LGsuper

2010 annual report

Queensland Local Government
Superannuation Board

Contents

Contact

Toll free 1800 444 396
Facsimile 07 3244 4344
GPO Box 264
Brisbane Qld 4001
info@lgsuper.org
www.lgsuper.org

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

Disclaimer

This report has been produced by the Queensland Local Government Superannuation Board (ABN 94 085 088 484 AFSL 230511) (LGsuper) on behalf of the Local Government Superannuation Scheme (ABN 23 053 121 564) and provides general information for readers.

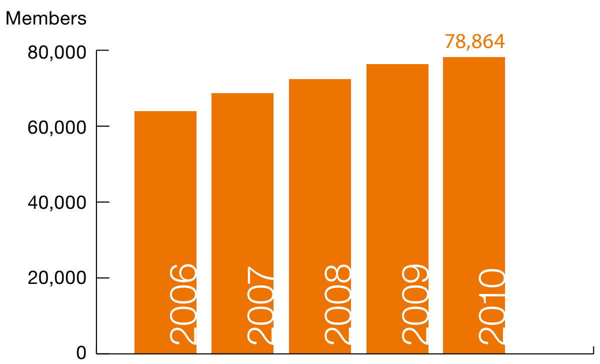
Whilst this publication has been prepared with all reasonable care, no responsibility or liability is accepted for any error, omission or mistake however caused.

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.

LGsuper snapshot

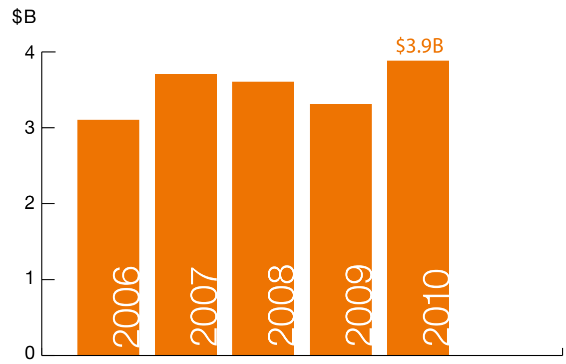
Membership

There were 78,864 LGsuper members at 30 June 2010, up 3.3% from 30 June 2009.



Funds under management

LGsuper managed $3.9 billion in funds at 30 June 2010, up 15.6% over the past 12 months.



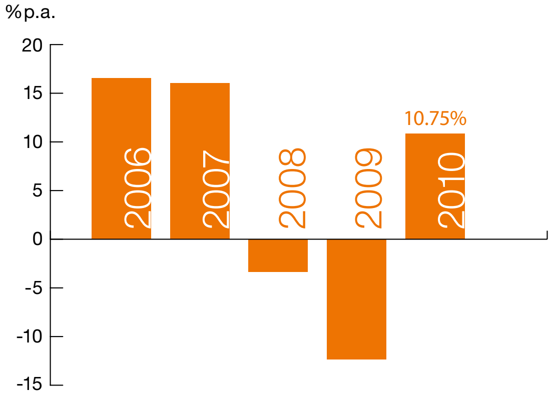
Account types

The membership comprised:

Accumulation Benefits Fund members			**74,137**
Council employees			
Contributory	22,256		
Non-contributory	9,141		
Councillors	274	32,593	
Former council employees and spouses			
Retained Benefit	39,981		
Spouses	922		
Pensioners	1,563	41,544	
Defined Benefits Fund members			**4,727**
Total members			**78,864**

Investment performance

The investment return for the total Scheme was 10.75% before tax and fees for 2009/10.



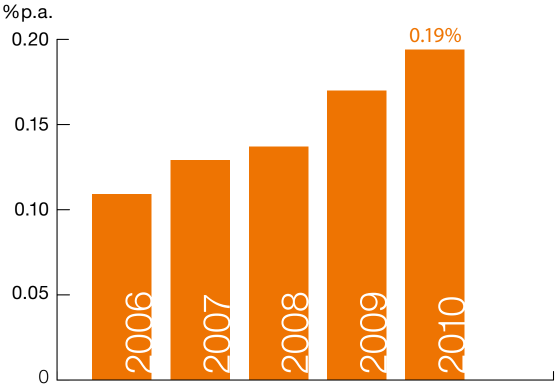
Employers

LGsuper had 90 local government employers paying into the scheme at 30 June 2010.

During 2009/10, 3203 non-local government employers paid into LGsuper.

Administration expenses

Administration expenses for running LGsuper were 0.19% in 2009/10.



→ Chairman and CEO's report

On behalf of the LGsuper Board of Directors, it is our pleasure to present the 2010 annual report.

The 2009/10 financial year provided welcome relief for investors, as markets finally turned around following the significant losses experienced during the global financial crisis. The Australian economy was supported in 2009 by demand generated by government infrastructure spending and fiscal stimulus, offsetting part of the slowdown in consumer demand. Overseas, the tone of economic data improved steadily over the second half of 2009. However, it was evident that the world's largest economies remained fragile.

The rally came to an end in mid-April 2010 as concerns about the Greek Government's ability to service its debt shook investor confidence. By May, the debt crisis had spread across peripheral European countries and shares were sold-off sharply. The EU and IMF were forced to enact a €750bn support facility to stem ratings downgrades and soaring sovereign bond yields in countries where debt sustainability was questioned (especially Portugal, Italy, Ireland, Greece and Spain).

Despite this uncertainty, the LGsuper portfolio produced an overall return of 10.75% for 2009/10. The best performing asset class was fixed interest (+14.97%), followed by alternatives (+14.79%), Australian shares (+14.16%) and international shares (+8.01%). Property was the weakest asset class (+2.27), with cash returning 3.95% for the year.

LGsuper continues to outperform

During the extreme market conditions of the last 3 years, LGsuper's investment returns have outperformed most super funds in Australia. According to independent ratings agency, SuperRatings, our Balanced option return ranks 4th highest from 113 similar options nationally over the 3 years to 30 June 2010, while Growth Smoothed rates 10th highest from 83 similar options. Returns for High Growth, Growth and Defensive also rank in the top 20 super funds nationally for the same period. These results are a direct result of the Board's strategy to diversify the investment portfolio and reduce the fund's exposure to risk.

We are proud to have been awarded a Platinum rating for our superannuation and pension products for 2010 by SuperRatings. This award is only given to the top 15% of products that represent the best value for money. It recognises excellence across a range of criteria, including investment returns, fees, insurance, administration and service. Pleasingly, LGsuper was also a finalist in SuperRating's Rising Star Award for 2010, in recognition of our fund's commitment to improving the value of our products and services over the past 12 months.

LGsuper to merge with City Super

We are delighted to announce LGsuper will be merging with the superannuation fund for Brisbane City Council employees, City Super. Detailed analysis by PricewaterhouseCoopers supported our conclusion that the economies of scale the combined $5.5 billion fund offers would benefit all LGsuper and City Super members through lower fees and better services over the long-term.

LGsuper and City Super share a strong commitment to delivering positive retirement outcomes for Queensland local government employees, and we look forward to the opportunities for enhancements the yet to be named combined fund will allow.

In the meantime, the Board and management are acutely aware of the need to maintain our high service standards for current LGsuper members and employers in the lead up to and following the merger on 30 June 2011. We will be communicating with members and employers regularly through our newsletters and website, and we encourage anyone with questions or concerns to contact our team on 1800 444 396.

Investments

During the financial year the Board made the following changes to its external investment manager line-up:

Asset class	Appointed	Terminated
Australian shares	Northcape Capital	MIR Investment Management
	Merlon (formerly Challenger)	
International shares	Arrowstreet Capital	
Alternatives	Palisade Investment Partners	
	Macquarie Bank	

Other investment activity during the year included a review of the Equity, and Diversified Fixed Interest portfolios.

Looking ahead

The 2010/11 year sees the Board and management focused on the following key priorities for LGsuper:

- successful planning and implementation of the merger with City Super from 30 June 2011
- remaining focused on servicing our existing membership and employers throughout the merger, and retaining our low cost position for members
- implementation of customer relationship management and workflow systems to streamline administration of member accounts
- enhancing services for employers through the appointment of a dedicated Employer Services Representative and helpline

Once again, we would like to acknowledge the important contribution made by LGsuper management and staff, who continually strive to ensure our members enjoy a better retirement.

Brian D Roebig OAM
Chairman

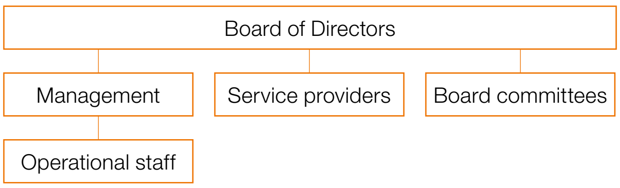
David Todd
Chief Executive Officer

Governance statement

The Queensland Local Government Superannuation Board is established under section 208 of the *Local Government Act 2009* as a body corporate. Its functions under section 209 of the *Local Government Act 2009* are:

- to act as trustee of the Local Government Superannuation Scheme
- to manage approved schemes
- to act as trustee of, and establish and act as trustee of, related persons schemes

Governance structure



The Board functions through a Board of Directors as provided under section 210 of the *Local Government Act 2009*. Section 210 further provides for the role of the Board of Directors, as follows:

1. the Board of Directors is responsible for how the Board performs its responsibilities
2. the Board of Directors 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:

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

Under section 210 of the *Local Government Act 2009*, the composition of the Board of Directors shall be:

a. 3 persons appointed on nomination of LGAQ Ltd

b. 3 persons appointed on the nomination of members of the Scheme and

c. if the Trust Deed provides, an independent director

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

- employer and member representative directors are appointed for 4 year terms
- member representative directors are appointed following an election by LGsuper members
- the independent director is appointed by the Board with the term of appointment being determined by the Board up to a maximum of 4 years
- a Director can be removed in the same way they were appointed or if they fail to meet strict requirements under superannuation legislation

Board of Directors

at 30 June 2010

Independent Director and Chairman

Brian Roebig OAM

- Member, Audit and Risk Management Committee

Brian Roebig has been Independent Director and Chairman since 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.

Brian Roebig OAM

Board of Directors
at 30 June 2010

Member representatives:

Noel Cass

Noel Cass has been a director since 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, and holds qualifications in local government administration, accounting and environmental health.

Fiona Connor

Member, Audit and Risk Management Committee
Fiona Connor has been a director since 2001, and was 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

Peter Smith has been a director since 2008, and was LGsuper's Chief Executive Officer from 1988 to 2006. Peter is a career superannuation professional, having held chief executive officer and other senior positions with superannuation funds for public utilities (including electricity and local government in Queensland), global mining companies and pharmaceutical companies. He has also acted as a consultant to the superannuation industry. Peter holds a Diploma of Financial Services, is a Fellow of the Association of Superannuation Funds of Australia (ASFA) and is a retired member of the National Institute of Accountants and a retired member and Senior Associate of the Australian Insurance Institute.

Employer representatives:

Cr. Paul Bell AM

Chairman, Audit and Risk Management Committee
Cr. Paul Bell has been a director since 2004, and is President of the Local Government Association of Queensland (LGAQ) and the immediate past President of the Australian Local Government Association (ALGA). Paul is Deputy Mayor of 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. Peter Taylor

Cr. Peter Taylor has been a director since 1998, and is Mayor of Toowoomba Regional Council and an Executive member and former President of the Local Government Association of Queensland (LGAQ). He was previously Mayor (1994 to 2008) and Councillor (1976 to 1994) of Jondaryan Shire Council. After 30 years, Peter has only recently ceased to run his own agricultural business on the Darling Downs. He is a Fellow of the Australian Institute of Company Directors, has a Certificate of Development Practice and is currently undertaking studies for a Masters of Development Practice.

Cr. Les Tyrell OAM

Cr. Les Tyrell has been a director since 2008, and had previously been an LGsuper director from 1995 to 2004. Les is Mayor of Townsville City Council, and is an Executive Member of the Local Government Association of Queensland (LGAQ). 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. He has a background in accounting and management.

Noel Cass | Fiona Connor | Peter Smith | Cr. Paul Bell AM | Cr. Peter Taylor | Cr. Les Tyrell OAM

→ 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 and the General Manager Operations assist him in this role. At 30 June 2010 LGsuper had 43 staff.

Chief Executive Officer

David Todd
David Todd has been the CEO since July 2006 and prior to this 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. He holds a BCom (Accounting, Finance & Systems), is a member of CPA Australia and is a Certified Senior Treasury Professional (Finance and Treasury Association). David is a Responsible Officer under the Board's Australian Financial Services (AFS) and Registrable Superannuation Entity (RSE) licences.

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 & Oil Shale Mining Industry Superannuation Fund (1989 to 2005) and various audit positions with the Queensland Audit Office. He holds a BBus (Accounting), a Graduate Diploma in Management, a Graduate Diploma in Applied Finance & Investment, is a Fellow of ASFA, a member of CPA Australia and a Graduate Member of the Australian Institute of Company Directors. Ian is a Responsible Officer under the Board's AFS and RSE licences.

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 holds a BBus (Management & HRM), Diploma of Financial Services (Superannuation), an Associate Diploma of Superannuation Management and is a Fellow of ASFA. He is a Responsible Officer under the Board's AFS and RSE licences.

David Todd   Ian Harcla   Timothy Willmington

→ Organisational structure

Chief Executive Officer
David Todd * + ^ (5)

Oversees and reports to the Board of Directors on all aspects of the administration and operation of LGsuper. Responsible for the development and implementation of investment strategy.

Scheme Secretary and Deputy Chief Executive Officer
Ian Harcla * + ^ (4)

Undertakes scheme secretarial duties and oversees the Finance function. Responsible for compliance, corporate governance and handling member complaints.

Manager Finance
Patrick Rochford (20)

General Manager Operations
Timothy Willmington * + ^ (20)

Responsible for administration, marketing and communication, information technology, insurance and member advice and information functions.

Manager Scheme Administration
David Sleeman * (2)

Project Manager
Barbara Matthews * (23)

Manager Marketing and Communications
Lyndal Ferrari * (4)

Manager Information Technology
Rob Fox (3)

Team Leader Insurance
Linda Windsor * (10)

* Authorised representative under Australian Financial Services Licence No. 230511

\+ Responsible Officer under Australian Financial Services Licence No. 230511

^ Responsible Officer under RSE Licence

Figures in brackets indicate number of completed years of service at 30 June 2010.

→ Trust deed

The *Local Government Act 2009* requires that rules governing the operation of LGsuper be set out in a trust deed made by the Queensland Local Government Superannuation Board. The Board of Directors may amend the trust deed when considered necessary.

On 5 April 1995 the Board of Directors adopted a trust deed for LGsuper to be effective from 1 July 1995, containing provisions about matters required in the governing rules of regulated funds under the Australian Government's *Superannuation Industry (Supervision) Act 1993* (SIS).

The following changes were made to the LGsuper Trust Deed during the 2009/10 financial year:

Variation No 30: 4 November 2009

Changes to default investment strategies (amendments effective from 1 January 2010)

- The Growth Smoothed investment option will be the default investment option for mandatory superannuation contributions only, for permanent employees in local government, including local government entities, and for local government employees, including employees of local government entities, receiving 9% superannuation guarantee (SG) employer contributions.
- Where these employees have a second job, SG contributions paid by that employer will be treated the same and will also default to Growth Smoothed.
- All other contributions received on or after 1 January 2010 will have a different default option as follows:

Members under age 60 who have not made an investment choice:

- All other contributions including rollovers, voluntary contributions, additional employer contributions and the Australian Government co-contribution will be invested in the Growth investment option.
- Spouse members and members with Pension accounts who do not make an investment choice will have all new monies invested in the Growth investment option.
- When a member turns 60, the existing balance will remain in the Growth investment option but new contributions will be invested in the Balanced strategy.

Members aged 60 and over who have not made an investment choice:

- All other contributions including rollovers, voluntary contributions, additional employer contributions and the Australian Government co-contribution will be invested in the Balanced investment option.
- Spouse members and members with Pension accounts who do not make an investment choice will have all new monies invested in the Balanced investment option.

Parental leave

- Employers are not eligible to pay contributions in respect of paid parental leave.
- Members of the Defined Benefits Fund will not accrue benefits during periods of paid parental leave where it exceeds 4 weeks.

Other

- The definition of salary has been amended to exclude unused sick leave paid on termination of employment
- LGsuper will apply a cash rate to the whole of the death benefit from the date of death of the member, regardless of any investment choice chosen by the member.

Variation No 31: 7 April 2010

- Members may now be enrolled in LGsuper upon receipt of the required member's details which may be provided electronically.
- LGsuper may release small account balances in accordance with the Superannuation regulations.
- The 6% limit on additional contributions, which the Board may require from employers if the Defined Benefits Fund has financial problems, has been removed.

Variation No 32: 11 June 2010

- A person shall be disqualified from becoming a director, or continuing to be a director, of LGsuper if they are a trustee or director of any other superannuation scheme other than a self-managed super fund.

Year of variation	Deed of variation number	Year of variation	Deed of variation number
1994/95	1	2001/02	13–15
1995/96	2	2002/03	16–18
1996/97	3–4	2003/04	19–20
1997/98	5–7	2004/05	21–22
1998/99	8	2005/06	23–24
1999/00	9–11	2006/07	25–26
2000/01	12	2008/09	27–29
		2009/10	30-32

Investments

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

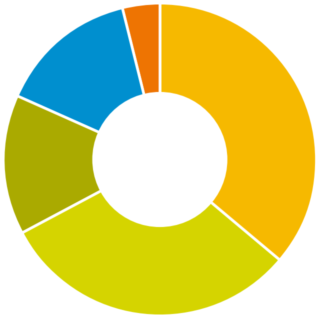
- to invest the assets as permitted by the trust deed or by law
- to prudently manage all aspects of risk in relation to LGsuper assets, by ensuring:
  - assets are adequately diversified
  - assets have an appropriate level of liquidity
  - assets are sufficient to meet benefit payments when they fall 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 does not recognise 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.

Accumulation Benefits Fund

High Growth



Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns of CPI plus 4.5% p.a. over rolling 5-year periods

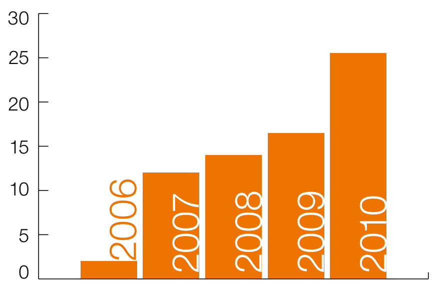
Risk
high

Fees (2009/10)
0.19% administration
0.73% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	7.63	8.44
2009	-16.66	-19.36
2008	-5.72	-6.66
2007	17.51	19.25
2006	5.86*	6.60*
Avge since inception (% p.a.)	1.13	0.82
% p.a. over CPI since inception	-1.90	-2.21

*introduced 1 January 2006

Member funds invested ($M)



Growth

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns of CPI plus 4% p.a. over rolling 5-year periods

Risk
high

Fees (2009/10)
0.19% administration
0.66% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	9.43	10.43
2009	-14.17	-16.46
2008	-5.04	-5.84
2007	16.00	17.60
2006	15.68	17.03
5-yr avge (% p.a.)	3.66	3.64
% p.a. over CPI	0.63	0.61

Member funds invested ($M)

Growth Smoothed

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim

to achieve returns of CPI plus 4% p.a. over rolling 5-year periods

Risk

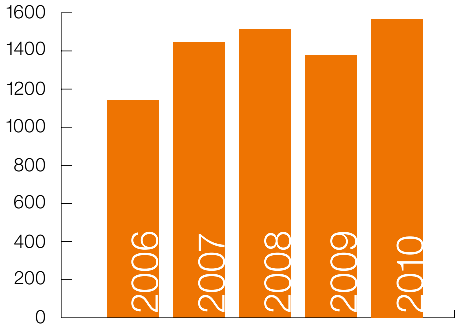
moderate to high

Fees (2009/10)

0.19% administration
0.66% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	6.26	6.86
2009	-14.10	-16.39
2008	2.25	2.16
2007	14.95	16.13
2006	14.09	15.10
5-yr avge (% p.a.)	4.13	4.06
% p.a. over CPI	1.10	1.03

Member funds invested ($M)



Socially Responsible

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim

to achieve returns of CPI plus 4% p.a. over rolling 5-year periods

Risk

high

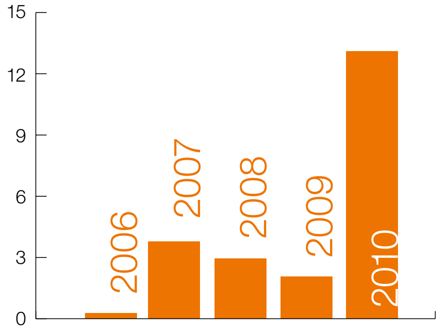
Fees (2009/10)

0.19% administration
0.85% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	8.03	9.23
2009	-10.03	-11.63
2008	-9.95	-10.15
2007	15.67	17.42
2006	5.33*	6.01*
Avge since inception (% p.a.)	1.44	1.72
% p.a. over CPI since inception	-1.59	-1.31

*introduced 1 January 2006

Member funds invested ($M)



Balanced

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim

to achieve returns of CPI plus 3.5% p.a. over rolling 5-year periods

Risk

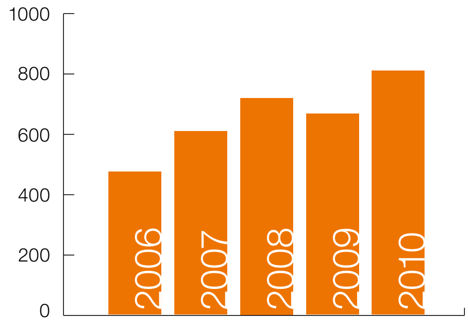
moderate

Fees (2009/10)

0.19% administration
0.56% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	10.02	11.21
2009	-9.03	-10.33
2008	-1.46	-1.67
2007	11.90	13.18
2006	11.39	12.51
5-yr avge (% p.a.)	4.22	4.54
% p.a. over CPI	1.19	1.51

Member funds invested ($M)



Accumulation Benefits Fund

Conservative

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

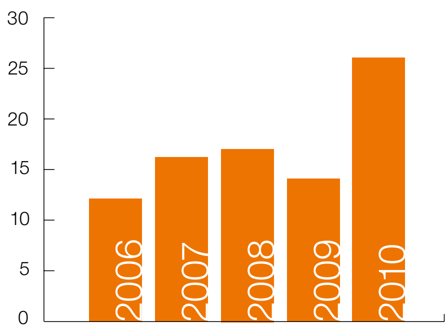
Aim
to achieve returns of CPI plus 2.5% p.a. over rolling 5-year periods

Risk
moderate to low

Fees (2009/10)
0.19% administration
0.47% investment management
(includes Australian Government capital guarantee fee of 0.04%)

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	8.53	9.64
2009	-4.79	-5.34
2008	1.22	1.46
2007	9.19	10.32
2006	8.68	9.62
5-yr avge (% p.a.)	4.42	4.95
% p.a. over CPI	1.39	1.92

Member funds invested ($M)



Defensive

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns of CPI plus 2% p.a. over rolling 5-year periods

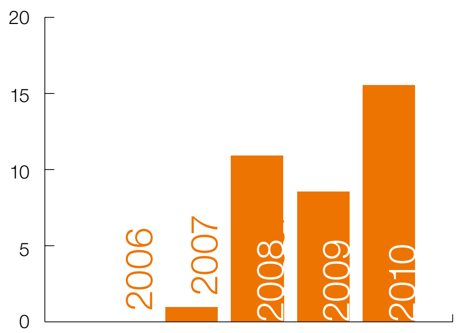
Risk
low

Fees (2009/10)
0.19% administration
0.37% investment management
(includes Australian Government capital guarantee fee of 0.05%)

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	8.68	9.88
2009	-0.59	-0.64
2008	3.34	3.92
2007	6.59	7.50
2006	2.07*	2.38*
Avge since inception (% p.a.)	4.42	5.06
% p.a. over CPI since inception	1.39	2.03

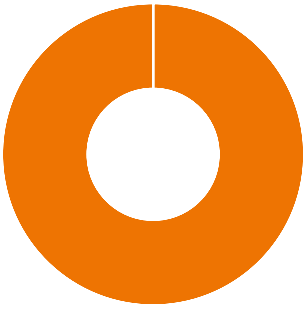
*introduced 1 January 2006

Member funds invested ($M)



Defined Benefits Fund and Insurance Fund

Cash



Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim

to protect capital over any 1-year period

Risk

low

Fees (2009/10)

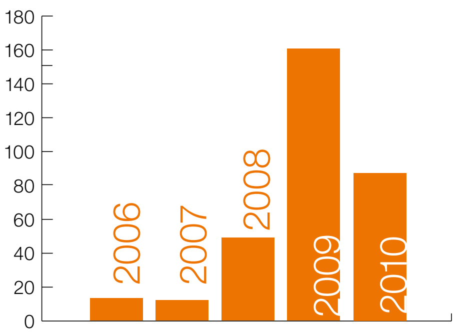
0.19% administration

0.24% investment management

(includes Australian Government capital guarantee fee of 0.18%)

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2010	2.93	3.52
2009	3.77	4.27
2008	4.87	5.70
2007	5.42	6.41
2006	5.03	5.90
5-yr avge (% p.a.)	4.40	5.15
% p.a. over CPI	1.37	2.12

Member funds invested ($M)



Defined Benefits Fund

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

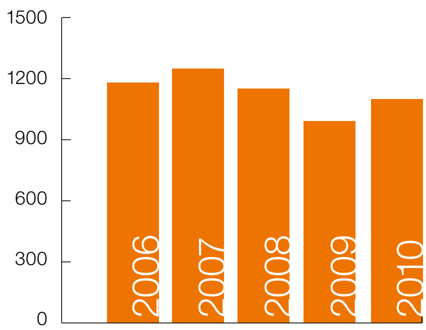
Aim

to achieve returns of AWOTE plus 1.5% p.a. over rolling 3-year periods

Year ending 30 June	Investment return (%)	Accumulation comparison rate (%)
2010	10.02	6.55
2009	-9.03	-19.00
2008	-1.46	0.62
2007	13.48	11.69
2006	15.18	14.26
5-yr avge (% p.a.)	5.21	2.08
3-yr avge (% p.a.)	-0.46	-4.59
% p.a. over/(under) AWOTE* (5.57)		

* proxy for salary growth

Fund balance ($M)



Insurance Fund

Actual asset allocation at 30 June 2010

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Year ending 30 June	(%)
2010	5.96
2009	-0.98
2008	2.30
2007	8.14
2006	7.70
5-yr avge (% p.a.)	4.57

Insurance fund reserves ($M)

→ Investment managers

The Board regularly reviews investment manager performance and their contribution to overall objectives. In addition, Derivative Risk Statements have been developed for each type of investment undertaken by the Board (in accordance with legislative requirements). Derivative Risk Statements are policies that ensure the Board and its investment managers control investment risk, particularly the use of derivatives.

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

The table below shows the number of mandates with each investment manager at 30 June 2010.

	Australian shares	International shares	Property	Alternatives	Fixed interest	Cash	FUM $M
Acorn Capital Ltd	1						41.6
Alliance Bernstein Aust Ltd		2					206.7
AMP Capital Investors Ltd	1		1				666.5
Apostle Loomis Sayles				1			29.9
Arrowstreet Fund		1					69.4
BlackRock		1					194.9
Bridgewater Associates Inc.				1			167.6
BT Grosvenor				1			18.9
Challenger Managed Investments	1						73.1
Colonial First State					1		113.3
Eley Griffiths Group	1						37.1
EQT Partners				1			3.3
Independent Asset Management	1						71.7
JF Capital Partners	1						146.1
K2 Advisors	1						101.8
Lazard Asset Management Pacific Co.		1					216.0
LGsuper (internal)						1	220.7
Macquarie Funds Management	1			1			285.8
Morgan Stanley Investment Management				1			27.9
Northcape Capital	1						98.7
PIMCO					1		157.6
QIC					1		672.7
Stone Harbor Investment Partners					1		130.5
Vianova Asset Management						1	97.8
Total							**3,849.6**

Total Scheme investment returns

At 30 June 2010	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	10.75	-2.10	4.89	7.76	4.97
Composite benchmark	9.84	0.68	5.79	8.20	5.09
% p.a. above/below benchmark	0.91	-2.78	-0.90	-0.44	-0.12

Administration and investment management expenses

The table below shows expenses as a percentage of funds under management (FUM).

Year ending 30 June	Administration expenses as % of FUM[1]	Investment management expenses as % of FUM[2]	Average FUM ($M)
2010	0.19	0.31	3,693.5
2009	0.17	0.27	3,305.1
2008	0.14	0.27	3,706.2
2007	0.12	0.27	3,425.3
2006	0.11	0.43	2,833.2

[1] After the deduction of administration expenses relating to investment

[2] After the deduction of Securities Lending Commission

Local Government Superannuation Scheme

2010 financial statements

ABN 23 053 121 564

Contents		*Page No*

Statement of Changes in Net Assets for the year ended 30 June 2010

	NOTES	2010 $	2009 $
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR		3,353,410,653	3,627,881,336
Plus Income Received			
Net investment income			
Interest		39,309,979	33,807,782
Dividends & Trust Distributions		66,572,086	71,808,834
Real estate property rentals		5,901,052	8,811,016
Changes in net market value of investments	4 (a)	233,721,230	-565,149,805
Other investment income	5	1,804,977	3,578,225
		347,309,323	-449,253,945
Direct investment expenses	7	-13,752,968	-11,279,501
		333,556,355	-459,523,445
Contribution revenue			
Member contributions		81,346,818	70,989,953
Employer contributions		271,952,333	244,924,642
Commonwealth government co-contributions		11,066,018	11,121,950
		364,365,169	327,046,546
Other revenue			
Transfers from other funds		48,038,571	45,247,709
Sundry income		226,849	193,746
Changes in net market value of other assets	4 (b)	-428,013	-462,073
Proceeds group life policy		10,082,363	6,921,762
		57,919,771	52,878,142
TOTAL INCOME FROM ORDINARY ACTIVITIES		756,340,295	-79,609,659
Less Expenses Incurred			
Scheme administration expenses	8	6,347,853	6,076,138
Benefits paid	10	172,742,254	208,331,363
Contribution split payments		671,816	365,503
Superannuation surcharge	1 (r)	-44,525	6,510
Group life insurance premiums		12,753,386	10,476,116
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		192,500,823	225,254,630
CHANGES IN NET ASSETS BEFORE INCOME TAX		563,839,472	-304,864,289
INCOME TAX EXPENSE (BENEFIT)	13	41,327,105	30,393,606
CHANGES IN NET ASSETS AFTER INCOME TAX		522,512,367	-274,470,683
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR		3,875,923,020	3,353,410,653

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying notes

Statement of Net Assets as at 30 June 2010

	NOTES	2010 $	2009 $
Investments			
Fixed interest securities - Domestic		463,261,956	438,760,317
- Overseas		618,613,836	444,924,730
Shares in listed companies - Domestic		1,257,745,850	981,307,296
Overseas		692,331,030	590,086,084
Derivatives		-32,750,973	-2,686,180
Alternatives	1 (d)	482,021,995	456,178,733
Direct property investments		55,729,154	71,022,901
Short term investments - Domestic		223,187,257	255,680,729
TOTAL INVESTMENTS		3,777,310,115	3,235,274,570
Other Assets			
Cash		97,331,922	50,206,981
Contributions receivable		7,271,545	7,119,272
Interest receivable		925,718	463,750
Prepaid expenses		158,386	159,542
Other receivables/unsettled trades	14	23,631,013	18,031,980
Fixed assets	6	1,267,624	1,422,643
Deferred tax asset	13	50,913,318	74,401,014
		178,099,526	149,810,182
TOTAL ASSETS		3,955,409,641	3,385,084,852
LESS:			
Liabilities			
Benefits due and unpaid	11	1,087,801	3,015,975
Sundry creditors/unsettled trades		54,467,270	16,244,792
Accrued employee entitlements	1 (j)	863,105	774,785
Income tax payable		23,068,445	11,538,648
Deferred tax liability		0	0
TOTAL LIABILITIES		79,486,621	31,574,200
NET ASSETS AVAILABLE TO PAY BENEFITS		3,875,923,020	3,353,410,653

The above Statement of Net Assets should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements of the Local Government Superannuation Scheme for the year ended 30 June 2010

Note 1 Statement of Principal Accounting Policies

(a) Basis of preparation

The Financial Statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards including AAS 25 'Financial Reporting by Superannuation Plans' (AAS25) as amended by AASB 2005-13 'Amendments to Australian Accounting Standards (AAS25)', the Superannuation Industry (Supervision) Act 1993 and regulations and the provisions of the Trust Deed of the Local Government Superannuation Scheme.

The financial statements have been prepared in accordance with the historical cost convention, except for the valuation of investments, derivatives and fixed assets, which are measured at net market value.

(b) Statement of compliance

This financial report is prepared based on the revised Australian Accounting Standards, which include Australian equivalents of International Financial Reporting Standards ("AIFRS"). Since AAS25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS25.

Application of Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the annual reporting period ending 30 June 2010. These are outlined in the table below:

Title	Application date of standard	Application Date for Scheme*
AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013 (on a modified retrospective basis)	30 June 2014
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	1 January 2010	30 June 2011

If these accounting standards had been adopted, the Board does not believe that there would have been a material impact to either the Statement of Changes in Net Assets for the year ended 30 June 2010 or the Statement of Net Assets as at 30 June 2010.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Changes in net market values
Changes in the net market value of investments and derivatives are calculated as the difference between the net market value at sale, or at balance date, and the net market value at the previous valuation point and recognised in the *Statement of Changes in Net Assets*.

Contributions and transfers
Contributions and transfers are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

Interest
Revenue is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends and distributions
Revenue is recognised when the right to receive payment is established.

Rental income
Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives are recognised as an integral part of total rental income.

Group life insurance proceeds
Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the scheme.

(d) Classification of investments

The means of exposure of the assets of the Scheme to financial markets by the Board is by way of: -

- individual portfolios; and
- collective investment vehicles (specifically, unit trusts).

In the classification of investments of the Scheme for accounting purposes, the Board looks beyond the collective (pooled) investment vehicles in which it is a unit-holder to the underlying securities supporting the particular unit trust.

Under this policy, for example, units held in an appointed investment manager's internally-established global equity trust would be classified as 'Shares in Listed Companies – Overseas'.

The exception in this regard is 'Alternatives', in which units held in hedge funds and other alternative pooled investment vehicles comprise underlying securities which straddle multiple investment classes.

(e) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

Operating lease commitments
The Board has entered into commercial property leases on its investment property portfolio. It has been determined that since all the significant risks and rewards of ownership are retained, the leases are to be classified as operating leases.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are:

Valuation of accrued benefits
The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 15.

Valuation of investments and derivatives
The key assumptions are set out below in note 1 (f).

(f) Investments (including derivatives)

Investments (including derivatives) of the Scheme are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments (including derivatives) are measured at net market value. Gains or losses on investments (including derivatives) are recognised in the *Statement of Changes in Net Assets*.

The net market value of investments (including derivatives) has been determined as follows:

- Shares in listed entities: At last sale price quoted by the Stock Exchange at the close of business on the balance date;
- Government and other fixed interest securities: At last market sale price quoted;
- Unit trusts: At redemption price at balance date as quoted by the investment manager;
- Derivative financial instruments: Derivative financial instruments including forward exchange contracts and fixed interest rate futures are recorded at market rates at close of business on the balance date;
- Investment properties – real estate: At independent valuations conducted periodically throughout the year performed by a qualified valuer; and
- Fixed Assets: Superannuation Board valuation as at 30 June 2010.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Board commits to purchase or sell the asset.

The Board has concluded that the above measurement bases are appropriate. Due to the nature of the assets and liabilities the measurement amounts may change over time.

(g) Income tax

The Scheme is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied to the Scheme's taxable income.

Income tax in the Statement of Net Assets for the year comprises current and deferred tax. Income tax is reflected in the Statement of Changes in Net Assets.

Current Income Tax Expense is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for Scheme income and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Liability for accrued benefits

The liability for accrued benefits under the Defined Benefit Plan is not included in the Statement of Net Assets, but the liability at the latest measurement date is reported by way of note.

The liability for accrued benefits is actuarially measured on at least a triennial basis, and represents the value of the Scheme's present obligations to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Defined Benefit Plan up to the date of measurement. The present value reported in the note is determined by reference to expected future salary levels and by application of a current market-based, risk-adjusted discount rate and appropriate actuarial assumptions.

The report on the most recent actuarial investigation of the Scheme, as at 1 July 2009, contains details of the accrued benefit liability at that date. The report also provides details of the basis used to calculate the accrued benefit liability. (Refer Note 15 and the Attachment to the Financial Statements)

(i) Employee and director entitlements

(i) *Superannuation*

Employees and certain Directors of the Superannuation Board are members of the Scheme.

Contributions to the Scheme (or in the case of the Independent Director another superannuation fund) made by the Board are a charge against income.

(ii) *Accrued leave*

Provisions for employee annual leave and long service leave entitlements are disclosed under liabilities in the Financial Statements and have been determined in accordance with the provisions of Australian Accounting Standard AASB119 - 'Employee Benefits'.

(j) Currency fluctuations

Both the functional and presentation currency of the Local Government Superannuation Scheme is in Australian dollars.

Transactions in foreign exchange are recorded at the rate of exchange ruling on the date of each transaction. At balance date investments and amounts payable and receivable in overseas currencies are converted to Australian currency at the rate of exchange ruling at that date. Any exchange differences relating to foreign currency monetary items are brought to account in the *Statement of Changes in Net Assets*.

(k) Payment of benefits

Benefits Paid (Refer Note 10) recognises all benefits due and payable from the Scheme. Benefits payable are settled in accordance with the Scheme's trust deed.

(l) Accounting for goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as a current asset in the balance sheet.

(m) Receivables and other payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectable amounts is only made where there is evidence that the debt will not be collected.

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme and are carried at nominal amounts which approximate net market value. Payables are normally settled on 30 day terms.

(n) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Scheme transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(o) Cash and cash equivalents

Cash and short-term deposits in the Statement of Net Assets comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

(p) Leased assets

Operating lease assets are not capitalised and rental payments are recognised as an expense on a straight-line basis over the lease term.

(q) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(r) Superannuation Contribution Surcharge

The Superannuation Laws Amendment (abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation Contribution Surcharge is levied on surchargeable contributions for a relevant year on the basis of the individual member's adjusted taxable income for that year. This liability is recognised when the assessment is received from the Australian Taxation Office (ATO), as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Scheme has been charged to the relevant member's accounts.

(s) Excess Contributions Tax

The Australian Taxation Office may issue release authorities to members of the Scheme relating to the relevant member's excess contribution tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year. Where a member receives an excess contributions tax release authority, the member:

- may give the release authority relating to the member's concessional contributions to a fund for payment; and
- must give the release authority relating to the member's non-concessional contributions to a fund for payment.

Release authorities may be issued by the Australian Taxation Office from 1 July 2007 in relation to transitional non-concessional contributions received by the Scheme between 9 May 2006 and 30 June 2007. Release authorities in relation to concessional and/or non-concessional contributions received from 1 July 2007 may be issued from the Australian Tax Office from 1 July 2008.

The liability for the excess contribution tax will be recognised when the relevant release authorities are received from the members, as the Board considers this is when it can be reliably measured.

The excess contributions tax liability recognised by the Scheme will be charged to the relevant members' account.

(t) No – TFN Contributions Tax

Where a member does not provide their tax file number to the Scheme, the Scheme may be required to pay No-TFN Contributions Tax at a rate of 31.5%, which is in addition to the concessional tax rate of 15% which applies to the Scheme's taxable income.

The No-TFN contributions tax liability recognised by the Scheme will be charged to the relevant member's account. Where a tax offset is obtained by the Scheme in relation to the member's No-TFN contributions tax, the tax offset will be included in the relevant member's account.

Note 2 Operation of the Scheme

The Local Government Superannuation Scheme (Scheme) was first established by the Local Government Superannuation Act 1964. This act was subsequently repealed and the Scheme continued in existence by way of the Local Government Superannuation Act 1985. From 1 July 1995 the Scheme continued its existence under the Local Government Act 1993 following the repeal of the Local Government Superannuation Act 1985.

The Scheme is a hybrid scheme which incorporates both a Defined Benefits Fund (DBF) and an Accumulation Benefits Fund. The Defined Benefits Fund was closed to new entrants from 1 July 1998, with all new entrants since then joining the Accumulation Benefits Fund.

Local Government employers contribute to the Scheme in respect of certain of its employees, for defined benefit arrangements, and certain of their employees (including councillors and contractors) for defined contribution superannuation arrangements, in accordance with the Trust Deed and relevant statutory requirements.

From 12 June 2003, the Local Government Act 1993 was amended to require the Board to specify in the Trust Deed the rate of contributions paid into the Scheme by Local Government employers. The level of DBF contributions must be based on advice from an actuary. This provision enables the Board to vary the rate of contributions where the actuary has concerns as to the ongoing solvency of the Defined Benefits Fund.

Benefits of members in the Defined Benefits Fund are calculated by way of formula as defined in the Trust Deed. Benefits of members of the Accumulation Benefits Fund are equal to the member's account balance, which is credited or debited each year with contributions and a proportionate share of the net investment return, expenses, insurance premium and income tax expense of the Scheme.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Scheme was registered with the Australian Prudential Regulation Authority on 6 September 2005 (RSE Registration No. R1000163).

The Trust Deed of the Scheme - (Refer Note 3)

(i) incorporates a declaration by the Board that it holds -

(a) the Accumulation Benefits Fund on trust to provide for the payment of benefits to persons who are or may become entitled to the payment of accumulation benefits;

(b) the Defined Benefits Fund on trust to provide for the payment of benefits to persons who are or may become entitled to the payment of defined benefits; and

(c) the Insurance Fund on trust to provide:
- the payment of insurance benefits;
- the purchase of external insurance or reinsurance in respect of the Board's liability for insurance benefits; and
- in respect of amounts which the Board determines, after considering advice from the actuary and having regard to the level and extent of external insurance or reinsurance, to be surplus to requirements for those two purposes, such other purposes benefiting members as the Board determines.

(ii) provides that the Board must establish and maintain separate accounting records within the books of account of the Scheme:

(a) to record the ongoing accumulation entitlements standing to the credit of members in the following accounts:-
- accumulation accounts; and
- retained benefit accounts.

(b) to record the ongoing dealings with and balances of:-
- the Accumulation Benefits Fund;
- the Defined Benefits Fund; and
- the Insurance Fund.

(iii) provides that the Board must in respect of each year prepare from the accounting records:-
- such accounts and statements as are required by Superannuation Law; and
- if necessary, such other accounts and statements as are necessary to show the results of operations during the year and the financial position of the Scheme and each fund mentioned in sub-clause 42(c) at the end of each year.

Note 3 Division of Scheme

The Scheme comprises three (3) funds -

- the Defined Benefits Fund (which was closed to new entrants from 1 July 1998)
- the Accumulation Benefits Fund; and
- the Insurance Fund (Refer Note 3 (a))

Throughout the year the Scheme is managed on a single-entity basis. At the close of each year Scheme movements throughout the year (refer *Statement of Changes in Net Assets*) are apportioned to each of the three (3) funds of the Scheme. In the course of such apportionment the balance remaining after deduction of movements in relation to the Accumulation Benefits Fund and the Insurance Fund equals the net assets of the Defined Benefits Fund.

The Defined Benefits Fund and the Insurance Fund are subject to periodic actuarial investigation as to their state and sufficiency to meet emerging benefit liabilities of the Scheme (Refer Note 19).

The Scheme Trust Deed provides for dealings between the funds of the Scheme by the Board. Such dealings are as shown in the following schedule which shows the movement in the three (3) funds of the Scheme during the year.

	Defined Benefits Fund		Accumulation Benefits Fund		Insurance Fund		Total Scheme	
	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance 1 July	987,659	[illegible]	[illegible]	[illegible]	16,449	[illegible]	[illegible]	[illegible]
Adjustments to Prior Year	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
Amended Opening Balance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interfund Transfers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Income								
Contributions Received	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
Insurance Premiums Deducted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Benefits Retained			[illegible]	[illegible]			[illegible]	[illegible]
Transfers from Other Funds			[illegible]	[illegible]			[illegible]	[illegible]
Insurance Claims Received								
- Received from External Insurer					[illegible]	[illegible]	[illegible]	[illegible]
- Received from Insurance Fund	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Net Investment Income (b)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses								
Benefits Paid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Scheme Administration Expenses (c)	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]
Premiums paid to External Insurer					[illegible]	[illegible]	[illegible]	[illegible]
Income Tax Expense (d)	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]	[illegible]
Superannuation Contributions Surcharge			[illegible]	[illegible]			[illegible]	[illegible]
Surcharge Refunded								
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Closing Balance 30 June	**1,060,361**	**987,659**	**2,809,398**	**2,354,102**	**6,164**	**16,449**	**3,875,923**	**3,358,210**

Notes -

(a) Insurance fund

At its meeting held on 1 November 2006 the Board decided to proceed to externally insure all of the Scheme's death and disability insurance risks. It was also resolved to appoint AIA Life as the Board's external insurer based on the results of a tender conducted for such insurance. These new insurance arrangements applied from 3 July 2007.

However, the Board will continue to assess and pay from the Scheme's insurance fund, disability and death claims beyond 3 July 2007 in the following circumstances:

- The claims for Death, Total and Temporary Disablement (TTD) or Total and Permanent Disablement which were applicable to the period prior to 3 July 2007; and
- The continuing payment of existing TTD benefits.

(b) Net investment income

Net investment income is apportioned to members' Accumulation Benefits Fund accounts according to the investment strategy applicable to each member.

The amount apportioned to the Accumulation Benefits Fund includes interest credited to the Accumulation Benefits Fund – Investment Reserve Account for 2009/2010.

Net Investment Income apportioned to the Insurance Fund was based upon a 60% cash investment strategy and 40% balanced investment strategy.

(c) Scheme administration expenses

Allowance for Scheme Administration Expenses for Accumulation Benefits Fund members is made by way of deduction of 0.19% from the net earning rate for each available member investment strategy.

Effective from the 2009/2010 financial year, insurance administration costs ceased to be charged to the Insurance Fund as all death and disability benefits are now externally insured.

(d) Income tax expense

Allowance for Income Tax Expense in relation to Scheme investment income for the Accumulation Benefits Fund is made by way of a deduction from the earning rate for each investment strategy available for nomination by Accumulation Benefits Fund members.

The amount of $41.2 million represents tax on employer contributions at the rate of 15%.

(e) Superannuation contributions surcharge tax

A debit account upon which interest accrues is maintained in respect of each Defined Benefits Plan member to whom a Superannuation Contribution Surcharge Tax applies.

The balance of the account is deducted from the amount of Defined Benefits Plan benefits when payable and forms a deduction from Accumulation Benefits Plan accounts.

Within the Accumulation Benefits Fund (ABF) an investment reserve account is maintained to support the provision of 'smoothing' in the ABF. The movement of the investment reserve account during the year was as follows:-

Accumulation Benefits Fund – Smoothing Reserve

	2010	2009
	$	$
Opening Balance 1 July	15,200,728	18,926,140
Amounts added to account to support Accumulations Benefits Fund	45,416,020	-588,752
Earnings credited to account for year	1,462,310	-3,136,660
Closing Balance 30 June	**62,079,058**	**15,200,728**

Reserve expressed as % of Members Accounts invested in the Growth Smoothed strategy is 4.09% (2009: 1.13%).

At its meeting on 5 November 2008 the Board resolved to establish an Operational Risk Reserve (ORR) with an opening balance of $5,350,000. This opening balance was funded by a transfer of ABF reserves from the Insurance Fund in accordance with clause 3 (c) (i) of the Scheme's Trust Deed. The ORR forms part of the ABF.

Movement of the ORR during the year was as follows:-

Accumulation Benefits Fund - Operational Risk Reserve

	2010	2009
	$	$
Opening Balance 1 July	5,297,463	0
Interfund transfer	-10,060	5,350,000
Earnings credited to account during the year	315,217	-52,537
Closing Balance 30 June	**5,602,620**	**5,297,463**

Note 4 Changes in Net Market Value

	2010	2009
	$	$
(a) Changes in net market value of investments		
Investments Held at Reporting Date:-		
Fixed Interest Securities	45,891,402	-14,323,312
Shares in Listed Companies	3,285,423	79,313,425
Wholesale Unit Trusts	16,172,183	-302,104,873
Derivatives	-25,478,831	1,127,377
Property Investments	-5,960,615	12,279,534
	33,920,697	-405,985,067
Investments Realised During Period -		
Fixed Interest Securities	-853,151	30,839,578
Shares in Listed Companies	93,453,692	-175,074,189
Wholesale Unit Trusts	70,013,374	33,349,880
Derivatives	47,186,618	-81,680,248
	199,800,533	-259,264,739
Total	233,721,230	-666,149,806
(b) Changes in net market value of other assets		
Assets Held at Reporting Date -		
Office Furniture and Equipment	56,453	-61,567
Computer Equipment	-59,857	-86,855
Computer Software	-95,811	148,897
Leasehold Improvements	171,033	-152,746
Motor Vehicles	-28,490	-26,498
	421,634	-475,963
Assets Sold During Period -		
Office Furniture and Equipment	-6,366	0
Motor Vehicles	1,013	-5,110
	-6,375	-5,110
Total	-428,013	-482,073

The changes in Net Market Value of Investments reflect investment market conditions prevailing
(a) as at balance date in respect of investments held at reporting date, and
(b) during the year in respect of investments realised during the period

Note 5 Other Investment Income

	2010	2009
	$	$
Management Fee Rebates	1,212,436	987,796
Other	493,467	255,355
Proceeds from Class Actions & Compensation Claims	99,074	2,335,034
Total	**1,804,977**	**3,578,225**

Note 6 *Fixed Assets*

	2010	2009
	$	$
Office Furniture and Equipment	176,535	191,345
Computer Hardware	69,199	116,727
Computer Software	188,153	158,788
Leasehold Improvements	675,514	850,547
Motor Vehicles	164,123	105,236
Total	1,267,624	1,422,643

Note 7 *Direct Investment Expenses*

	2010	2009
	$	$
External Investment Management Fees	7,592,813	6,058,399
Master Custodian Fees	1,235,252	1,346,470
Administration Expenses - Scheme Investment Operators	1,047,442	937,307
Government and Bank Charges	4	939
Unit Trust Management Fee & Establishment Cost	366,929	305,862
Asset Consultant Fees	573,424	504,079
Options/Futures Brokerage Fees & Other Expenses	358,324	229,223
Direct Property Operation Expenses	2,435,774	1,996,536
Total	13,753,968	11,279,501

Note 8 *Scheme Administration Expenses*

	2010	2009
	$	$
Staff Salaries and Associated Costs	3,521,384	3,632,236
Directors Fees and Expenses	440,421	445,798
Professional Services	654,632	530,453
Taxation and Other Government Charges	459,395	422,420
Occupancy Expenses	642,115	337,563
Computer Costs	520,270	339,956
Communication Expenses	603,286	656,735
Insurances	256,797	217,031
Staff Travel and Business Expenses	123,662	132,358
Subscriptions	30,902	50,421
Other Management Expenses	82,161	102,473
Total	7,395,295	7,012,445
Less		
Reallocation to Direct Investment Expenses (Refer Note7)	-1,047,442	-937,307
Total	6,347,853	6,075,138

Note 9 Related Parties

(a) The Trustee of the Scheme is the Queensland Local Government Superannuation Board (the Board). The Directors of the Board and the meetings attended during the year were as follows -

	Number of Meetings attended	Number of Audit and Risk Management Committee Meetings attended
Independent Director and Chairman of Board		
Mr B D Roebig*	11	3
Employer Representative Directors		
Cr P V Bell*	8	4
Cr L R Tyrell	10	
Cr P M Taylor	11	
Member Representative Directors		
Ms F Conner*	11	4
Mr N P Cass	11	
Mr P J Smith	10	

There were 11 meetings of the Board and 4 meetings of the Board appointed Audit and Risk Management Committee held during the year (2008/2009 - 11 and 4)

* Members of Board appointed Audit and Risk Management Committee

(b) Remuneration received by Directors from the Scheme for services rendered during the year was as follows -

	2010	2009
	$	$
Short Term - Directors Fees	327,938	311,472
Post Employment Benefits - Superannuation Contributions	37,313	35,846
Total	365,251	347,318

Remuneration paid to Directors is determined by resolution of the Board in accordance with the Trust Deed of the Scheme

(c) All directors (other than the independent director) are members of the Scheme. Their membership terms and conditions are the same as those available to other members of the Scheme.

Note 10 *Benefits Paid*

	2010	2009
	$	$
Lump Sum Benefits		
Resignation	32,316,086	42,511,261
Age Retirement	144,571,170	192,442,608
Total and Permanent Disablement	6,798,817	7,872,552
Failure of Health	99,530	938,403
Death	11,489,767	16,355,863
Withdrawals	109,577,534	119,150,399
	304,852,904	378,911,596
Pension Benefits		
Total and Temporary Disablement	0	26,481
Allocated Pension Facility	34,957,805	39,968,573
	34,957,805	39,995,054
Total	**339,810,709**	**418,906,650**
Less		
Transfer of retained members benefits to new accounts	-167,068,415	210,575,287
Total	**172,742,294**	**208,331,363**

Note 11 *Benefits Due and Unpaid*

Benefits Due and Unpaid represent payments pending in respect of former active members who are deceased

	2010	2009
	$	$
Lump Sum Benefits		
Death	1,087,801	3,015,975
Total	**1,087,801**	**3,015,975**

Note 12 *Auditors Remuneration*

	2010	2009
	$	$
Audit Services		
Amount received or due and receivable by Queensland Audit Office –		
Audit of financial statements	51,626	63,065
Total	**51,626**	**63,065**

Note 13 Income Tax

Major components of income tax expense for the years ended 30 June 2010 and 2009 were:

	2010	2009
	$	$
Statement of Changes in Net Assets		
Current income tax expense	37,839,409	40,396,488
Deferred income tax expense	23,487,696	-70,790,094
Total	61,327,105	30,393,606

A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:

		2010	2009
		$	$
Change in Net Assets Before Income Tax		583,839,472	304,864,288
Tax at the rate of 15%		87,575,920	-45,729,643
Add - Tax effect of non deductible:	- benefits paid	25,553,073	30,685,194
	- superannuation surcharge	-2,179	977
	expenses relating to exempt pension income	1,494,851	2,619,677
		27,045,745	33,305,848
Less - Tax effect of non assessable	contributions	12,564,694	11,959,313
	- transfers from other funds	7,175,498	6,751,756
	- proceeds group life policy	1,512,354	1,039,264
	- investment income	0	77,185
	- pension income	3,449,772	3,390,784
Depreciation on real estate property plant and equipment		0	82,385
Dividend imputation and foreign tax credits (net)		6,780,776	8,116,424
		31,483,094	31,916,651
Adjusted Income Tax Expense		**83,138,571**	**-44,340,446**
Prior Period Adjustments			
- Underprovision (Overprovision) for Income Tax in prior year		-16,316,584	-2,574,681
- Adjustment to Future Tax Benefit/Deferred Tax Liabilities		-5,114,219	16,282,031
- Recovery of 2009 Anti Detriment payments from ATO		619,336	539,490
		-21,811,466	13,946,840
Income Tax Expense reported in Statement of Changes in Net Assets		**61,327,105**	**-30,393,606**

	2010	2009
	$	$
Deferred Income Tax		
Deferred income tax as at 30 June relates to the following		
Deferred Income Tax Liabilities		
Taxable temporary differences - assets subject to CGT	1,467,550	3,742,275
Taxable temporary differences - other assets	7,296,676	2,301,983
	8,764,226	**6,044,258**
Deferred Income Tax Assets		
Taxable temporary differences - assets subject to CGT	-54,685,306	-76,659,555
Taxable temporary differences - other assets	-4,992,238	-3,785,717
	-59,677,544	-80,445,272
	-50,913,318	**-74,401,014**

The above figures represent provisional information available at the time of preparing these Financial Statements.

Note 14 Other Receivables / Unsettled Trades

	2010	2009
	$	$
Property Income Receivable	197,417	303,101
Sundry Debtors	495,676	670,958
Unsettled Trades	19,254,302	9,848,202
Other Receivables	745,679	5,252,627
	20,693,074	**16,074,888**
Less:		
Provision for Doubtful Debts		
- Property Income	62,061	42,908
	20,631,013	**16,031,980**

Note 15 Accrued Benefits

The amount of accrued benefits in respect of Defined Benefits Plan members has been determined on the basis of the present value of expected future payments, which arise from membership of the Scheme up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the actuary as part of a comprehensive actuarial review undertaken as at 1 July 2009. Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken as at 1 July 2006.

	2009	2006
	$'000	$'000
Accrued Benefits as at 1 July	969,200	1,298,882
Accrued Benefits Reserve Index	103%	106%

The calculation of the Accrued Benefits Reserve Index as at 1 July 2009 was as follows -

$$\frac{\text{Value of assets}}{\text{Accrued Benefits}} = \frac{\$999.2M}{\$969.2M}$$

$$= 103\%$$

Note 16 Vested Benefits - Defined Benefits Fund

The amount of Vested Benefits is the value of defined benefits which would be due and payable if all Members resigned or retired (where eligible) from the service of Local Government at balance date.

The Vested Benefits Index (i.e. the value of net assets expressed as a percentage of Vested Benefits) as at 30 June 2010 was 103.7% (2009 102.9%).

The calculation of the Vested Benefit Index of the Defined Benefits Fund was as follows -

$$\frac{\text{Value of assets}}{\text{Total Vested Benefits}}$$

$$\frac{\$1,060.4M}{\$1,022.7M} = 103.7\%$$

The Vested Benefit Index for the total Scheme as at balance date was -

$$\frac{\$3,875.9M}{\$3,764.4M} = 103.0\%$$

Note 17 Guaranteed Benefits

To ensure the ongoing solvency of the Defined Benefits Fund (DBF) which was closed to new entrants as from 1 July 1998, the Local Government Act 1993 was amended in June 2009 to enable the Board to specify in the Trust Deed the rate of contributions paid into the Scheme by Local Government employers. This provision enables the Board to vary the rate of DBF contributions following advice from the Scheme's actuary. However, as at reporting date no changes had been made to prescribed employer contributions which remain at 12% of employee salaries.

Note 18 Funding Arrangements

The funding policy adopted in respect of Superannuation Scheme defined benefits is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

Given the closure of the Defined Benefits Plan to new entrants as from 1 July 1998, the actuary in conducting future investigations of the Defined Benefits Fund, adopted a valuation method known as "Aggregate" Funding.

In the conduct of actuarial investigations prior to 1 July 2000 the new entrant/entry age normal funding method was adopted.

During 2010 employers contributed 12% of employees' salaries, while employees contributed 6% of their salaries. Employees are also able to make voluntary contributions to the Scheme.

Note 19 Actuarial Investigation

(a) Defined Benefits Fund

In compliance with the Superannuation Industry (Supervision) Regulations the Board must require an actuarial investigation of the Defined Benefits Fund to be made in relation to the Scheme no later than 3 years after the date as at which the last actuarial investigation was made.

The most recent actuarial investigation of the Scheme was conducted by Mr John Smith, Fellow of the Institute of Actuaries of Australia, based on Scheme membership and asset data at 1 July 2009. The Board has determined that the next actuarial investigation of the Defined Benefits Fund will be made as at 1 July 2012. (Refer Attachment for Summary of Actuarial Report - 2009)

The liabilities of the Scheme's accumulation benefits members are matched by the assets supporting those liabilities and therefore do not explicitly require an actuarial evaluation of contribution sufficiency.

The net asset value of the Scheme at 30 June 2009 representing Defined Benefit Members Funds was used for the purpose of the 1 July 2009 actuarial valuation:-

Defined benefits Members' Funds as at 1 July 2009	$998.2m

(b) Insurance Fund

The last actuarial investigation of the Insurance Fund was conducted as at 1 July 2009. The actuary recommended to transfer $10m of excess reserves to the Defined Benefits Fund.

Based on the last actuarial review the Insurance Fund is in a sound financial position and Fund assets were in the opinion of the actuary to be more than sufficient to meet anticipated benefit liabilities.

Note 20 Segment Information

The Scheme operates solely in the business of provision of benefits to members and operates in Australia only.

Note 21 Commitments and Contingent Liabilities

(a) Except for the liability for accrued benefits (Refer Note 1(h)) there were no material contingent assets or liabilities of a significant value at balance date.

(b) The ongoing nature of the Board's investment program results in the likelihood of commitments having been entered into prior to the close of the year for which draw down is scheduled in succeeding years.

(c) Uncertain tax position - draft legislation

The Australian government has issued draft legislation relating to stages three and four of the Taxation of Financial Arrangements (TOFA). The draft legislation proposes changes to the tax-timing treatment of hedging transactions (amongst other changes). The Board is currently assessing the possible impact, if any, that these changes will have on the Scheme's tax position. No liability has been recognised in respect of this.

(d) Operating lease commitments

Operating lease expenditure contracted for is payable as follows:

	2010	2009
	$	$
Not later than a year	515,865	495,924
Later than one year but not later than five years	2,280,210	2,796,075
Total	2,796,075	3,291,999

Note 22 Significant Post Balance Date Events

On 26 August 2010 the Board announced that it had agreed in principle to a merger with the superannuation fund for Brisbane City Council employees, Brisbane City Council Superannuation Plan. Subject to the outcome of an extensive due diligence process, the merger transfer date is expected to take place prior on 30 June 2011.

There have not been any other matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Scheme.

Note 23 Risk Management

(a) General Financial Instruments

The Scheme's assets are principally financial in nature comprising quoted and non-quoted equity investments, property (direct & indirect), fixed interest investments, units in listed and unlisted trusts, cash/short term deposits and a variety of derivative financial instruments. These investment assets are managed by Board appointed investment managers in accordance with specific investment mandates and according to the Board's investment beliefs and long term strategic objectives. The Board's general investment objectives are to ensure assets are adequately diverse, have appropriate levels of liquidity and are sufficient to meet benefit payments when due.

The allocation of funds to various asset classes is based on attainment of objectives while controlling risk and acting on advice from external asset consultants. Divergence from target asset allocations and the composition of the portfolios is monitored by the Scheme's Management on at least a monthly basis.

The Scheme's investing activities expose it to the following risks:

- market risk (including currency risk, interest rate risk and asset price risk)
- liquidity risk
- credit risk

The nature, extent and sensitivity of exposures arising from the Board's investment portfolio are discussed and quantified below. This note presents information about the Board's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board is responsible for developing and monitoring the Scheme's risk management policies, including those related to its investment activities. The Board's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Board's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. To assist in carrying out its risk management responsibilities the Board receives monthly performance and risk management reports from its master custodian.

(b) Market Risk

Market risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates, interest rates, asset prices and other prices and derivatives contracts tied to these assets. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Share price and bond futures may be used by external managers engaged by the Board to hedge against adverse price movements in the value of financial assets. Further, these managers enter into derivative transactions, for example futures contracts, to further mitigate market risks.

Currency Risk

Currency risk is the risk that the value or future cash flows of an asset will fluctuate due to changes in foreign exchange rates.

As a result of significant investments held in foreign markets, the Scheme's financial position can be affected significantly by movements in overseas currency when translated into Australian dollars. The Board manages the Scheme's exposure to foreign currency risk and mitigates the effects of its foreign currency translation exposure by adhering to the Scheme's investment strategy and mandates, which limits the portion of the Scheme's assets which can be invested in foreign currencies in addition to taking out forward foreign exchange contracts to offset currency risk. This foreign exchange policy is monitored on an ongoing basis throughout the year.

The Scheme's total net exposure in Australian Dollars to foreign currency risk at the balance sheet date for both monetary and non-monetary financial instruments was as follows

30 June 2010

	AUD $'000	USD $'000	JPY $'000	EUR $'000	GBP $'000	Other $'000	Total $'000
Gross Investment Assets	2,510,669	604,343	172,331	232,481	148,954	208,118	3,876,896
Foreign exchange Contracts - Notional exposure value	1,042,282	-473,944	-147,861	-222,753	-115,270	-82,454	0
Net Investment Assets	3,552,951	130,399	24,470	9,728	33,684	125,664	3,876,896

30 June 2009

	AUD $'000	USD $'000	JPY $'000	EUR $'000	GBP $'000	Other $'000	Total $'000
Gross Investment Assets	2,676,029	335,712	54,190	97,208	61,441	93,046	3,287,626
Foreign Exchange Contracts - Notional exposure value	303,449	-196,165	-30,586	-47,298	-29,614	-29,786	0
Net Investment Assets	2,979,478	139,547	23,604	49,910	31,827	63,260	3,287,625

Sensitivity Analysis

A reasonably likely strengthening of the AUD against the following currencies at 30 June would have decreased net assets available to pay benefits by the amounts shown below. In accordance with paragraph B23 of Appendix B of AASB 7, this analysis excludes the currency risk that may arise from financial instruments that are non-monetary items, for example equity investments. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the Asset Price Risk analysis shown below.

It should be noted that this sensitivity analysis also excludes the impact of forward foreign exchange contracts which effectively hedge 100% of the currency exposure of the Scheme's fixed interest overseas investments. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2009.

	Volatility Factor +/- % Reflecting a Stronger AUD	Effect on Net Assets Available to Pay Benefits +/- $'000 Gain/(Loss)
30 June 2010		
US Dollars	11.4%	-30,825
Japanese Yen	14.2%	-15,717
Euro	9.6%	-14,521
British Pounds	10.7%	-9,076
Other	10.6%	-1,239
		-70,378
30 June 2009		
US Dollars	11.5%	-24,998
Japanese Yen	14.2%	-4,552
Euro	9.5%	-10,382
British Pounds	10.7%	-8,349
Other	10.5%	-1,951
		-50,231

The same percentage weakening of the AUD against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

Interest rate risk arises from changes in interest rates and the subsequent impact on the underlying asset.

The significant portion of the Scheme's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mostly mature or reprice in the short term. As a result, the Scheme is subject to limited exposure to interest rate risk resulting from fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Scheme are invested in short-term commercial paper with a term to maturity of up to three or six months. Investments in debt securities can be fixed or variable rate with various terms to maturity.

The interest rate profile of the Scheme's interest-bearing financial instruments as at 30 June 2010 was:

	Floating Interest Rate $'000	Fixed Interest rate $'000	Non-interest Bearing $'000	Total $'000
Assets				
Cash & Cash Equivalents	348,852			348,852
Deposits held with Brokers	4,470			4,470
Receivables			30,373	30,373
Equity investments			976,541	976,541
Direct property investments			66,729	66,729
Unit trusts			1,453,692	1,453,692
Discount securities	16,287			16,287
Fixed interest investments	134,790	907,228		1,042,018
Derivatives	40	2,738	1,980	4,758
	506,439	**909,966**	**2,529,315**	**3,945,720**
Liabilities				
Payables	8,736	2,461	89,719	100,916
	8,736	**2,461**	**89,719**	**100,916**
Net Investment Assets	**497,703**	**907,505**	**2,439,596**	**3,844,804**

The interest rate profile of the Scheme's interest-bearing financial instruments as at 30 June 2009 was

	Floating Interest Rate $'000	Fixed Interest rate $'000	Non-Interest Bearing $'000	Total $'000
Assets				
Cash & Cash Equivalents	298,262			298,262
Deposits held with Brokers	6,985			6,985
Receivables			15,899	15,899
Equity investments			764,270	764,270
Direct property investments			71,023	71,023
Unit trusts			1,709,701	1,709,701
Discount securities	93,161			93,161
Fixed interest investments		344,618		344,618
Derivatives			-3,179	-3,179
	398,408	**344,618**	**2,557,714**	**3,300,740**
Liabilities				
Payables			13,114	13,114
	0	**0**	**13,114**	**13,114**
Net Investment Assets	**398,408**	**344,618**	**2,544,600**	**3,287,626**

Sensitivity analysis for fixed rate and variable rate instruments

Potential increases in interest rates applying to fixed rate instruments as at 30 June would have decreased net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis was performed on the same basis for 2009.

	2010	2009
Volatility Factors	+/-	+/-
	Reflects higher Interest Rates	Reflects higher Interest Rates
Fixed rates		
* Australian	3.0%	3.0%
* International	2.5%	2.5%
Variable rates		
* Australian	0.6%	0.6%
* International	0.5%	0.5%
Effect on Net Assets Available to Pay Benefits	$'000	$'000
	+/-	+/-
	-22,833	-9,426

The same percentage fall in interest rates as at 30 June would have had the equal but opposite effect on net assets available to pay benefits to the amounts shown above, on the basis that all other variables remain constant.

Asset Price Risk

Asset price risk is the risk that the value of investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, or factors affecting all instruments traded in the market. As changes in the value of investments are recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net investment income.

To limit market price risk the Board diversifies its investments in line with the Scheme's investment strategy which is reflected in the individual manager investment mandates. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable domestic and international exchanges or through units in wholesale trusts. The Board monitors the

Scheme's exposure to various indices on an ongoing basis throughout the year to ensure investment mandates are not being breached. In addition, price risk may be hedged using derivative financial instruments such as options or futures.

Sensitivity analysis

The effect on net assets available to pay benefits of reasonably possible changes in market factors, as represented by the relevant market indices as at 30 June, are shown below:

	2010	2009
Volatility Factors - by Asset Class	+/-	+/-
	Reflects higher Asset Prices	Reflects higher Asset Prices
Australian equities	28.5%	36.6%
International equities	24.5%	27.7%
Australian listed property	20.5%	26.6%
Global listed property	19.7%	26.1%
Fund of hedge funds	8.3%	9.1%
Futures	20.1%	9.9%
Emerging markets	10.5%	10.3%
Effect on Net Assets Available to Pay Benefits	$'000	$'000
	+/-	+/-
	602,255	949,651

The same percentage weakening of market indices as at 30 June would have had the equal but opposite effect on net assets available to pay benefits to the amounts shown above, on the basis that all other variables remain constant.

(e) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's most significant financial liability is the payment of benefits to eligible members. Other financial liabilities of the Scheme comprise trade and other payables as well as foreign exchange forward contracts.

The Board's approach to managing liquidity is to ensure, as far as possible, that under normal operating conditions it will always have sufficient liquidity to meet its liabilities when due.

However, the Scheme's assets include investments in unlisted investments, direct property and infrastructure, which are not traded in an organised public market and which generally may be illiquid. As a result, the Board may not be able to liquidate some investments at an amount close to their fair value in order to meet immediate liquidity requirements.

The Scheme's listed securities are considered to be readily realisable as they are all listed on major stock exchanges.

The Scheme's liquidity risk is managed on a daily basis by senior management staff in accordance with specific risk management policies and procedures adopted by the Board. The Scheme's overall liquidity risks are also monitored on a monthly basis by the Board.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

The table summarises the maturity profile of the Scheme's financial liabilities and gross settlement derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

As at 30 June 2010

2010	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	1-2 years $'000	More than 2 years $'000	Total $'000
Non - derivatives						
Unsettled purchases	49,712					49,712
Accounts payable	4,756					4,756
Total non - derivatives	**54,468**	**0**	**0**	**0**	**0**	**54,468**
Derivatives						
Gross settled derivatives						
Forward currency contracts	647,691	472,129	221			1,120,041
Futures		-41,591	57,502	-65,876		-49,965
Options	-9,610	-807,744	-234			-817,588
Swaps			1,658		20,180	21,838
Total derivatives	**638,081**	**-377,206**	**59,147**	**-65,876**	**20,180**	**274,326**

As at 30 June 2009

2009	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	1-2 years $'000	More than 2 years $'000	Total $'000
Non - derivatives						
Unsettled purchases	13,038					13,038
Accounts payable	3,307					3,307
Total non - derivatives	**16,345**	**0**	**0**	**0**	**0**	**16,345**
Derivatives						
Gross settled derivatives						
Forward currency contracts	1,163	305,992				307,155
Futures	-5,881	-364,753	406,276	49,587		85,229
Options	-7,979	86,561				78,582
Swaps				-297	1,687	1,390
Total derivatives	**-12,697**	**27,800**	**406,276**	**49,290**	**1,687**	**472,356**

(iii) Credit Risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in the credit risk of that instrument. The Scheme's investment managers have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Scheme's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as shown in the Statement of Net Assets.

At the reporting date, the Scheme's financial assets exposed to credit risk were as follows:

	30-Jun-10 $'000	30-Jun-09 $'000
Cash and cash equivalents	320,219	305,887
Investments in debt instruments	1,042,021	438,760
Contributions receivable	7,271	7,119
Unsettled investment sales and income receivable	21,306	16,403
	1,390,817	768,169

Apart from cash held under custody by the Scheme's master custodian, all cash controlled directly by the Scheme was deposited in accounts with the Commonwealth Bank, the National Australia Bank, the ANZ Bank and the Westpac Bank. Bankruptcy or insolvency of these banks may cause the Scheme's rights with respect to the cash held with these banks to be delayed or limited. The Board monitors its risk by monitoring the credit rating of these banks, as reported by Standard and Poor's. If the credit quality or the financial position of any of these banks deteriorates significantly, the Board will move the cash holdings to another bank.

The credit quality of debt instruments is managed by the Board using commercial credit rating systems such as Standard & Poor's, in accordance with the investment strategy of the Scheme. The table below shows the credit quality of the debt instruments held by the Scheme as at balance date.

	AAA to AA-	A+ to A-	BB+ to BBB-	CCC+	Total
	$'000	$'000	$'000	$'000	$'000
2010	839,220	134,232	68,275	294	1,042,021
2009	310,589	99,445	28,726		438,760

Credit risk associated with contributions receivable is considered small as there is usually a short settlement period as the receivable relates to timing differences in respect of the receipt of contributions from participating employers.

The credit risk relating to unsettled transactions is considered small due to the short settlement period involved. Substantially all of the assets of the Scheme are held in custody by JP Morgan Chase Bank. Bankruptcy or insolvency of the custodian may cause the Scheme's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors its risk by monitoring the credit quality and financial position of the custodian.

CERTIFICATE ON BEHALF OF THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

The Queensland Local Government Superannuation Board has prepared the foregoing Annual Financial Statements of the Local Government Superannuation Scheme pursuant to the provisions of the Trust Deed of the Local Government Superannuation Scheme dated 5 April 1995, as amended and on behalf of the Superannuation Board we certify that:-

In the opinion of the Board

(a) the financial statements set out on pages 1 to 26 are drawn up so as to present fairly the net assets of the Scheme as at 30 June 2010 and the changes in net assets for the year then ended

(b) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans, other applicable Australian Equivalents to International Financial Reporting Standards, the provisions of the Trust Deed and relevant legislative requirements, and

(c) the Scheme has operated in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations, the Corporations Act 2001, Regulations and Guidelines and Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2010

Brian D Roobig
Chairman

David J Todd
Chief Executive Officer

Paul V Bell
Director

Date

Local Government Superannuation Scheme ABN 23 053 121 564 Independent report by the Approved Auditor to the trustee and members.

Financial statements

I have audited the financial statements of the Local Government Superannuation Scheme for the year ended 30 June 2010 as set out on pages 1 to 27 attached.

Trustee's Responsibility for the financial statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the SIS Act and the Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations). The trustee's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of the Local Government Superannuation Scheme.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the net assets of the Local Government Superannuation Scheme as at 30 June 2010 and the changes in net assets for the year ended 30 June 2010.

27 October 2010

R D Muller

As Delegate of the Auditor-General of Queensland

Brisbane

ATTACHMENT

Summary of Actuarial Report - 2009

ACTUARIAL STATEMENT FOR THE PURPOSE OF AUSTRALIAN ACCOUNTING STANDARD (AAS25)

This statement has been prepared at the request of the Trustee of the Scheme and sets out the value of Accrued Benefits and other actuarial information required under AAS25 in respect of the Scheme and specifically the Defined Benefit Fund, for disclosure in the financial statements of the Scheme.

Results

For the disclosure purposes of AAS25 the Accrued Benefits under the Scheme as at 30 June 2009 are determined to be:

Defined Benefits Fund	$969.2m, or $963.7m (net of offset accounts)
Accumulation Benefits Fund	$2,354.3m

The aggregate amount of Vested Benefits at 30 June 2009 was:

Defined Benefits Fund	$958.6m, or $954.1m (net of offset accounts)
Accumulation Benefits Fund	$2,309.1m

The market value of assets of the Scheme at 30 June 2009 was $3,353.4m of which $992.7m was attributable to defined benefits.

Method

"Accrued Benefits" have been determined as the present value of expected future benefit payments that arise from membership of the Scheme up to the investigation date.

Projected Benefits are determined as the benefits payable to defined benefit members under each of the possible contingencies provided under the rules of the Scheme at any future date, taking into account expected future salary increases.

The proportion of Projected Benefits taken into account is determined as:

$$\text{Projected Benefit} \times \frac{\text{Completed Service at Measurement Date}}{\text{Service at Date of Projected Payment}}$$

The total Accrued Benefits calculated are then subject to a minimum of total Vested Benefits.

The method of determining Accrued Benefits has been applied in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by The Institute of Actuaries of Australia.

Data and Assumptions

The assumptions and data used to calculate Accrued Benefits were the same as for the actuarial investigation of the Scheme as at 30 June 2009. The financial assumptions may be summarised as follows:

Discount Rate (active defined benefit members)	7.0% pa
Future Salary Increases:	5.5% pa

The discount rates are considered to be a reasonable expectation of actual future Scheme returns over the average expected term of the benefit liabilities in the light of the Scheme's present investment strategy and taxation position.

Summary of Actuarial Report

AAS25 also requires the notes to the Scheme's accounts to include a summary of the most recent actuarial report of Schemes. The attachment to this statement provides a summary of my report on the actuarial investigation of the Local Government Superannuation Scheme carried out as at 30 June 2009. The summary has been prepared in accordance with Professional Standard 401 issued by the Institute of Actuaries of Australia and contains information required under AAS25.

John Smith BA (Maths)
<u>Fellow of the Institute of Actuaries of Australia</u>
22 December 2009

Attachment to AAS25 Statement

Local Government Superannuation Scheme

Summary of Actuarial Report

This attachment provides a summary of the report on actuarial investigation of the Local Government Superannuation Scheme as at 30 June 2009, including the Actuary's opinion as to the financial condition of the Scheme.

Data

The actuarial investigation was based on 5,050 defined benefit members. The net value of assets attributable to defined benefit members was taken as at 30 June 2009 to be $998.2m (setting aside offset accounts for the purpose of the review).

Financing Method and Recommendations

The financing method adopted is to target coverage of vested benefits.

Based on this financing method and the actuarial assumptions set out in the actuarial report, the actuary noted the prescribed employer contributions and made specific recommendation regarding financial management, including reserving and investment strategy.

The actuary also recommended that the next full actuarial investigation be made on or before 30 June 2012.

Financial Condition

The coverage of various measures of defined benefit liabilities by assets at 30 June 2009 was as follows (adjusted for offset accounts).

	Assets $	Benefits $	Ratio * %
Coverage of Vested Benefits	998.2	959.6	104
Coverage of Accrued Benefits	998.2	969.2	103

* These ratios consider only defined benefit liabilities.

These ratios are currently considered satisfactory.

The Queensland Local Government Superannuation Board

Financial Statements for the year ended 30 June 2010

ABN 94 085 088 484
AFS Licence No. 230511

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

I N D E X

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

DIRECTORS' REPORT

Your directors submit their report on the accounts of the Board for the financial year ended 30 June 2010.

DIRECTORS

The names of the directors in office during the financial year and as at the date of this report are -

Mr B D Roebig OAM
Cr. P V Bell AM
Mr N P Cass
Ms F Connor
Mr P J Smith
Cr. P M Taylor
Cr L R Tyrell OAM

PRINCIPAL ACTIVITY

The Board acts as trustee for the Local Government Superannuation Scheme. This trusteeship is the sole activity of the Board, and there was no change in this activity during the financial year.

OPERATING RESULT

The Board did not trade in its own right during the current or previous financial year.

REVIEW OF OPERATIONS

Throughout the year, the Board has continued to act as trustee for the Local Government Superannuation Scheme. The Scheme is a superannuation fund used to provide superannuation benefits for current and previous employees (and their member spouses) of Local Government employers in Queensland, Australia.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26 August 2010 the Board announced that it had agreed in principle to a merger with the superannuation fund for Brisbane City Council employees, City Super. Subject to the outcome of an extensive due diligence process, the merger is expected to take place prior to 30 June 2011.

There have been no other significant events occurring after balance date which may affect either the Board's operations or results of those operations or the Board's state of affairs.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Board is not subject to any particular or significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During or since the financial year, the Board has paid premiums from the Scheme in respect of a contract insuring all of the directors of the Queensland Local Government Superannuation Board against costs incurred in defending legal proceedings against them. Pursuant to section 300(a) of the Corporations Act, disclosure of the nature of the liability and the amount of the insurance premium is prohibited by the insurance contract.

DIRECTORS' MEETINGS

During the year ended 30 June 2010, Directors' meetings were held. The number of meetings at which Directors were in attendance is as follows:-

Name	Number of meetings held whilst in office	Meetings attended
Mr B D Roebig OAM	11	11
Cr P V Bell AM	11	8
Ms I Connor	11	11
Cr P M Taylor	11	11
Mr N P Cass	11	11
Mr P J Smith	11	10
Cr L R Tyrell OAM	11	10

DIRECTORS' BENEFITS

During or since the financial year, no director of the Board has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the accounts, by reason of a contract entered into by the Board or an entity that the Board controlled or a body corporate that was related to the Board when the contract was made, or when the director received, or became entitled to receive the benefit with:-

- a director; or
- a firm of which a director is a member; or
- an entity in which a director has a substantial financial interest.

Signed in accordance with a resolution of directors

Brian D Roebig
Chairman

Paul V Bell
Director

David J Todd
Chief Executive Officer

Dated at Brisbane this 26th day of October 2010.

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the Queensland Local Government Superannuation Board we state that:

In the opinion of the directors:

(a) the financial statements and notes of the Board are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Board's financial position as at 30 June 2010 and of the Board's performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations; and

(b) there are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Brian D Roebig
Chairman

Paul V Bell
Director

David J Todd
Chief Executive Officer

Dated at Brisbane this 20th day of October 2010

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenues		-	-
Expenses		-	-
Profit Before Income Tax Expense	3	-	-
Income Tax Expense		-	-
Net Profit for the period			

The Income Statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58–60

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	2010 $	2009 $
Cash Flows From Operating Activities	-	-
Cash Flows From Investing Activities	-	-
Increase/(Decrease) in Cash Held	-	-
Cash at the Beginning of the Financial Year	-	-
Cash at the End of the Financial Year	-	-

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58–60

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 $	2009 $
Assets		-	-
Total Assets		-	-
Liabilities		-	
Total Liabilities			-
Net Assets		-	-
Equity			
Contributed Equity	4	-	-
Total Equity		-	-

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58–60

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Equity $
At 1 July 2008	-
Profit for the year	-
At 30 June 2009	
At 1 July 2009	-
Profit for the year	-
At 30 June 2010	-

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58–60

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The Queensland Local Government Superannuation Board is a statutory corporation formed under the *Local Government Act (Queensland) 1993* that is incorporated and domiciled in Australia. The registered address of the Board is Level 17, 333 Ann Street, Brisbane Queensland.

The Board acts solely as trustee of the Local Government Superannuation Scheme. The Board has no beneficially owned assets – all scheme assets are held for the benefit of members.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Directors have determined that the corporation is not a reporting entity and accordingly this financial report is a special purpose report prepared to meet the lodgement requirements of the corporation's Australian Financial Services licence. The accounting policies used in the preparation of this report, as described below, are consistent with previous years, and are, in the opinion of the directors appropriate to meet the needs of ASIC and the directors. The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

(b) Statement of Compliance

Compliance with IFRS
This financial report does not comply with International Financial Reporting Standards (IFRS).

(c) Change in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(d) Trustee Obligations

The Board in its capacity as trustee incurs liabilities on behalf of the Local Government Superannuation Scheme. During the year all liabilities incurred by the Board have been in accordance with the Trust Deed. In respect of the Trustee liabilities, the Board has a right to be indemnified out of the assets of the Scheme.

These financial statements have been prepared for the Board and as such do not record the assets and liabilities of the Scheme. At balance date, the assets of the Scheme are sufficient to meet its liabilities. The assets of the Scheme are not available to meet any liabilities of the Board acting in its own right.

3. PROFIT FROM ORDINARY ACTIVITIES

All expenditure incurred in administering the Local Government Superannuation Scheme is reimbursed from the trust funds. Accordingly, there was no result for the financial year nor was there any information concerning profit and loss account items required to be disclosed.

4. CONTRIBUTED EQUITY

	2010 $	2009 $
Issued and paid up capital	-	-

5. DIRECTORS' REMUNERATION

No remuneration has been received, nor is due and receivable, by the directors from the Queensland Local Government Superannuation Board. Instead, remuneration is paid from the Scheme and declared in the audited Scheme financial statements.

No amounts have been paid to superannuation funds from the Queensland Local Government Superannuation Board, in connection with the retirement of the directors of the Board. Instead, superannuation, as with remuneration is paid from Scheme monies.

6. RELATED PARTY TRANSACTIONS

(a) Directors

The names of each person holding the position of Director of the Board during the financial year are:

Mr B D Roebig OAM
Cr P V Bell AM
Mr N P Cass
Ms F Connor
Mr P J Smith
Cr P M Taylor
Cr L R Tyrell OAM

The directors of the Board have received remuneration as a consequence of their position as directors and this is paid by the Scheme and declared in the audited Scheme financial statements.

(b) Other Related Party Transactions

The Board acts solely as trustee for the Queensland Local Government Superannuation Scheme.

7. SEGMENT INFORMATION

The Board operates solely as trustee for the Queensland Local Government Superannuation Scheme and operates in Australia only.

8. AUDITORS REMUNERATION

The Board's auditor is the Auditor General of Queensland. Audit fees are paid directly by the Board from the Local Government Superannuation Scheme.

INDEPENDENT REPORT BY APPROVED AUDITOR TO THE MEMBERS OF

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

Report on the Financial Report

I have audited the accompanying financial report, being a special purpose financial report, of the Queensland Local Government Superannuation Board which comprises the balance sheet as at 30 June 2010, and the income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. No opinion is expressed as to whether the accounting policies used, as described in Note 2, are appropriate to meet the needs of the members. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Queensland Local Government Superannuation Board on 26 October 2010, would be in the same terms if provided to the directors, as at the date of this auditor's report.

Auditor's Opinion

In my opinion –

(a) the financial report of the Queensland Local Government Superannuation Board is in accordance with the *Corporations Act 2001*, including –

 (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2; and

 (ii) complying with Australian Accounting Standards to the extent described in Note 2 and complying with the *Corporations Regulations 2001*.

27 October 2010

R D Muller

As Delegate of the Auditor-General of Queensland

Brisbane

→ 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)
Deloitte, 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 Insurer
AIA Australia Limited