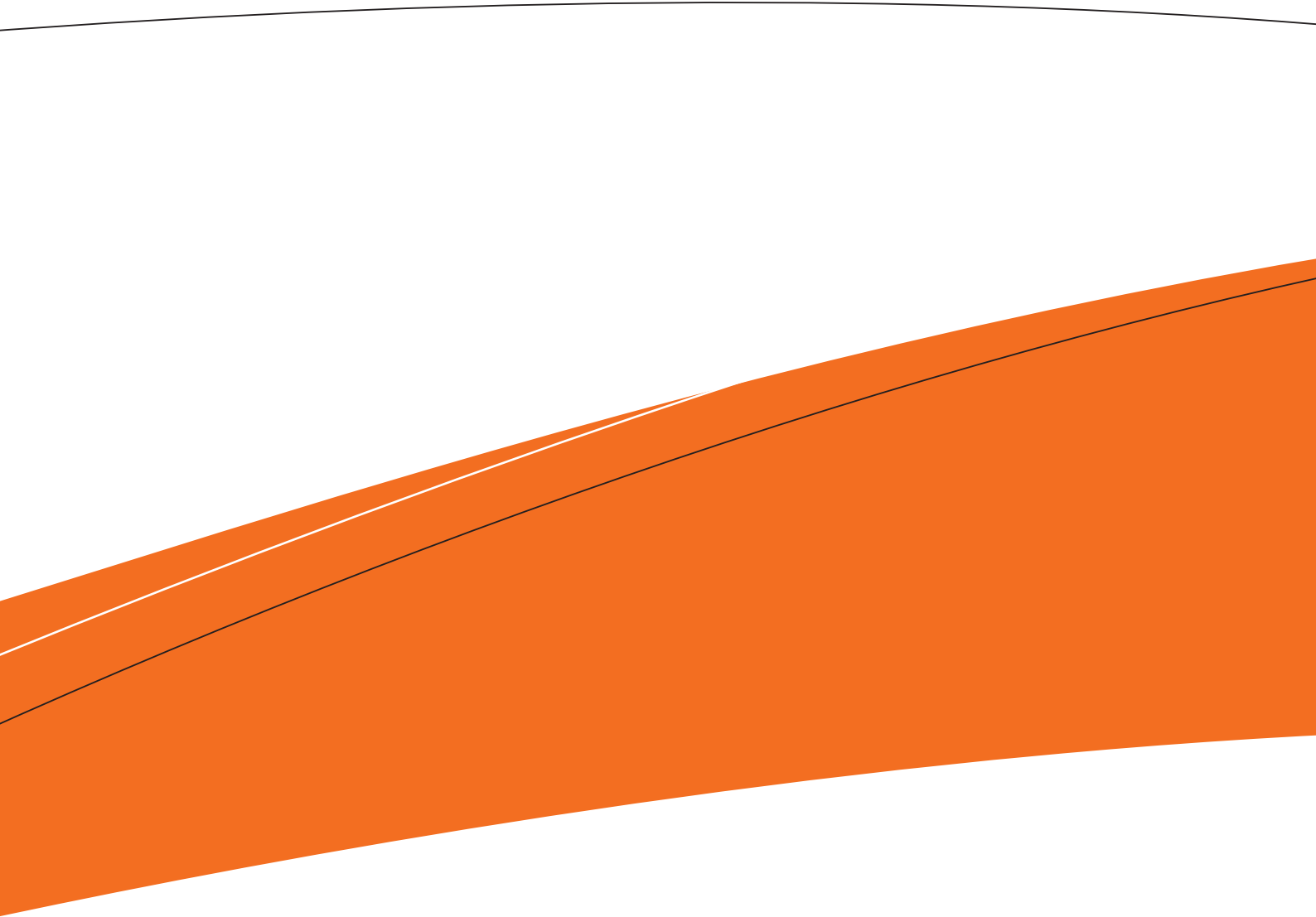
High Growth	Growth	Balanced	Socially Responsible	Conservative	Defensive	Cash

4 Declaration

I have read the attached LGsuper *Investment choice guide*, and understand the rules relating to choosing an investment option in LGsuper. I understand the investment choice information provided is general in nature and must not be relied on as specific advice appropriate to my particular circumstances. I am aware that, if required, I can contact LGsuper for more information before completing this form. I understand I can switch my investment option up to four times each financial year. I also understand if I leave the Growth Smoothed option I cannot return to that option and if I choose to invest in more than one option, I may not include the Growth Smoothed option in my selection.

Signature

Date



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Disclaimer: This guide has been prepared by the Queensland Local Government Superannuation Board (the Board) AFSL 230511, ABN 94 085 088 484, RSE Licence No. L0000178—as trustee for the Local Government Superannuation Scheme—ABN 23 053 121 564, RSE Registration No. R1000160. Detailed information on products offered by the Board is provided in product disclosure statements available from LGsuper.

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The Queensland Local Government Superannuation Board
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AFS Licence No. 230511
Local Government Superannuation Scheme
ABN 23 053 121 564