

Take control of your money

and make a big difference
to your financial situation

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→ 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 best approach is to adopt a long-term investment strategy and then stick to it

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



According to many experts the worst of the financial crisis may be over



Super has weathered the crisis better than many other types of investments

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.

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 | 12 months to 30 June 2009 | % 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.

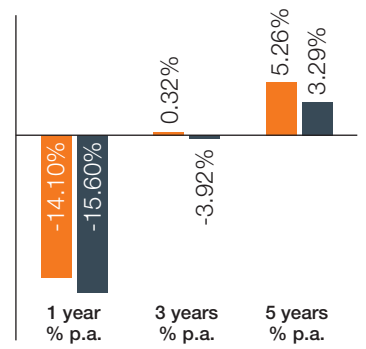
Stay the course

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.

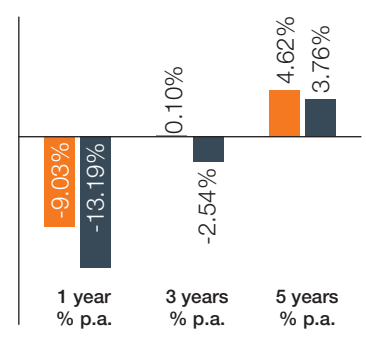
The last financial year will be remembered as one of the most challenging ever for all investors. While most LGsuper members will have suffered negative returns for the year, you can be secure in the knowledge that LGsuper's Board of Directors has delivered some of the best investment returns of any 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.

LGsuper outperformed most super funds in Australia during 2008/09

LGsuper Growth Smoothed performance against average growth option to 30 June 2009



LGsuper Balanced performance against average balanced option to 30 June 2009



Legend:
■ LGsuper performance
■ Median performance

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

→ Take control of your money

As the demands of our hectic lifestyles and careers continue to grow, it can be easy to get caught up in the day-to-day and forget to think about our longer-term financial goals.

Sometimes, after we've paid our monthly bills and loan repayments, we can struggle to make ends meet. But with a little bit of planning, and some willpower, you can make a big difference to your financial situation.

1

Get tough on spending

The best way to find extra money is to create a budget. Sit down and work out your financial goals and a budget that you can afford. Focus on the things you "need" – food and household items – and remove the non-essential things you "want" such as a plasma TV or a new outfit. Being realistic with your goals is the key. It's important to keep some money aside for leisure expenses as it helps control impulse spending and makes it easier to stick to your budget.

Shopping at the supermarket can be a danger area where money seems to disappear before your eyes. With the cost of groceries going up and up, it can be hard to find a balance between the essential items and keeping your budget in order. A good strategy is to make a list. Write down all the things you need before you get to the shops and avoid trawling every aisle in the supermarket, which can lead to impulse purchases.

2

Tackle your debts

The next step to achieving your goals is to reduce your debt as quickly as you can. Try to pay as much as possible off your credit cards each month, as this actually pays off the outstanding balance, rather than just scraping the interest off the top. Experts agree that reducing high interest debt is the key to having more in your savings. If you have multiple loans, consider consolidating them into one. This will help minimise the interest you pay and keep you in control of your expenses. If you have a mortgage, look at making extra repayments if you can. And did you know that making repayments fortnightly instead of monthly can pay an extra 5-10% off your mortgage each month?¹ Saving on the extra interest costs will allow you to own your home sooner and get you closer to being debt free.

¹ Australian Securities and Investments Commission – Budgeting and dealing with unexpected events. Retrieved 21 July 2009 from <http://www.fido.gov.au>

3

Be prepared for emergencies

Of course there will always be times when you need quick access to money for an unforeseen expense or emergency. Make sure you always have a little extra set aside just in case. A good idea is to save your pay rises, bonuses and tax refunds into a separate high interest account. You will see your savings build over time and, because this is extra money you didn't have before, you won't miss it while you continue to stick to your budget. This is also a good way to save for a special goal such as a holiday or a deposit on a home.

Finally, be sure to review your goals and budget annually to make sure they are still relevant and you are still on track.

The best way to find extra money is to create a budget

Save your pay rises, bonuses and tax refunds into a separate high interest account

Need help?

Take a look at www.fido.gov.au for a range of tips and tools to help you manage your money

ask yourself

What are your goals?
What are your needs and wants?
Are you paying too much in interest?
How can you put extra money away?



Making fortnightly repayments instead of monthly can pay an extra 5-10% off your mortgage each month

4

And what about your super?

It's hard to get excited about super when retirement seems such a long way off. But ask anyone in their 50s and they'll tell you that they wish they'd done something more about their super when they were younger. Making just a couple of simple changes now can make a huge difference to the type of lifestyle you will have in retirement.

There's never been a better time

With the financial year only a few months old, there has never been a better time to contribute to your super and increase your balance. Although super has taken a beating in the last 18 months, the markets will turn around. So, by adding to your super now while the markets are low, you will get a bigger boost to your balance when the markets pick up. And the good news is there are some simple ways to kick-start your super without hurting your wallet.

Pay super instead of tax

Salary sacrificing your super contributions is a great way to lift your super balance. By getting your employer to add to your super from your before-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. And if you can spare just a little more from your take-home pay your super will really take off.

Get free money

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. It's free money from the government, so don't miss out!

Ask for advice

If you want to know how salary sacrificing and the super co-contribution could work for you, give our Member Advice team a call on 1800 444 396. This service is free of charge to LGsuper members.

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.

Want to know more?

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

→ Are you covered?

Ever thought about what would happen to your lifestyle and your family if an accident or illness meant you had no income?

It's a pretty worrying thought, but if you don't have enough insurance cover, your loved ones could be left to deal with added financial pressure at a time when they are already emotionally distressed.

Families with dependent children are likely to be the most significantly impacted by the death, injury or illness of a working parent. But even single people need to ensure they have plans in place to cover medical costs, debt repayments and funeral expenses.

So how much cover do I need?

Everyone's lifestyle and financial position is different, so there is no hard and fast rule for working out exactly how much insurance you will need. The following examples are based on research conducted for IFSA¹ and use multiples of salary to calculate insurance needs.



Even single people need to ensure they have plans in place to cover medical costs, debt repayments and funeral expenses

A young single person with no dependents working full-time needs life cover of around 2 times their before-tax salary, while an older single person needs cover of up to 6 times their before-tax salary.



Dean

Age 23
Family single, no children
Occupation Labourer
Salary \$37,000
Estimated amount of death cover needed \$74,000



Clare

Age 38
Family single, no children
Occupation Customer service officer
Salary \$48,000
Estimated amount of death cover needed \$288,000

A parent with young children working full-time needs between 10 and 13 times their before-tax salary, while a parent with older children working full-time needs between 6 and 9 times their before-tax salary.



Greg

Age 40
Family married, two children aged 12 and 9
Occupation Foreman
Salary \$62,000
Estimated amount of death cover needed \$744,000



Sandra

Age 48
Family single, two children aged 20 and 18
Occupation Administrator
Salary \$54,000
Estimated amount of death cover needed \$432,000



What would happen if you were unable to work temporarily due to sickness or injury?

There's a good chance you already have some insurance cover as part of your LGsuper membership

Another way to estimate how much insurance you need, is by working out your debts, expenses and assets. Use the table below as a guide.

How much do I owe?

Cost of paying out your mortgage, credit cards, personal loans and car loans.

\$



What living expenses do I have?

Day-to-day expenses such as groceries, childcare costs and education fees you and/or your dependents would require per year, multiplied by the number of years you would need to provide them for.

\$



Will I have any one-off expenses?

Home repairs, painting the house or buying a replacement car.

\$



How much do I have now?

Bank accounts, super, shares, property, other investments and death/disability insurance you already have.

\$



Your estimated life insurance needs

\$

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.

Protect your income too

It's good to know you are covered if you become permanently injured or worse. But what would happen if you were unable to work temporarily due to sickness or injury? Would you have enough sick leave and savings to see you through? Income protection insurance can provide you with a monthly benefit for up to 2 years if you become disabled due to sickness or injury. Conditions apply.

How much cover do I have?

There's a good chance you already have some insurance cover as part of your LGsuper membership. However, you should check the amount and type of cover you have to ensure it is enough. Your insurance cover is listed in the *Death and disablement benefits* section of your Annual Benefit Statement.

If you think you need more insurance cover you can apply for additional units of cover or for income protection through LGsuper. For more details visit our website at www.lgsuper.org or call us on 1800 444 396.

1. Investment and Financial Services Association *Cost of Underinsurance Project – Analysis of Life Insurance Needs May 2005* available from www.ifsa.com.au

Register for LGsuper online today!

More than 10,000 members are using LGsuper online to check their account balance, update their personal details, check their insurance cover and more.

The service is available 24 hours a day, 7 days a week, so you can view your super at a time and place that suits you.

Registering is easy. Visit www.lgsuper.org, select 'Sign up' from the homepage, enter a few personal details and away you go!



we're with you,
wherever you work

Just because you've changed jobs, doesn't mean you have to change super funds. Any employer can pay into LGsuper.

1800 444 396 www.lgsuper.org

Available to former Qld local government employees only.
You should obtain and read the PDS before deciding to invest.

→ 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.



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ABN 23 053 121 564

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