

Retirement
are you ready?

A challenging year
What type of investor are you?
We're at your service

super
news



SPRING 2009



→ A challenging year, but positive signs emerging

The last financial year was a challenging time for all super funds as global markets and economies weakened. Despite these challenges, LGsuper outperformed most super funds in Australia and positive signs in the June quarter have provided hope for a better result in 2009/10.

The year at a glance

The financial year started poorly, with declines in both Australian and international sharemarkets. The global credit crisis, which began in the previous financial year, culminated in the failure of a number of major global and US financial institutions in September, including Fannie Mae, Freddie Mac and Lehman Brothers. The US Treasury announced a \$700 billion relief program aimed at stabilising the distressed market. Global bond markets rallied, while the Australian dollar fell sharply.

Australian and international sharemarkets suffered double digit losses in the December quarter, as the financial crisis worsened and economic growth slowed sharply. In Australia, commodity prices slumped and listed property was hit particularly hard, despite aggressive Reserve Bank of Australia (RBA) easing of interest rates and the introduction of the government bank deposit guarantee. Global bonds continued to rally strongly.

Sharemarkets again ended lower in the March quarter, despite a sharp rally in March, with the Australian sharemarket outperforming other major sharemarkets. The US government announced an

additional fiscal spending package, while a number of US and European banks received further government funding. In Australia, aggressive easing of interest rates by the RBA, a sharply weaker currency and the government's announcement of a \$42 billion fiscal stimulus package helped to cushion the local market from an otherwise difficult global economy. Global bond yields were higher for the quarter.

The year ended on a positive note with international shares finishing the June quarter sharply higher, spurred by evidence that the decline in global economic growth is stabilising. The rally in shares over the quarter was the largest quarterly gain since 1999, and was accompanied by a general improvement in market liquidity conditions and strong gains in emerging markets and commodity prices. While Australian shares gained during the quarter, they underperformed other major sharemarkets. Global bond yields moved sharply higher.

According to many experts the worst of the financial crisis may be over and there are positive signs that point to a global economic recovery. However, the key question is whether the recovery will continue through into 2010 or if growth will suffer a relapse.

Source: QIC

The good news is that, despite poorer than normal returns over the financial year, super has weathered the crisis better than many other types of investments.

Asset class	% p.a. return for 12 months to 30 June 2009
Australian shares	-20.1
International shares (unhedged)	-16.2
International shares (hedged)	-26.6
Listed property	-42.0
Unlisted property	-12.36
Diversified fixed interest	10.82
Cash	4.78

LGsuper a top performer

Once again, LGsuper outperformed most super funds in Australia during 2008/09. In particular, our Balanced option return of -9.03% was ranked 12th highest of 113 similar options nationally, while our Conservative option return of -4.79% was ranked 4th of 55 similar options nationally. Our Growth Smoothed option returned -14.10% and was ranked 28th of 82. Over three years, returns for our High Growth, Growth Smoothed, Balanced, Conservative and Defensive options all rank in the top 10 super funds nationally*.

LGsuper's CEO, David Todd, credits the fund's high ranking to the significant diversification of its investment portfolio. Over the last few years, LGsuper's management and Board of Directors have worked hard to reduce the fund's exposure to risk and minimise the potential level of volatility for members.

* Source: SuperRatings Fund Crediting Rate Survey June 2009

Periodic negative returns are normal

While negative returns are hard to swallow, David says they are a normal part of the investment market cycle. "History has shown that diversified investments can expect negative returns every six years or so and, while the past two years of negative returns might seem extreme, they are comparable to experiences of the past."

David says the only way to be sure of avoiding negative returns is by investing solely in cash. However, this would result in much lower returns over the long-term, and might not even keep up with inflation.

Stay the course

Since, for most of us, super is a long-term investment, the best approach is to adopt a long-term investment strategy and then stick to it. Most of LGsuper's investment options have a recommended investment timeframe of 5, 7 or even 10 years. For the majority of members, there will be ample time to recoup their losses of the last one to two years.

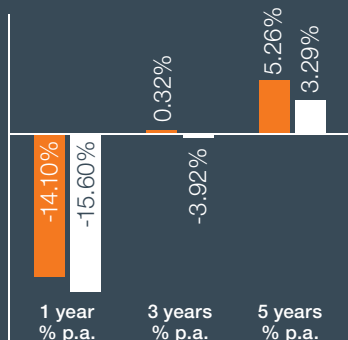
The last financial year will be remembered as one of the most challenging ever for all investors. While most LGsuper members will have suffered negative returns for the year, you can be secure in the knowledge that LGsuper's Board of Directors has delivered some of the best investment returns of any super fund in Australia. With so-called 'green shoots' of recovery finally beginning to emerge, we are hopeful of a much better result in 2009/10.

Annual report now available

LGsuper's 2009 Annual report to members can be downloaded from the Publications section of our website www.lgsuper.org or you can call us on 1800 444 396 and we'll post you a copy.

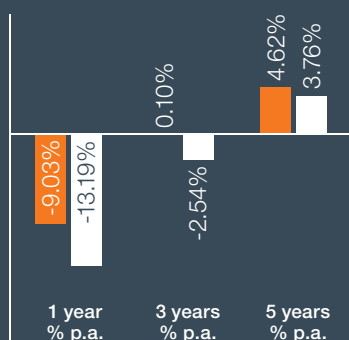
LGsuper Growth Smoothed

performance against average growth option to 30 June 2009



LGsuper Balanced

performance against average balanced option to 30 June 2009



■ LGsuper performance
■ Median performance

Source: SuperRatings Fund Crediting Rate Survey June 2009. Past performance is not an indicator of future performance.

→ Retirement — are you ready?

If you're aged 50 or over, chances are you are starting to think seriously about your retirement. But do you really know how much you will need and what you can do now to help achieve your retirement goals? Follow these 3 steps and you'll be retirement-ready.

Step 1

Determine how much you will need

Everyone has a different expectation of what their lifestyle will be like in retirement, so it's difficult to come up with one figure that fits all. However, as a guide, the Association of Superannuation Funds of Australia Limited (ASFA) has combined with Westpac over the past few years to track the cost of living in retirement. Their research shows that a single person wanting to live a comfortable lifestyle in retirement will need \$37,621 p.a. and a couple will need \$50,414 p.a.

(Westpac/ASFA Retirement Standard April 2009).

According to the research, a comfortable lifestyle enables a retiree to have a good standard of living including the ability to purchase household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel. Of course, you may need to increase this figure if you intend to renovate the house, buy a boat or travel overseas regularly. Alternatively, if you have more modest requirements in retirement you might not need as much.

Step 2

Estimate how much you will have

Once you have figured out how much you will need in retirement, the next step is to see whether you are on track to achieve that amount by your planned retirement age. There are a number of online retirement planning calculators available that can tell you how you are measuring up against your retirement goal. These calculators allow you to alter variables such as your planned retirement age and your level of super contributions so you can see what you have to do to retire with the amount you need. Try the retirement planner calculator at www.fido.gov.au (you'll find it under Publications & resources, then calculators).

Step 3

Do something about it now

If you are lucky, you have completed steps 1 and 2 and found that you are on track to achieve your retirement goals. However, for most of us, there is more to be done before we can sit back and relax about our retirement.

Put more in to get more out

There's never been a better time to contribute more to your super. Markets are down, so the money you put in now will catch the rebound when they start rising again. And, just a little bit extra every fortnight can make a big difference to your retirement savings over a number of years.

Can't afford to pay any more into your super?

Think about salary sacrificing your contributions. By getting your employer to add to your super from your pre-tax salary rather than after-tax dollars, you may be able to contribute more to your super while taking home the same amount of pay.

Let the government help

If you earn less than \$61,920 p.a. and you make after-tax contributions to your super, you may be eligible for the super co-contribution. The maximum \$1,000 co-contribution applies for incomes less than \$31,920 p.a., but reduced amounts are available for people on higher incomes. This is effectively free money from the government and is an opportunity too good to pass up.

Pay more into super and less tax

If you are over age 55 you may find that combining salary sacrificing with an LGsuper Pre-retirement pension can provide you with a tax-effective way to increase your super balance. Many members have added thousands to their super by salary sacrificing part of their employment income and replacing it with income from a pension.

Review your investment options

LGsuper offers a range of eight investment options, from high-risk, high-return to low-risk, low-return (see our article on page 6 for more). Depending on your investment timeframe and your tolerance of risk, you could be better off in a higher risk, higher return option than your current investment option. You might be surprised to find that a small difference in investment returns can make quite a big difference to your overall retirement benefit.

Don't waste it on fees

When you're saving for retirement, every dollar counts. If your super is invested in more than one super fund you may be paying more in fees than you need to. Compare the fees you are paying at other funds with LGsuper's low fees. It might pay to transfer all of your super to LGsuper.

Get advice

LGsuper's Member Advice team is committed to helping members achieve their retirement goals. Contact us on 1800 444 396 to discuss any of these strategies and how they could work for you. This service is included in the cost of your LGsuper membership.



A better fund for you

At LGsuper, our members come first. That's why we are always looking for ways to enhance our products and services to make our fund better for you.

More flexible investments

LGsuper now gives you even greater flexibility to tailor your super investment to your individual situation, no matter what stage of life you are at. You can now invest your super in up to 3 different investment options, in the proportions of your choice. You can even choose different investment options for your current balance and your future contributions. And LGsuper still offers you up to 4 investment switches each financial year, at no cost.

Earning rates updated daily

LGsuper now uses daily earning rates, replacing the weekly interim earning rate system that was in place up to 30 June 2009. As a result, your account balance, and the earning rates published on our website, better reflect the current investment environment.

Monthly pensions

LGsuper pension account holders can now choose to receive their payments on a monthly basis, in addition to the quarterly, half-yearly and annual payment options already available. Pension payments are generally made on the 28th day of the month.

Want to know more?

If you'd like to know more about any of these changes, contact LGsuper on 1800 444 396.

→ What type of investor are you?

The past couple of years have seen some turbulent times in investment markets and many members have been left wondering whether their super is invested in the best investment option. But how do you know which option is right for you?

All investments are designed to deliver a return, but experienced investors understand that lower risk investments generally mean lower returns, while higher risk investments generally deliver higher long-term gains. Each of us has a different attitude towards risk and return, so it's important to carefully consider how much risk you are willing to take, in order to achieve a good return on your investment.

Paul Pedersen, Team Leader Member Advice at LGsuper, says members should ask themselves the following questions when trying to determine what kind of investor they are:

What type of investment do you feel most comfortable with?

Do you prefer a safe investment, even if it means a consistently low return? Or are you happy to experience periods of negative returns, if it means your long-term gains will be higher? Or maybe you favour something in between.

How long do you expect your money to remain with LGsuper?

The longer your investment timeframe, the more risk you can tolerate, as you have time to recover from short-term fluctuations. And remember, even after you retire, your investment might have to last for another 20 or 30 years.

What level of income do you require in retirement and will you have enough?

Our article on page 4 should help you answer this one. A higher-risk option may get you to your retirement goal sooner, but you need to be comfortable with negative returns over short periods.

LGsuper offers the following range of investment options covering all levels of risk and return, so there is an option for you, no matter what type of investor you are. And now you can choose up to 3 investment options, so you can tailor your investment to suit your needs.

Investment options—risk and return

Investment option	Investment objective	Expected risk of negative return
Low risk options		
Cash	Protection of capital	Nil
Defensive	Returns of CPI + 2% p.a. over rolling 5 year periods	Once in 50 years
Conservative	Returns of CPI + 3% p.a. over rolling 5 year periods	Once in 17 years
Medium risk options		
Balanced	Returns of CPI + 4% p.a. over rolling 5 year periods	Once in 8 years
Growth Smoothed	Returns of CPI + 5% p.a. over rolling 5 year periods	Once in 9 years
High risk options		
Socially Responsible	Returns of CPI + 4% p.a. over rolling 5 year periods	Once in 5 years
Growth	Returns of CPI + 5% p.a. over rolling 5 year periods	Once in 6 years
High Growth	Returns of CPI + 5.5% p.a. over rolling 5 year periods	Once in 6 years

For more detailed information about LGsuper's investment options, download a copy of our *Investment choice guide* from www.lgsuper.org or call our Member Advice team on 1800 444 396.



Each of us has a different attitude towards risk and return, so it's important to carefully consider how much risk you are willing to take, in order to achieve a good return on your investment

Trust Deed amendments

The following amendments to the LGsuper Trust Deed were approved by the Board of Directors during the year and have not previously been communicated to members:

- Upon ceasing employment, members of the Defined Benefits Fund will have their defined benefit invested in the Cash option until they have been given the chance to select an investment option other than the default option (Balanced).
- The Board has the power to change the rate of employer contributions to the Defined Benefits Fund where required by the actuary.
- Any insurance payments received on behalf of a member will be invested in the Cash option until paid out or switched to another investment option by the member.

Before-tax contribution limits for defined benefits

From 1 July 2009, the Australian Government has halved the limits on before-tax contributions to super. These limits include employer contributions and any salary sacrifice contributions.

For members aged under 50 the 2009/10 limit on before-tax contributions is \$25,000. For members aged 50 and over the limit is \$50,000. Any contribution amounts exceeding these limits will be taxed at 46.5% (including the medicare levy).

If you have a defined benefit, your employer's 12% contributions and your standard member contributions (if salary sacrificed) are deemed to be within the limits, even if they actually exceed these amounts. If you are salary sacrificing additional amounts, you should contact LGsuper to ensure you do not exceed the limits.

→ Pay less tax and boost your retirement savings

It sounds too good to be true, but if you're over 55, you could cut your tax bill and retire with more. Ask us how.

1800 444 396 www.lgsuper.org

You should obtain and read the PDS before deciding to invest.

We're at your service

Super can be complicated, so it's good to know that help is only a phone call away.

LGsuper's Member Advice team can answer those tricky questions and help you with strategies to make the most of your super, such as:

- salary sacrificing contributions
- combining salary sacrifice with a pre-retirement pension
- taking advantage of the super co-contribution
- spouse contribution strategies
- taking a super pension in retirement
- selecting an LGsuper investment option

And this service is provided as part of your LGsuper membership, at no additional cost to you.

Since we are super specialists, we are unable to provide you with a comprehensive financial plan that takes into account other investments or debt. But we can prepare a detailed super strategy that is personally tailored to your needs.

Our Member Advice team is passionate about helping members maximise their super to achieve a better retirement. Why not contact the team on 1800 444 396 to see what we can do for you?

Disclaimer: This newsletter has been produced by the Queensland Local Government Superannuation Board (ABN 94 085 088 484, AFSL 230511) on behalf of the Queensland Local Government Superannuation Scheme (ABN 23 053 121 564) and provides general information for LGsuper members, which means that members should, before acting on this information, consider their own personal objectives, financial needs and situation. This information is not a guarantee of benefits payable under the LGsuper rules as set out in the Scheme's Trust Deed. The Board and its employees do not accept any form of liability for this information or any consequences from its use.



Toll free 1800 444 396
Facsimile 07 3244 4344
info@lgsuper.org
www.lgsuper.org

GPO Box 264
Brisbane Qld 4001

The Queensland Local Government
Superannuation Board
ABN 94 085 088 484
AFS Licence No. 230511
Local Government Superannuation Scheme
ABN 23 053 121 564