



LGsuper

Looking after you
and your super

2013 Annual report
to members

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

LGsuper – a complying fund

LGsuper was a complying
 super fund at all times during
 the 2012/13 financial year.
 As a complying fund, LGsuper
 members receive concessional
 tax treatment.

Disclaimer: This annual report has been
 produced by the Queensland Local
 Government Superannuation Board
 (ABN 94 085 088 484 AFSL 230511)
 (LGsuper) as Trustee of the Local
 Government Superannuation Scheme
 (ABN 23 053 121 564) and provides
 general information for LGsuper members.

LGsuper recommends that you should,
 before acting on this information, consider
 your own personal objectives, financial
 needs and situation. LGsuper recommends
 you consult a licensed financial advisor if
 you require advice that takes into account
 your personal circumstances. LGsuper
 has representatives that are authorised
 to provide personal advice on LGsuper
 products and superannuation in general.

The information in this document is up
 to date at the date of preparation of the
 document. Some of the information may
 change following its release. If the change
 is not significant we may not update the
 document immediately. Current information
 about investment performance and other
 issues will be published on our website and
 in our newsletters. We will send you a free
 printed copy at your request.

Where there is an inconsistency between
 this document and the Fund's rules as per
 the LGsuper Trust Deed and Government
 regulations, the rules in the Trust Deed
 and Government regulations shall prevail.

Chairman and CEO's report

On behalf of the LGsuper Board of Directors, it is our pleasure to present the 2013 annual report.



Strong returns as global conditions improve

The 2012/13 year saw a pleasing return to strong, double digit earning rates for most LGsuper members. Australian and overseas sharemarkets made robust gains despite declining in May and June. The Australian economy slowed as the mining investment boom ended, with the RBA cutting rates to a record low in May in an attempt to stimulate growth. Overseas, the Eurozone remained intact, with post-GFC problems seemingly contained despite the underlying issues remaining unresolved, while a severe fiscal contraction in the US was avoided. China faces its own challenges as it attempts to reign in credit growth while continuing to grow its economy.

Against this backdrop it's reassuring to know LGsuper has, according to asset consultant Towers Watson, a very well-diversified and efficient portfolio. This means we are maximising investment returns for the level of investment risk taken, and in the search for further efficiency, we continue to seek investments that produce returns independently of sharemarkets.

Members with money invested in LGsuper's Balanced and Diversified Growth options will also be pleased to know returns continue to outpace inflation by their set percentages, with both default options exceeding their investment objectives over rolling 1, 3 and 10 year

periods. This is in line with our highly diversified investment strategy that aims to protect your account balances when sharemarkets take a downward turn and deliver solid returns in the long run.

Keeping fees low under pressure

LGsuper has always been committed to keeping administration fees low so our members have more money for retirement. This isn't always easy, and the past year has seen the fund experience significant cost pressures as higher APRA levies and expenses associated with implementing Stronger Super measures introduced by the Australian Government hit hard. The Board, after much reflection, increased the administration fee slightly (by 0.03%) for the 2012/13 year to cover the additional costs of running the fund. Even after this very small increase, LGsuper remains one of the lowest cost funds in Australia.

Better services for members

In addition to low fees, we want to help members understand their super so they can make better decisions about their financial future. For the first time, our annual benefit statements show most members an estimate of what their retirement benefit could look like, allowing them to gauge if they are on track and if necessary, make changes to improve their future financial situation. In April 2013 we also introduced an online Knowledge centre to allow members to work their way through articles, learning modules, quizzes, videos and calculators on a range of finance-related topics at their own pace. And our flagship seminar programme went from strength to strength when we introduced a new suite of seminars throughout the year. In fact almost 4,000 members attended 228 seminars across the state in 2012/13 to find out ways to plan a better future.

Chairman and CEO's report cont.

We've also listened to member feedback on our website, and recently rolled out a new-look, tailored topics and improved functionality so members and employers can find the information they need faster and easier than before.

LGsuper is MySuper authorised

LGsuper is proudly authorised to launch a MySuper product for members from 1 January 2014. The timing coincides with Australian Government requirements for employers to pay default superannuation contributions to a MySuper product which must be a single, diversified and low cost investment option that represents good value for money.

Because we already offer members genuine value for money products, deliver solid investment returns and keep our fees lower than most other major super funds we are in a unique position to offer members a MySuper product that is an extension of our existing default options. The success of our application demonstrates APRA's confidence in our fund, its strong governance and quality and cost-effective product and service offerings.

Looking ahead

Meeting the challenges of implementing Australian Government legislative and regulatory reforms, while maintaining a clear focus on our members and improving the services we offer will dominate our priorities in 2013/14.

Key deliverables include:

- Putting in place systems and processes needed to implement the Australian Government's Stronger Super reforms, including introducing a MySuper product and streamlining the administration of member accounts in line with SuperStream obligations.
- Enhancing our website to allow members to change investment options online, view video content and more.
- Maintaining our low-cost position for members.

Farewell to long-serving directors Peter Taylor and Les Tyrell

Lastly, we would like to take this opportunity to thank outgoing directors Peter Taylor and Les Tyrell, who left the LGsuper Board of Directors in 2012/13 after many years of dedicated service. We thank them for their loyalty and commitment to building a better, stronger fund for members during their time with us.

Taking their place, Cr Paul Pisasale and Cr Margaret de Wit were appointed to the Board during the year, and we extend to them a warm welcome.

We encourage you to take a few minutes to read this annual report, and as always, if you have any questions about your super our friendly and knowledgeable team are here to help.



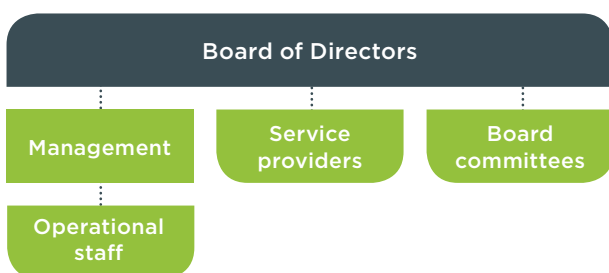
Brian Roebig OAM
Chairman



David Todd
Chief Executive Officer

Governance statement

The Queensland Local Government Superannuation Board (Board) is established under section 208 of the *Local Government Act 2009* (LGA) as a body corporate. Its function under section 209 of the LGA is to act as trustee of the Local Government Superannuation Scheme (LGsuper).



Governance structure

The Board functions through a Board of Directors as provided under section 210 of the LGA which further provides that the Board of Directors:

1. is responsible for how the Board performs its responsibilities
2. must ensure that the Board performs its responsibilities in a proper, effective and efficient way.

The Board's functions, responsibilities and powers are further defined through:

- LGsuper's Trust Deed
- the Board's Charter
- the Board's Fit and Proper policy.

Under the Trust Deed, the composition of the Board of Directors shall be:

- a. three persons appointed on nomination of LGAQ Ltd
- b. one person appointed on the nomination of Brisbane City Council
- c. four persons appointed on the nomination of members of LGsuper and
- d. one or more independent directors.

The methodology for the appointment of the directors is given in the Trust Deed, in particular:

- employer and member representative directors are appointed for four-year terms
- member representative directors are appointed following an election by LGsuper members
- independent directors are appointed by the Board with the term of appointment being determined by the Board up to a maximum of four years
- a director can be removed in the same way they were appointed or if they fail to meet strict requirements under superannuation legislation.

Trustee liability insurance

Like most trustees, the Board has obtained trustee liability insurance. This insurance protects LGsuper from losses that might result from wrongful acts of the Board, its directors or its staff.

Board remuneration policy

Goals

LGsuper's goal is to provide members with high quality, low cost superannuation services. To provide exceptional, professional services the Board must attract and maintain quality staff. The Board's remuneration policy aims to achieve this.

The Board considers that paying remuneration at market rates, providing challenging work and opportunities for staff to develop personally to be 'the best they can be' will achieve this goal. Incentive payments are only utilised to recognise exceptional performance of staff below manager level.

The Board undertakes annual assessments of itself and its staff to determine:

- whether it has the skills necessary to continue to manage members' retirement savings
- whether it is providing exceptional service to members, through the comparison of performance against key performance indicators
- the professional development needs of its directors and staff.

Governance statement cont.

Independent remuneration consultant

The Board utilises the services of an independent consultant, McGuirk Management Consultants (McGuirk), to provide surveys of market salary rates and advice on remuneration practices. McGuirk specialises in remuneration for super funds and financial services organisations in Australia.

Director and management remuneration

Director and management remuneration is reviewed against market rates every two years with salaries being indexed to AWOTE for intervening years.

Staff remuneration

Staff remuneration is reviewed against market rates each year to ensure they are being paid at competitive rates. An incentive scheme is paid annually, subject to a review of performance against team and organisation key performance indicators.

Trust Deed

A number of amendments were made to the Trust Deed during the 2012/13 financial year to allow LGsuper to offer a MySuper product from 1 January 2014 and reflect changes related to the Local Government Act.

The amendments required for MySuper were to:

- offer a single diversified investment strategy for the MySuper product.
- allow different earning rates for that strategy based on the members' age, making the investment strategy a lifecycle investment strategy.
- require insurance benefits for MySuper members unless they opt out.
- only allow transfers out of MySuper accounts where the member consents.
- require members to choose an investment option/s when opening their Pension account.

Other Trust Deed amendments related to changes to the Local Government Act, were to:

- specify the number of employer representatives (four) and member representatives (four) in the Trust Deed, rather than the Local Government Act.
- give the Board the power to delegate its powers to a committee of directors or an employee of the Board.
- remove the requirement for the Auditor-General of Queensland to be appointed as the auditor and insert the requirement to appoint an auditor in accordance with superannuation legislation.
- allow the Board to excuse a member from making the contribution required under the Local Government Act for up to a year where the member is in financial hardship and the employer and member agree in writing.

Board of Directors

2012/13

Transitional Board of Directors

On 1 July 2011 the Local Government Superannuation Scheme (LGsuper) merged with the Brisbane City Council Superannuation Plan (City Super). For the period since merging with City Super until 30 June 2014, a transitional Board of Directors is in place. This arrangement is designed to provide continuity of oversight during the merger transition period. The transitional Board of Directors consists of:

- four member representative directors, three of which were elected by LGsuper members in 2008 and one previous City Super member representative nominated by the trustee of City Super
- four employer representative directors, three of which were nominated by the Local Government Association of Queensland (LGAQ) in 2008 and one previous City Super employer representative nominated by Brisbane City Council
- one independent director appointed by the Board, who also acts as Chairman.

The next member representative election will take place in 2014. Similarly, nominations for employer representative directors will be requested in 2014.

Independent Director and Chairman



Brian Roebig OAM

Member, Audit and Risk Management Committee

Brian Roebig has been independent director and chairman since 1 August 1995. With more than 30 years' experience in superannuation and finance, Brian's previous positions include General Manager of National Mutual in Queensland, director of numerous finance and investment-related public companies, Director of South Bank Corporation and Chairman of ASX-listed First Australian Building Society (now part of Bendigo Bank).

Brian holds a Bachelor of Arts (Economics), and is a Fellow of both the Australian Institute of Company Directors and the Australian Insurance Institute.

Member representatives

Noel Cass Director



Noel Cass has been a director since 1 July 2008 and had previously been an LGsuper director from 1995 to 2004. Noel has 40 years' experience working in local government, including 35 years as a chief executive officer. Noel retired from his position as Chief Executive Officer of Jondaryan Shire Council in 2008. He has qualifications in local government administration, accounting and environmental health.

Ron Curtis Director



Ron Curtis has been an LGsuper director since 1 July 2011, and was a member representative director of City Super from 2005. He served as Chair of City Super from 2009 to 2011, and also served on numerous City Super committees. Ron's experience as a representative on superannuation fund boards spans back to 1988, and he has been a Brisbane City Council employee in the Industrial Relations area since 2002.

Fiona Connor Director



Member, Audit and Risk Management Committee

Fiona Connor has been a director since 1 July 2001 and was previously employed by LGsuper from 1990 to 1999. Fiona has a Bachelor of Business (Public Sector Management), a Certificate in Governance Practice and Administration and a Diploma of Financial Services (Superannuation). She is also a Graduate Member of the Australian Institute of Company Directors and a Member of Chartered Secretaries Australia.

Peter Smith Director



Peter Smith has been a director since 1 July 2008 and was LGsuper's Chief Executive Officer from 1988 to 2006. Peter previously held chief executive and other senior positions with superannuation funds for public utilities, global mining and pharmaceutical companies. Peter holds a Diploma of Financial Services and is a Fellow of the Association of Superannuation Funds of Australia (ASFA). He is a retired member of the National Institute of Accountants and a retired member and Senior Associate of the Australian Insurance Institute.

Board of Directors cont.

Employer representatives

Cr Paul Bell AM Director



Chairman, Audit and Risk Management Committee

Cr Paul Bell has been a director since 1 July 2004 and is a past President of the Local Government Association of Queensland (LGAQ) and the Australian Local Government Association (ALGA). Paul is currently a Councillor for the Central Highlands Regional Council and was Mayor of Emerald Shire Council from 1991 to 2000. He has been a Councillor since 1985. Paul's previous roles include Director of Ergon Energy and Queensland Rail. He is a Member of the Australian Institute of Company Directors and has a Bachelor of Business (Administration).

Cr Margaret de Wit Director



Cr Margaret de Wit became an LGsuper director on 1 June 2013 and is President of the Local Government Association of Queensland (LGAQ). She has been a Councillor with Brisbane City Council since 1997, and has held several positions there, including her current role as Chairman. Margaret is also on the Board of the Australian Local Government Association (ALGA). Margaret's career also includes 20 years at Telecom Australia (now Telstra) and several years in the not-for-profit sector. She holds a Graduate Diploma of Business Administration and a Diploma of Financial Planning, and is a Graduate of the Australian Institute of Company Directors.

Louise Dudley Director



Member, Audit and Risk Management Committee

Louise Dudley has been an LGsuper director since 1 July 2011 and was an employer representative director of City Super from 2007. Louise is currently Chief Executive Officer of Queensland Urban Utilities (QUU) and previously held senior executive roles with Brisbane City Council including Executive Manager, Water Retail and Director, Finance and Legal Water Transition Program. Louise is a Chartered Accountant with 27 years' experience and holds a Bachelor of Commerce and a Certificate of Superannuation Management. She is a graduate member of the Australian Institute of Company Directors and an Associate Member of the Institute of Chartered Accountants.

Cr Paul Pisasale Director



Cr Paul Pisasale became an LGsuper director on 1 September 2012. He has represented the City of Ipswich for 20 years, and was first elected Mayor in March 2004. Among other positions held, Paul is currently Chair of the National Growth Areas Alliance, Director of Events Queensland, Director of Ipswich City Properties Pty Ltd, Ipswich City Developments Pty Ltd, Ipswich City Enterprises Pty Ltd and Ipswich City Enterprises Investments Pty Ltd. Paul is a Fellow of the Australian Institute of Company Directors.

Directors who ceased in 2012/13

Peter Taylor Director



Peter Taylor was a director from 1998 to 31 May 2013 and is the former Mayor of Toowoomba Regional Council. He was previously Mayor (1994 to 2008) and Councillor (1976 to 1994) of Jondaryan Shire Council and ran his own agricultural business on the Darling Downs for 30 years. He is a Fellow of the Australian Institute of Company Directors, holds a Certificate of Development Practice and is currently studying for a Masters of Development Practice.

Cr Les Tyrell OAM Director



Cr Les Tyrell was a director from 1 July 2008 to 31 August 2012 and was previously an LGsuper director from 1995 to 2004. Les is the former Mayor of Townsville City Council. He was formerly Mayor (1991 to 2008) and Councillor (1979 to 1991) of Thuringowa City Council and prior to that, ran his own financial services consultancy business for 12 years. Les has a background in accounting and management.

Management and staff

The Chief Executive Officer reports to the Board of Directors on delegated responsibilities for the administration and operation of LGsuper. The Scheme Secretary and Deputy Chief Executive Officer, General Manager Operations and Chief Financial Officer assist him in this role.

At 30 June 2013 LGsuper had 60 staff.

Chief Executive Officer



David Todd

David Todd has been the CEO since 2006 and prior to this he was the Chief Manager Investments from 2005. David's previous roles include General Manager Investments for Reinsurance Australia/Calliden (1994 to 2004), General Manager Treasury for TNT (1983 to 1994) and various accounting positions in Australian companies. David has a Bachelor of Commerce (Accounting, Finance and Systems), is a member of CPA Australia and is a Certified Senior Treasury Professional (Finance and Treasury Association). David is a Responsible Manager under the Board's Australian Financial Services (AFS) licence and a Responsible Officer under the Registrable Superannuation Entity (RSE) licence.

Scheme Secretary and Deputy Chief Executive Officer



Ian Harcla

Ian Harcla has been the Scheme Secretary and Deputy CEO since 2006. Ian's previous roles include General Manager of the Queensland Coal and Oil Shale Mining Industry Superannuation Fund (1989 to 2005) and various audit positions with the Queensland Audit Office. He has a Bachelor of Business (Accounting), a Graduate Diploma in Management and a Graduate Diploma in Applied Finance and Investment. Ian is a Fellow of the Association of Superannuation Funds of Australia (ASFA), a member of CPA Australia and a Graduate Member of the Australian Institute of Company Directors. He is a Responsible Manager under the Board's AFS licence and a Responsible Officer under the RSE licence.

General Manager Operations



Timothy Willmington

Timothy Willmington has been the General Manager Operations since 2006 and has held various positions with LGsuper since 1989. Previously, he was employed by QSuper (1986 to 1989). Tim has a Bachelor of Business (Management and HRM), a Diploma of Financial Services (Superannuation), an Associate Diploma of Superannuation Management and is a Fellow of ASFA. He is a Responsible Manager under the Board's AFS licence and a Responsible Officer under the RSE licence.

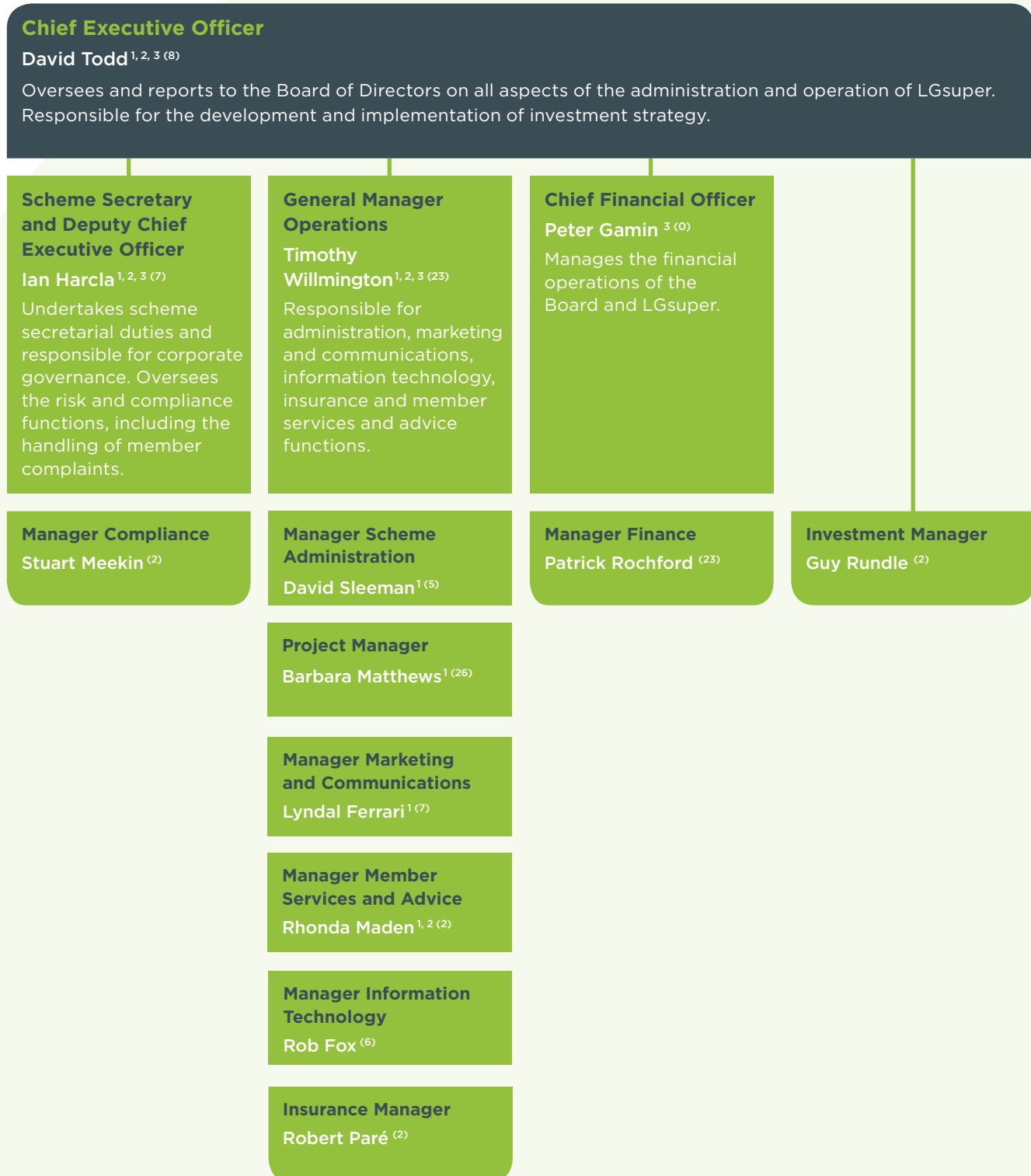
Chief Financial Officer



Peter Gamin

Peter Gamin was appointed Chief Financial Officer in 2013. His key responsibility is to manage the financial operations of the Board and LGsuper. Peter's previous roles include Head of Corporate Finance, Head of Fund Finance and other senior finance positions at QIC (2003 to 2012), Group Financial Accountant at Queensland Cement Limited (1995 to 2003) and Manager at KPMG (1988 to 1995). Peter has a Bachelor of Business and a Master of Commerce. He is a Fellow of the Institute of Chartered Accountants, an Associate of Chartered Secretaries Australia and a Certified Finance and Treasury Professional. Peter is a Responsible Officer under the Board's RSE licence.

Organisational structure



¹Authorised representative under Australian Financial Services Licence No. 230511

²Responsible Manager under Australian Financial Services Licence No. 230511

³Responsible Officer under RSE Licence

Figures in brackets indicate number of completed years of service at 30 June 2013.

Investments

The Board of Directors' general investment objectives for LGsuper assets are:

- to invest the assets as permitted by the Trust Deed or by law
- to prudently manage all aspects of risk in relation to LGsuper assets, by ensuring:
 - assets are adequately diversified
 - assets have an appropriate level of liquidity
 - assets are sufficient to meet benefit payments when they fall due
 - any third party to whom investment decision-making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to them, and the actions of the third party are fully accountable to the Board.

The Board of Directors holds the following beliefs:

- Our primary objective is to provide a secure source of retirement income for LGsuper members. The Board adheres to the principles of capital market theory which maintain that over the long term, prudent investment risk-taking is rewarded with incremental returns. So, while capital preservation is important, the Board regards prudent risk-taking as justifiable.
- Our main goal is to set an appropriate level of investment risk, and then subject to this, create value by maximising the return per unit of risk. For the accumulation section, the primary risk measure is defined as the volatility of returns. Peer group risk (i.e. the risk of underperforming other superannuation funds of a similar nature) is assessed as a secondary measure. For the defined benefit section, risk is defined relative to the liabilities.
- Strategic asset allocation is the primary determinant of LGsuper returns. It is set with reference to an asset model that factors in long-term expected return and risk characteristics.
- Other things being equal, a strategy that comprises a more diverse exposure to asset class and manager risks is preferable to one with concentrated risk exposures.
- For asset classes for which assumptions are expected to be less robust, or for which there are additional important considerations such as illiquidity, a practical limit is imposed.
- For the introduction of a new asset class into the strategy to be worthwhile in terms of risk and/or return, and taking into account the overall governance, it must be awarded an allocation sufficiently large so as to have a meaningful impact on the total fund or option's expected characteristics.
- Our investment objectives are long-term in nature, and the Board does not believe it has the capability to tactically adjust the strategic allocations to asset classes or currencies to exploit short-term changes in market conditions. However, the strategic asset allocation is expected to be reviewed periodically (typically annually) to allow for significant changes to market conditions and/or long-term asset class assumptions.
- The Board recognises that markets can move outside long-term fair value ranges and will implement medium-term tilts to strategic allocation to add return/reduce risk. This dynamic approach to strategic allocation is typically over a 3 year+ time horizon.

Allocation of earnings

Earning rates on the following pages are the net investment return that applies to your account, after fees and tax, at the end of each financial year. It can be positive or negative, and is a reflection of how your investment performs.

LGsuper publishes a daily indication of performance of each of LGsuper's investment options—a daily movement percentage and a year to date performance percentage. This reflects the performance of appropriate market benchmarks from two business days earlier. If you make withdrawals or switch investment options during the month we use this rate in our calculation of your current balance.

After the end of each month, the earning rates are adjusted to reflect the actual investment returns achieved for that month (net of any tax and fees).

Following the end of each financial year, an annual 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.

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.

Accumulation Benefits Fund

Accumulation accounts, Retained Benefit accounts, Spouse accounts and Pension accounts

Aggressive

Investment objective 4.5% p.a. above inflation over rolling 5-year periods

Risk High



Diversified Growth

Investment objective 4% p.a. above inflation over rolling 5-year periods

Risk Medium to high



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	17.86	19.35
2012	-1.28	-1.35
2011	12.77	13.94
2010	7.63	8.44
2009	-16.66	-19.36
5-yr avge (% p.a.)	3.31	3.24
% p.a. over CPI	0.92	0.85

Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	13.95	15.21
2012	1.62	1.82
2011	11.59	12.80
2010	9.43	10.43
2009	-14.17	-16.46
5-yr avge (% p.a.)	3.95	4.07
% p.a. over CPI	1.56	1.68

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	100	100
Australian shares	34.0	26.5-41.5
International shares	34.0	26.5-41.5
Property	15.0	7.5-22.5
Alternatives	17.0	9.5-24.5
Risk-controlling	0	0
Fixed interest	0	0
Cash	0	0

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	88.5	81.0-96.0
Australian shares	23.9	16.4-31.4
International shares	23.9	16.4-31.4
Property	15.0	7.5-22.5
Alternatives	25.7	18.2-33.2
Risk-controlling	11.5	4.0-19.0
Fixed interest	11.5	4.0-19.0
Cash	0	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	100	96.3
Australian shares	36.5	33.5
International shares	37.0	35.0
Property	13.2	14.3
Alternatives	13.3	13.5
Risk-controlling	0	3.7
Fixed interest	0	0
Cash	0	3.7

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	88.3	82.8
Australian shares	25.7	23.5
International shares	29.4	24.6
Property	13.2	14.3
Alternatives	20.0	20.4
Risk-controlling	11.7	17.2
Fixed interest	11.2	13.6
Cash	0.5	3.6

¹ Past performance is not an indicator of future performance

Accumulation Benefits Fund cont.

Diversified Growth plus Reserves (closed)

Investment objective 4% p.a. above inflation over rolling 5-year periods

Risk Medium to high



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	15.83	17.09
2012	6.14	6.30
2011	9.32	10.05
2010	6.26	6.86
2009	-14.10	-16.39
5-yr avge (% p.a.)	4.17	4.12
% p.a. over CPI	1.78	1.73

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	88.5	81.0-96.0
Australian shares	23.9	16.4-31.4
International shares	23.9	16.4-31.4
Property	15.0	7.5-22.5
Alternatives	25.7	18.2-33.2
Risk-controlling	11.5	4.0-19.0
Fixed interest	11.5	4.0-19.0
Cash	0	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	88.3	82.6
Australian shares	25.7	24.7
International shares	29.4	24.5
Property	13.2	13.5
Alternatives	20.0	19.9
Risk-controlling	11.7	17.4
Fixed interest	11.2	15.3
Cash	0.5	2.1

Balanced

Investment objective 3.5% p.a. above inflation over rolling 5-year periods

Risk Medium



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	10.08	11.12
2012	5.07	5.71
2011	9.68	10.89
2010	10.02	11.21
2009	-9.03	-10.33
5-yr avge (% p.a.)	4.89	5.37
% p.a. over CPI	2.50	2.98

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	62.8	55.3-70.3
Australian shares	15.1	7.6-22.6
International shares	15.1	7.6-22.6
Property	15.0	7.5-22.5
Alternatives	17.6	10.1-25.1
Risk-controlling	37.2	29.7-44.7
Fixed interest	37.2	29.7-44.7
Cash	0	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	61.7	58.7
Australian shares	16.2	14.9
International shares	18.6	15.5
Property	13.2	14.3
Alternatives	13.7	14.0
Risk-controlling	38.3	41.3
Fixed interest	36.3	41.3
Cash	2.0	0

Stable

Investment objective 2.5% p.a. above inflation over rolling 5-year periods

Risk Low to medium



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	7.16	8.05
2012	6.24	7.10
2011	7.90	9.00
2010	8.53	9.64
2009	-4.79	-5.34
5-yr avge (% p.a.)	4.88	5.53
% p.a. over CPI	2.49	3.14

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	42.2	34.7-49.7
Australian shares	8.1	0.6-15.6
International shares	8.1	0.6-15.6
Property	15.0	7.5-22.5
Alternatives	11.0	3.5-18.5
Risk-controlling	57.8	50.3-65.3
Fixed interest	37.8	30.3-45.3
Cash	20.0	12.5-27.5

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	40.4	39.3
Australian shares	8.6	7.9
International shares	9.9	8.3
Property	13.2	14.3
Alternatives	8.7	8.8
Risk-controlling	59.6	60.7
Fixed interest	36.8	44.7
Cash	22.8	16.0

¹ Past performance is not an indicator of future performance

Defensive

Investment objective 2% p.a. above inflation over rolling 5-year periods

Risk Very low



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	4.86	5.61
2012	7.27	8.63
2011	6.27	7.45
2010	8.68	9.88
2009	-0.59	-0.64
5-yr avge (% p.a.)	5.25	6.12
% p.a. over CPI	2.86	3.73

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	21.6	14.1-29.1
Australian shares	3.8	0-11.3
International shares	3.8	0-11.3
Property	7.5	0-15.0
Alternatives	6.5	0-14.0
Risk-controlling	78.4	70.9-85.9
Fixed interest	48.4	40.9-55.9
Cash	30.0	22.5-37.5

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	20.5	19.9
Australian shares	4.1	3.7
International shares	4.7	3.9
Property	6.6	7.1
Alternatives	5.1	5.2
Risk-controlling	79.5	80.1
Fixed interest	47.1	57.2
Cash	32.4	22.9

SR Balanced

Investment objective 4% p.a. above inflation over rolling 5-year periods

Risk High



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	16.73	18.50
2012	-0.83	-0.81
2011	7.65	8.61
2010	8.03	9.23
2009	-10.03	-11.63
5-yr avge (% p.a.)	3.91	4.27
% p.a. over CPI	1.52	1.88

Strategic asset allocation and ranges

At 30 June	2013 %	Ranges %
Return-seeking	69.0	
Australian shares	33.0	26-40
International shares	24.5	15-35
Property	10.0	0-15
Alternatives	1.5	0-6
Risk-controlling	31.0	
Fixed interest	25.0	15-30
Cash	6.0	0-16

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	70.0	75.5
Australian shares	32.2	35.0
International shares	25.5	26.3
Property	10.0	13.1
Alternatives	2.3	1.1
Risk-controlling	30.0	24.5
Fixed interest	16.5	22.0
Cash	13.5	2.5

SR Australian Shares

Investment objective outperform S&P ASX300 Accumulation Index over rolling 5-year periods

Risk Very high



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	28.86	30.39
2012	-1.49	-1.55
Avg since inception (% p.a.)	12.67	13.30

Strategic asset allocation

At 30 June	2013 %
Return-seeking	100
Australian shares	100
International shares	0
Property	0
Alternatives	0
Risk-controlling	0
Fixed interest	0
Cash	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	100	100
Australian shares	100	100
International shares	0	0
Property	0	0
Alternatives	0	0
Risk-controlling	0	0
Fixed interest	0	0
Cash	0	0

¹ Past performance is not an indicator of future performance

Accumulation Benefits Fund cont.

International Shares

Investment objective outperform a composite index of international shares over rolling 5-year periods

Risk High



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	26.57	29.91
2012	0.27	0.36
Avg since inception (% p.a.)	12.66	14.19

Australian Shares

Investment objective outperform a composite index of Australian shares over rolling 5-year periods

Risk Very high



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	15.82	16.69
2012	-9.56	-10.54
Avg since inception (% p.a.)	2.35	2.17

Property

Investment objective 5% p.a. above inflation over rolling 5-year periods

Risk Medium to high



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	10.47	11.69
2012	6.80	7.59
Avg since inception (% p.a.)	8.62	9.62

Strategic asset allocation

At 30 June	2013 %
Return-seeking	100
Australian shares	0
International shares	100
Property	0
Alternatives	0
Risk-controlling	0
Fixed interest	0
Cash	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	100	100
Australian shares	0	0
International shares	100	100
Property	0	0
Alternatives	0	0
Risk-controlling	0	0
Fixed interest	0	0
Cash	0	0

Strategic asset allocation

At 30 June	2013 %
Return-seeking	100
Australian shares	100
International shares	0
Property	0
Alternatives	0
Risk-controlling	0
Fixed interest	0
Cash	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	100	100
Australian shares	100	100
International shares	0	0
Property	0	0
Alternatives	0	0
Risk-controlling	0	0
Fixed interest	0	0
Cash	0	0

Strategic asset allocation

At 30 June	2013 %
Return-seeking	100
Australian shares	0
International shares	0
Property	100
Alternatives	0
Risk-controlling	0
Fixed interest	0
Cash	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	100	100
Australian shares	0	0
International shares	0	0
Property	100	100
Alternatives	0	0
Risk-controlling	0	0
Fixed interest	0	0
Cash	0	0

¹ Past performance is not an indicator of future performance

Diversified Fixed Interest

Investment objective outperform a composite index of Australian and international fixed interest over rolling 5-year periods

Risk Very low



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	2.35	2.83
2012	10.13	11.99
Avg since inception (% p.a.)	6.17	7.31

Strategic asset allocation

At 30 June	2013 %
Return-seeking	0
Australian shares	0
International shares	0
Property	0
Alternatives	0
Risk-controlling	100
Fixed interest	100
Cash	0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	0	0
Australian shares	0	0
International shares	0	0
Property	0	0
Alternatives	0	0
Risk-controlling	100	100
Fixed interest	100	100
Cash	0	0

Cash

Investment objective RBA official cash rate over rolling 5-year periods

Risk Very low



Returns¹

30 June	Accumulation accounts %	Pension accounts %
2013	3.18	3.78
2012	4.18	4.96
2011	4.05	4.81
2010	2.93	3.52
2009	3.77	4.27
5-yr avge (% p.a.)	3.62	4.27
% p.a. over CPI	1.23	1.88

Strategic asset allocation and ranges

At 30 June	2013 %
Return-seeking	0
Australian shares	0
International shares	0
Property	0
Alternatives	0
Risk-controlling	100
Fixed interest	0
Cash	100

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	0	0
Australian shares	0	0
International shares	0	0
Property	0	0
Alternatives	0	0
Risk-controlling	100	100
Fixed interest	0	0
Cash	100	100

¹ Past performance is not an indicator of future performance

Defined Benefits Funds

Defined Benefits Fund

Investment objective achieve returns in excess of salary inflation plus 1.5% p.a. over rolling 3-year periods

Returns¹

30 June	Investment return %	Accumulation comparison rate %
2013	10.08	8.60
2012	5.07	6.43
2011	9.68	8.43
2010	10.02	6.55
2009	-9.03	-19.00
3-yr avge (% p.a.)	8.25	7.82
% p.a. over AWOTE ²	3.89	

Strategic asset allocation

At 30 June	2013 %
Return-seeking	62.8
Australian shares	15.1
International shares	15.1
Property	15.0
Alternatives	17.6
Risk-controlling	37.2
Fixed interest	37.2
Cash	0.0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	61.7	58.7
Australian shares	16.2	14.9
International shares	18.6	15.5
Property	13.2	14.3
Alternatives	13.7	14.0
Risk-controlling	38.3	41.3
Fixed interest	36.3	41.3
Cash	2.0	0

Defined Benefit account

(former City Super)

Investment objective achieve returns in excess of salary inflation plus 1.5% p.a. over rolling 3-year periods

Returns¹

30 June	Investment return %	Crediting rate %
2013	10.84	7.00
2012	2.03	6.77
2011	8.31	1.50
2010	9.93	-3.88
2009	-12.63	-2.31
3-yr avge (% p.a.)	7.00	5.06
% p.a. over AWOTE ²	2.64	

Strategic asset allocation

At 30 June	2013 %
Return-seeking	62.8
Australian shares	15.1
International shares	15.1
Property	15.0
Alternatives	17.6
Risk-controlling	37.2
Fixed interest	37.2
Cash	0.0

Actual asset allocation

At 30 June	2013 %	2012 %
Return-seeking	61.7	74.9
Australian shares	16.2	20.7
International shares	18.6	21.6
Property	13.2	14.3
Alternatives	13.7	18.3
Risk-controlling	38.3	25.2
Fixed interest	36.3	23.7
Cash	2.0	1.5

Actuarial valuations

LGsuper has two Defined Benefit Funds that are separately managed and regularly reviewed through actuarial valuations to determine if there are sufficient funds to pay members' benefits. The next actuarial valuations for both funds will be undertaken at 1 July 2015.

Regional Defined Benefits Fund

The last actuarial valuation of the regional Defined Benefits Fund was conducted at 1 July 2012. The actuary concluded from the review that the regional Defined Benefits Fund was in a satisfactory but modest financial position.

Former City Super Defined Benefit Fund

The former City Super Defined Benefit Fund was transferred to LGsuper on 1 July 2011 as part of the LGsuper and City Super merger. The last full actuarial valuation was conducted at 1 July 2012.

Vested Benefits Index

The Vested Benefits Indexes below show the ratio of fund assets to the amount of members' vested benefits at 30 June.

Fund	2013 %	2012 %	2011 %
Regional Defined Benefits Fund	106-107 ³	103.5	104.9
Former City Super Defined Benefit Fund	108 ³	102.6	n/a

¹ Past performance is not an indicator of future performance

² Proxy for salary growth

³ Preliminary

Insurance Fund

Insurance Fund

More details on the Insurance Fund are shown in the Abridged financial statements.

Returns¹

30 June	%
2013	5.94
2012	4.54
2011	6.51
2010	5.96
2009	-0.98
5-yr avge (% p.a.)	4.36

Strategic asset allocation

At 30 June	2013
	%
Return-seeking	25.0
Australian shares	6.0
International shares	6.0
Property	6.0
Alternatives	7.0
Risk-controlling	75.0
Fixed interest	15.0
Cash	60.0

Actual asset allocation

At 30 June	2013	2012
	%	%
Return-seeking	24.7	23.2
Australian shares	6.5	6.4
International shares	7.4	6.4
Property	5.3	5.4
Alternatives	5.5	5.1
Risk-controlling	75.3	76.4
Fixed interest	14.5	16.3
Cash	60.8	60.1

¹ Past performance is not an indicator of future performance

Market update

LGsuper delivered strong, positive returns for 2012/13 as global conditions improved. The following market update explains.

International shares

Global sharemarkets were again buffeted by macroeconomic events throughout the year. While Europe's post-GFC problems appear contained they remain unresolved with several southern countries still battling recession and austerity measures. China faces difficulties as its government attempts to simultaneously control credit growth and grow the economy at a sufficient rate to spur employment. And the withdrawal of Quantitative Easing in the US has caused uncertainty in financial markets globally.

Japan's Nikkei returned a huge 50.7%, while Germany's DAX ended up 28.3% and the US S&P500 up 21.1%. In contrast, the Chinese Shanghai Composite index fell by 11% over 2012/13, plagued by concerns over the growth outlook in China as data failed to show any expected improvement.

Our value-style managers performed particularly well in this environment with Sanders Capital (39.2%) and Brandes (36.6%) significantly outperforming their benchmarks.

Australian shares

The S&P/ASX 200 Accumulation Index rose to its highest level in nearly 5 years in mid-May before giving up some of these gains in late May and June as global macroeconomic concerns, particularly from the US and China, affected sentiment.

Over the year, the ASX200 Accumulation Index climbed 22.7%, predominantly on the back of the healthcare sector (up 42.5%) while telecommunications and financial shares also experienced strong gains. The mining sector underperformed, returning -9.3% for the year, partly as a result of concerns over the future pace of economic growth in China and flow on effects to demand for Australian commodities.

While large-cap shares generally had a good year, the small caps sector performed poorly to return -5.3%. Industrials returned 11.4%, while the resources sector lost 48.7%. Small cap resource shares were impacted by a weaker Australian dollar and falling gold and iron ore prices.

Property

LGsuper's property portfolio consists of high quality office buildings, retail shopping centres and industrial properties both in Australia and abroad. With low gearing and low vacancy rates, these investments provide consistent rental income streams and strong capital growth. Stand-out performers were investments in the GPT Office Fund which returned 10.9% and QIC Shopping Centre Fund 8.7%.

In addition to the solid performance of LGsuper's unlisted property holdings, our global listed shares performed exceptionally well to return 17.5%.

Alternatives

Our investments in alternatives returned an impressive 8.1% for 2012/13 before tax and fees. Within this sector we invest across three broad themes - infrastructure, hedge funds and emerging market/high-yield debt to reduce risk and smooth investment returns. While all of our investments contributed to this positive performance, our infrastructure holdings were particularly strong.

Throughout the year LGsuper continued to invest in infrastructure assets, with significant allocations made to the renewable energy sector including wind farms in Australia, solar farms in Thailand and hydro-electric facilities in India, among many other exciting assets. We will continue to expand investments in this sector over the coming years as new opportunities present themselves.

Fixed interest and cash

Australia continued to attract the investment attention of global central banks, as our relatively strong economy, AAA credit rating and low inflation combined to form our safe-haven country status.

The RBA cut the official cash rate three times over the course of the year to a 53-year low of 2.75% p.a. With the peak in the mining boom now behind us, the RBA attempted to stimulate other sectors of the economy.

The Australian dollar (AUD) depreciated by 4.5% against the US dollar in June, ending the month at \$0.9138 US - its lowest level since October 2010 - and down 10.7% for the year.

Looking forward

In the year ahead financial markets will continue to focus on macroeconomic themes, and in particular, the US Federal Reserve's tapering of their \$85 billion a month bond purchasing program. It's widely accepted that the Federal Reserve's open discussion on tapering is potentially an indication the US is back on track to grow its economy. Recent data confirms the US is recovering and will likely be a key driver of future global growth.

With the peak in mining investment now behind us, Australia will need to continue to stimulate other sectors of the economy to ensure growth is maintained.

Where your money is invested

Top 10 Australian shares at 30 June 2013

- 1** BHP Billiton
MINING
- 2** Westpac
FINANCE
- 3** CBA
FINANCE
- 4** QBE Insurance
INSURANCE
- 5** ANZ
FINANCE
- 6** Rio Tinto
MINING
- 7** NAB
FINANCE
- 8** Santos
ENERGY
- 9** Telstra
TELECOMMUNICATIONS
- 10** Woolworths
RETAIL

Top 10 International shares at 30 June 2013

- 1** Simon Property Group
PROPERTY
- 2** Microsoft
SOFTWARE
- 3** AvalonBay Communities
PROPERTY
- 4** Wells Fargo
FINANCE
- 5** British American Tobacco
TOBACCO
- 6** Westfield Group
PROPERTY
- 7** Philip Morris
TOBACCO
- 8** Mastercard
FINANCE
- 9** Coca-Cola
BEVERAGES
- 10** Visa
FINANCE

2012/13 LGsuper portfolio returns by asset class

Returns shown are before fees and tax.

Asset class	Gross return % p.a.
Australian shares	17.68
International shares	30.61
Property	12.49
Alternatives	8.09
Fixed interest	3.52
Cash	4.26

Fees and costs

Type of fee or cost	Amount	How and when paid	
Fees when your money moves in or out of the fund			
Establishment fee The fee to open your investment.	Nil	Not applicable	
Contribution fee The fee on each amount contributed to your investment – either by you or your employer.	Nil	Not applicable	
Withdrawal fee The fee on each amount you take out of your investment.	Nil	Not applicable	
Termination fee The fee to close your investment.	Nil	Not applicable	
Management costs			
The fees and costs for managing your investment. Actual charged to LGsuper members in 2012/13.		Administration and investment management fees are subtracted from investment earnings to determine the earning rate applied to your account each year. The investment management fee includes fees for investment trusts. Trust fees are taken out before LGsuper receives investment returns.	
Investment option	Administration fee % p.a.	Investment management fee % p.a. ¹	Total fee % p.a.
Aggressive	0.21	0.51	0.72
Diversified Growth	0.21	0.49	0.70
Diversified Growth plus Reserves	0.21	0.49	0.70
Balanced	0.21	0.42	0.63
Stable	0.21	0.32	0.53
Defensive	0.21	0.23	0.44
SR Balanced	0.21	0.84	1.05
SR Australian Shares	0.21	0.80	1.01
International Shares	0.21	0.48	0.69
Australian Shares	0.21	0.48	0.69
Property	0.21	0.72	0.93
Diversified Fixed Interest	0.21	0.20	0.41
Cash	0.21	0.02	0.23
Service fees²			
Investment switching fee The fee for changing investment options.	Nil	Not applicable	
Management costs			
Estimated for 2013/14.		Administration and investment management fees are subtracted from investment earnings to determine the earning rate applied to your account each year. The investment management fee includes fees for investment trusts. Trust fees are taken out before LGsuper receives investment returns.	
Investment option	Administration fee % p.a.	Investment management fee % p.a. ¹	Total fee % p.a.
Aggressive	0.21	0.49	0.70
Diversified Growth	0.21	0.51	0.72
Balanced	0.21	0.43	0.64
Stable	0.21	0.35	0.56
Defensive	0.21	0.27	0.48
SR Balanced	0.21	0.90	1.11
SR Australian Shares	0.21	0.84	1.05
International Shares	0.21	0.41	0.62
Australian Shares	0.21	0.39	0.60
Property	0.21	0.61	0.82
Diversified Fixed Interest	0.21	0.23	0.44
Cash	0.21	0.09	0.30

¹ These costs include investment management fees, master custodian fees, investment consultants' fees (e.g. asset consultant, legal fees) as well as a fee for the ongoing administration of investments.

² See *Incidental fees* following for more information on insurance administration and financial advice fees.

Fee changes

Management costs only cover the actual costs of administration and investment management, and as such, may vary from year to year. We report the actual fees in this Annual report to members each year. Before the start of each financial year LGsuper estimates fees for the year ahead. These estimates only change where necessary to ensure costs are covered.

Performance fees

Performance fees are paid to some investment managers when they outperform a set benchmark. These fees are calculated by comparing the difference between the benchmark and actual performance for each investment, and multiplying the outperformance by the performance bonus rate payable. Performance fees of approximately \$1.2 million are included in the management costs for 2012/13 % p.a.

Due to the difficulty in predicting performance fees for future years, performance fees have not been included in the estimated management costs for 2013/14.

Transactional and operational costs

Net returns declared by investment managers reflect the transactional and operational expenses of investing, such as brokerage, stamp duty, direct property repair and maintenance costs and buy-sell spreads where applicable. These net returns are, in turn, reflected in the final earning rates determined each year. No brokerage or buy-sell spreads are charged directly on your money.

Incidental fees

Insurance administration fee

An Insurance administration fee of 1.087% plus GST is included in all Death, Total and Permanent Disablement and Income Protection premiums. This fee is used to partially offset the administration cost of managing LGsuper's insurance arrangements.

Financial advice fees

LGsuper does not charge a fee for the provision of general advice, or for limited single issue personal advice (e.g. salary sacrifice, super co-contribution) where a limited Statement of Advice is provided following face-to-face or phone consultation with an LGsuper representative.

LGsuper members who receive more comprehensive personal advice and/or meet with an LGsuper advice representative will be charged on a fee-for-service basis. A fee of \$220 including GST will be charged for an in person or phone meeting and a fee of \$220 including GST will be charged for more comprehensive personal advice.

The fee charged for advice directly related to your LGsuper account may be deducted from your LGsuper account on request. The fees will be explained to you in detail if you ask for this advice.

LGsuper is committed to giving you solid returns over the long-term, low fees and quality service. The slight increase of 0.03% per annum from our 2011/12 administration fee was necessary to cover significant increases in the costs of running LGsuper. In particular, the levy superannuation funds like LGsuper pay to the Australian Prudential Regulation Authority (APRA) increased in 2012/13 to cover Australian Government expenses relating to implementing the Stronger Super reforms. What's more, to deliver the back-office payments and processing efficiencies that Stronger Super initiatives like SuperStream are designed to achieve, LGsuper has also needed to invest in new technology and infrastructure, which comes at an additional cost to the fund.

Investment managers

The Board is responsible for investing members' money to achieve sound returns above inflation over the long term. To do this, the Board uses an expert asset consultant who assists it in selecting well known and trusted professional investment managers who each have a specific area of investment expertise.

The Board regularly reviews investment manager performance and contribution to overall objectives. In addition, the Board ensures external managers comply with the guidelines, requirements and objectives specified in their Investment Management Agreements. LGsuper allows managers to use derivatives in order to hedge risk and/or increase transactional efficiency. Investment managers who use derivatives must adopt an acceptable Derivative Risk Statement that specifies how derivatives are used and what controls are in place.

The Board also has an Investment Policy Statement that details its investment policies and procedures.

Total Scheme investment returns

At 30 June 2013	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	13.95	9.73	5.11	5.34	8.35
Composite benchmark	13.09	8.73	6.06	5.90	8.36
% p.a. above/below benchmark	0.86	1.00	-0.95	-0.56	-0.01

Administration and investment management expenses

Year ending 30 June	Administration expenses as % of FUM ¹	Investment management expenses as % of FUM	Average FUM \$M
2013	0.21	0.27	6,377.7
2012	0.18	0.28	6,066.7
2011	0.18	0.39	4,161.7
2010	0.18	0.31	3,577.8
2009	0.17	0.26	3,484.5

Investment manager mandates

	Australian shares	International shares	Property	Alternatives	Socially Responsible	Fixed interest	Cash	
Acorn Capital	1							64.5
Altis			2					54.9
AMP Capital Investors	1	5	2	2				648.0
Ardea						1		109.0
Arrowstreet Fund		1						87.5
Artisan Emerging Markets		1						53.3
BlackRock		1				1		931.5
Brandes		1						151.5
Bridgewater				1				135.6
Colonial First State		1				1		194.1
Dexus			1					78.1
Eley Griffiths	1							65.5
EQT				2				18.9
Equis				1				13.5
GPT			1					81.8
Hastings				1				63.9
Independent	1							180.4
JCP Investment Partners	1							234.7
K2 Advisors				1				215.9
Lazard Thematic		1						164.8
LGsuper (internal)							1	283.9
Lend Lease			1					83.0
Macquarie Funds Management	1			1				476.2
Merlon Capital	1							195.6
MFS		1						165.9
Morgan Stanley Investment Mgt				1				25.7
Northcape Capital	1							225.7
Palisade Investment Partners				1				181.6
Paradice	1							44.5
Perpetual					1			46.4
PIMCO						1		223.2
Principal Healthcare			1					17.8
QIC			1			4	1	785.7
Resolution Capital			1					99.6
Retirement Villages Group			1					8.4
Rockspring			2					24.0
Rogge Global Partners				1				90.1
Sanders Capital		1						148.1
Stone Harbor				1				244.3
Vontobel		1						172.9
Wellington						1		151.9
Westbourne Capital				1				108.9
Total								7,350.8

¹ After the deduction of administration expenses relating to investment and insurance.

Investment managers by asset class

As at 30 June 2013			As at 30 June 2013		
Investment manager	\$M	%	Investment manager	\$M	%
Australian shares	1,553.1	21.1	Morgan Stanley Infrastructure	25.7	0.3
Acorn Capital	64.5	0.9	Palisade Investment Partners	181.7	2.5
AMP Capital Investors	143.3	1.9	Rogge	90.1	1.2
Eley Griffiths	65.5	0.9	Stone Harbor	244.3	3.3
Independent	180.5	2.5	Westbourne Capital	108.9	1.5
JCP Investment Partners	234.7	3.2	Socially responsible Balanced	16.4	0.2
Macquarie Passive Index	398.8	5.4	AMP RIL Balanced Fund	16.4	0.2
Merlon Capital	195.6	2.7	Socially responsible Australian shares	80.8	1.1
Northcape Capital	225.7	3.1	AMP Sustainable Share Fund	34.4	0.5
Paradise Small Caps	44.6	0.6	Perpetual Ethical SRI Fund	46.4	0.6
International shares	1,770.9	24.1	Diversified fixed interest	1,485.8	20.2
Arrowstreet Fund	87.5	1.2	Ardea ILB	109.0	1.5
Artisan Emerging Markets	53.3	0.7	Blackrock Global	157.0	2.1
BlackRock	774.9	10.5	Colonial First State – Australia ILB	142.9	1.9
Brandes Investment Partners	151.5	2.1	PIMCO Global Credit	223.1	3.0
Colonial First State Emerging Markets	52.0	0.7	QIC – Australian Government	259.1	3.5
Lazard Thematic	164.8	2.2	QIC – Australian Diversified	262.5	3.6
MFS Global Equity	165.9	2.3	QIC – Inflation Plus	110.8	1.5
Sanders Capital	148.1	2.0	QIC – Passive Australian ILB	69.5	0.9
Vontobel	172.9	2.4	Wellington Global	151.9	2.1
Property	921.6	12.5	Cash	300.6	4.1
Altis AREEP	54.9	0.7	Total	7,350.8	100
AMP Property	409.5	5.6			
Dexus Wholesale Property Fund	78.1	1.1			
GPT Wholesale Office Fund	81.9	1.1			
Lend Lease APPF Retail	83.0	1.1			
Principal Healthcare Trust	17.8	0.2			
QIC Shopping Centre Fund	64.5	0.9			
Resolution Global REIT	99.6	1.4			
Retirement Villages Group	8.4	0.1			
Rockspring Pan European Fund	24.0	0.3			
Alternatives	1,221.5	16.6			
AMP Infrastructure	44.4	0.6			
Bridgewater	135.6	1.8			
EQT Infrastructure	18.9	0.3			
Equis Infrastructure	13.5	0.2			
Hastings Infrastructure	64.0	0.9			
K2 Advisors	215.9	2.9			
Macquarie Bank RMBS	77.3	1.1			
Members Equity	1.2	0.0			

Other important information

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 have insurance premiums deducted from their accounts receive a 15% tax deduction on the premiums.

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.

Temporary residents

Temporary residents who permanently leave Australia may be able to access their superannuation money.

If you are eligible, you can claim your money directly from LGsuper within 6 months of leaving Australia. Once 6 months have passed, LGsuper will be required to transfer your money to the Australian Taxation Office (ATO) if they request us to do so. Once transferred to the ATO, your money will not earn any interest and you will have to apply directly to the ATO to get it.

LGsuper relies on the ASIC class order relief (CO 09/437), which means we do not have to let you know if your benefit has been transferred to the ATO.

Complaints

We hope you are happy with LGsuper and the service we provide. If you are unhappy we have a complaints handling process. You can contact our Complaints Officer as follows:

Post Complaints Officer
LGsuper
GPO Box 264
Brisbane Qld 4001

Email complaints@lgsuper.org

Phone 1800 444 396

Fax (07) 3244 4344

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 statement* from our website or by phoning us on 1800 444 396.

Abridged financial statements

The abridged financial statements are at a total fund level. They are unaudited and based on information available at the time of publication. The *2013 Annual report Queensland Local Government Superannuation Board Annual report* will include the audited financial statements and will be published on the website and made available on request from November 2013.

Preliminary unaudited statement of net assets

		2013 \$M	2012 \$M
Investments	Cash and cash equivalents	306	263
	Fixed interest securities	1,684	1,802
	Equity investments and unlisted trusts	5,463	4,155
	Derivatives	(125)	20
	Direct property	67	68
Other assets		93	178
Total assets		7,488	6,486
Liabilities	Tax provision	18	30
	Other	113	95
Total liabilities		131	125
Net assets to pay benefits at 30 June		7,357	6,361

Preliminary unaudited statement of changes in net assets (total funds)

	2013 \$M	2012 \$M
Net assets to pay benefits at 1 July	6,361	4,474
Plus: income		
Contributions	544	545
Transfers from other funds	111	82
Insurance claim proceeds	15	15
Transfer from City Super	-	1,533
Net investment income	871	184
Total income	1,541	2,359
Less: expenses		
Benefits paid	393	371
Administration expenses	12	11
Insurance premiums	26	19
Tax	113	70
Other	1	1
Total expenses	545	472
Net assets available to pay benefits at 30 June¹	7,357	6,361

¹Total includes Insurance Fund, Operational Risk Reserve, and Accumulation and Defined Benefit monies

Abridged financial statements cont.

Reserves and funds

Reserves are maintained for operational risk and to further secure the Defined Benefits Funds. Up to 30 June 2013 reserves were also maintained to smooth returns for the Diversified Growth plus Reserves investment option and insurance.

1. General and Operational Risk reserves

Reserves have been established to offset the impact of significant fund costs and operational errors on members' investment earnings.

The Australian Government requires trustees to establish and maintain adequate operational risk reserves. The Board has determined a target level of 0.50% of funds under management for these reserves, and they were initially funded by transfers of surplus funds from the Insurance Fund. Since 1 September 2012, 0.01% per month has been deducted from earning rates for all investments to build the operational risk reserves. This 0.01% per month deduction will continue until the target level is reached.

Reserves for Accumulation Benefits Fund balances are invested 60% in the Cash option and 40% in the Balanced option. Reserves for the Defined Benefits Funds are invested within the Defined Benefits Funds' investment strategy.

The reserves also include a provision (\$2.3m) for significant future capital expenses incurred in the management of LGsuper. The provision is funded from surplus administration costs charged to LGsuper members.

	2013 \$M	2012 \$M	2011 \$M
Balance at 1 July	7.3	9.1	5.6
Plus City Super transfer	-	4.9	-
Less Reserve utilised	(0.1)	-	-
Plus/minus intra-scheme transfers	0.5	1.5	3.0
Allocation from (to) scheme earnings	18.4	(8.8)	-
Investment income	1.0	0.6	0.5
Transfer from DBF assets	3.7	-	-
Balance at 30 June	30.8	7.3	9.1

2. Smoothing reserve

The Smoothing reserve was established to support smoothing of investment returns for the Accumulation Benefits Fund Diversified Growth plus Reserves investment option. The Reserve was invested in the Accumulation Benefits Fund Diversified Growth plus Reserves investment option.

From 1 July 2011 the Diversified Growth plus Reserves investment option was closed to new funds. Over the following two years the reserve was distributed to members invested in the Diversified Growth plus Reserves option. At 30 June 2013, the reserve has been fully returned to members. The investment option closed on 30 June 2013. Members under age 75 had their funds transferred to the Diversified Growth option, with those aged 75 or over transferred to the Balanced option.

	2013 \$M	2012 \$M	2011 \$M
Balance at 1 July	28.0	102.7	62.1
Transfer to/from investment income	(28.0)	(74.7)	40.6
Balance at 30 June	-	28.0	102.7
% of member balances	-	1.64%	6.10%

3. Insurance Fund

The Insurance Fund was established to provide for insurance benefits payable by LGsuper up to the outsourcing of insurance benefits in July 2007. As the potential for benefits payable from the Insurance Fund is considered low, the Fund has been closed and the balance transferred to the Operational Risk reserves. Any subsequent liabilities will be payable from the Operational Risk reserves.

	2013 \$M	2012 \$M	2011 \$M
Balance at 1 July	0.8	2.3	6.2
Plus/minus intra-scheme transfers	(0.8)	(1.6)	(3.7)
Investment income	-	0.1	0.3
Claims paid	-	-	(0.5)
Balance at 30 June	-	0.8	2.3

Specialist consultants and advisors

Actuarial advice

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

Asset consultants

Towers Watson

Auditors

Auditor General of Queensland, Brisbane (external)
Ernst & Young, Brisbane (internal)

Bank

Commonwealth Bank of Australia, Brisbane

Information services

Bravura, Sydney

Master custodian

JP Morgan Investor Services, Sydney

Senior Medical Officer

Dr E Pollard MBBS FRACP, Brisbane

Solicitors

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

Tax consultant

PricewaterhouseCoopers, Brisbane

Group Life Insurers

AIA Australia Limited
One Path Life Limited

